

THE ECONOMIST

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

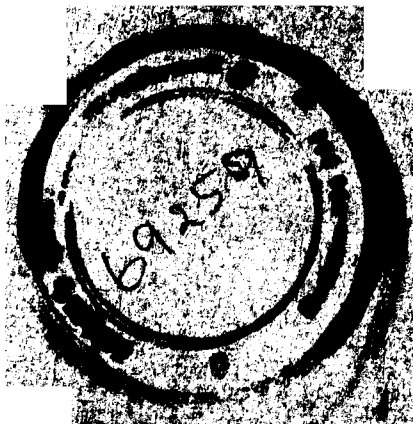
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QUARTERLY INDEX

Eleventh-Hour Reprieve

AS we go to press, word comes from Munich that the two democratic premiers and the two dictators have reached agreement in principle, and that it only remains to settle questions of detail and technique. All of us have looked over the precipice and seen a vision of the hell of totalitarian war, which would have been waged with all the devilry and ruthlessness of modern science. We are to-day reprieved; and in every country men and women will utter a prayer of thanksgiving.

Those who have lived through these last three weeks will remember them all their lives as a period when events of the most momentous importance came rushing on top of each other with a speed that defied the contemporary chronicler and will confuse the future historian. Three times we have been within hours of war; and three times a last effort has succeeded at least in postponing the disaster. And this week, when the danger seemed most real and most urgent, the *dénouement* has been the most dramatic of the series.

Palmas qui meruit ferat. The man who has worked most assiduously for peace is the man who deserves the lion's share of the credit for the fact that war has been averted. That man is Mr Neville Chamberlain. The Prime Minister's conduct of foreign policy has been severely criticised in the past, not least in these columns. Doubtless it will fall under criticism again in the future. But for the present the world owes to Mr Neville Chamberlain a tribute of unstinted and unqualified gratitude for the magnificent perseverance and tenacity with which he has refused to abandon the search for peace. If, when the

Munich agreement has had time to reveal its full significance, it appears that a really peaceful settlement has been achieved—one which, without necessarily solving all problems at once, nevertheless turns the face of the world towards peace rather than war—Mr Neville Chamberlain will be sure not only of our present gratitude but of his place in history. And if tributes are being distributed, we must not fail to send one of deep gratitude and very sincere sympathy to the Czechs, who have proved in ample measure their astonishing courage, their self-control and the true nobility of their national character. President Benes, who has borne his awful responsibility in solitary dignity, has become one of the great figures of the world, elevated by the abuse that has been showered upon him. It is by his suffering, and that of his people, that we others have been saved.

The seven days that have passed since the last issue of

This issue of *The Economist* was on the point of going to press when the news of the Munich agreement arrived. In the circumstances, some of the contents of later pages have fortunately lost their immediate point. But no apology is needed for presenting to our readers information which is still of far more than merely academic interest.

The Economist was written began at Godesberg on the Rhine. Mr Chamberlain arrived there on Thursday, September 22nd. A week earlier at Berchtesgaden, as we now know, he had been faced with the blunt alternative of self-determination for the Sudeten Germans (meaning their incorporation in the Reich) or immediate war. In a week, and by the exercise of unprecedented pressure on the Czech Government, the Prime Minister had secured the recognition of "self-determination." It was accepted in principle that all those areas of Czechoslovakia with more than 50 per cent. of German-speaking inhabitants were to be ceded to Germany without plebiscite. When Mr Chamberlain arrived at Godesberg he thought—and was justified in thinking—that he had obtained for Herr Hitler what was demanded. He was quickly disillusioned. Throughout his career, Herr Hitler has always made the concession of one demand the pretext for demanding more. He now presented the Premier with the utterly unreasonable demands of the "Memorandum" which has since grown notorious. This document is printed on another page, together with a map which illustrates the difference between the so-called Anglo-French plan and the solution demanded, with all the brutality of a conqueror, by Herr Hitler. The most revealing, and the most sinister, feature of the ultimatum was that it proposed the wholly impossible time limit of October 1st—a date which appeared for the first time, be it noted, at the very end of the Godesberg meetings, late on the evening of September 23rd.

Herr Hitler had manifestly overplayed his hand. All that Mr Chamberlain could do was to remit the memorandum to Prague, but without any suggestion that it should be accepted. Already on Friday, when it was seen how the conversations were going, the British and French Governments had withdrawn their previous advice to Czechoslovakia against mobilisation; and during that night the Czech army was placed upon a full war footing.

PREPARING FOR WAR

The terms of the German ultimatum were not generally known when Mr Chamberlain returned to London on Saturday, and for the moment there was a certain increase in optimism. But when, over the week-end, the nature of the terms leaked out, when it was known that Czechoslovakia had rejected them, when the French Ministers arrived in London and were joined, not by the diplomats who draft agreements, but by the Commander-in-Chief, the public realised that the situation had changed for the worse rather than for the better. Hopes were not, however, quite dead. It was announced that Herr Hitler was to make a speech in Berlin that evening, and from two different quarters, attempts were made to influence him on the side of moderation. One was a letter which the Prime Minister sent by Sir Horace Wilson to Berlin, and which Herr Hitler received before he spoke (its text, together with that of the other vital documents, will be found on a later page). The other was from a source hitherto silent; President Roosevelt addressed an appeal both to Herr Hitler and to M. Benes, pleading for a peaceful settlement. But Herr Hitler's speech when it came was harsh and uncompromising; it must have been the most abusive utterance that the head of a State has ever delivered. The time limit of October 1st was reiterated, and the most open threat made that if the Sudeten territories (on Herr Hitler's own generous interpretation) were not given to him by that day he would take them. Even so, Monday's events were not over, for there were two more statements from London. One was categorical and all-important, though it was issued through unofficial channels. It said that if Czechoslovakia were attacked "the immediate result must be that France will be bound to come to her assist-

ance and Great Britain and Russia will certainly stand by France." The second was a midnight appeal from Mr Chamberlain to Herr Hitler. The reason given by the Fuehrer for his time limit was that he could not trust the Czechs to carry out their promises. Mr Chamberlain accordingly offered to guarantee their fulfilment.

On Tuesday, all these efforts seemed to have been in vain. The reply that Herr Hitler gave Sir Horace Wilson to bring back to London was uncompromising; so was the answer sent to President Roosevelt. And the fact that neither Mr Roosevelt's appeal nor Mr Chamberlain's was published in the German Press seemed to show more clearly than any actions that the Nazi chieftains were determined to lead the German people blindfold into war. There seemed to be nothing to do but to prepare for the inevitable. The British Navy was mobilised; various categories of military reserves were called up; and all over the country, especially in London, feverish preparations for imminent war went forward. The nations of Europe seemed to be ranging themselves in battle array. On the one side stood Germany, apparently committed by Herr Hitler's speech to an attack on Czechoslovakia on Saturday, October 1st. At the other end of the Rome-Berlin axis, Signor Mussolini has been prolific with statements that could only be interpreted as meaning that he would fight by Germany's side. But there is no question that such a war would be unpopular with the Italian people, and there has been a notable lack of any mobilisation orders or war preparations in Italy. There are many shrewd observers who will not believe in Italian armed support for Germany until it is given. Germany's other potential allies had disappeared in the face of Anglo-French determination. Poland, with some agility, had by Wednesday climbed back upon the fence of neutrality. The Hungarian Government was attempting to do the same. On the other side of the crystallising battle-line, it seemed that Czechoslovakia could count on three mighty allies. France was committed by her treaty. M. Litvinoff's declarations, and the massing of the Russian army in the Western Ukraine, indicated that Russia also would honour her obligations. And, finally, the British declaration of Monday evening, together with the obvious preparations for war, removed all doubts that Great Britain, too, would play her part. There had been no official declaration of policy from Roumania—important not only in herself but also as the link between Czechoslovakia and Russia—but all the indications were that she too would assist her neighbours.

THE FINAL EFFORT

Until Wednesday afternoon it looked, therefore, as if Germany, with the possible help of Italy, would within a very few hours find herself at war with Britain and France in the west and with Czechoslovakia, Russia and Roumania in the east. But Mr Chamberlain's efforts were not yet at an end. In a broadcast on Tuesday evening, together with the plain statement that he considered the Godesberg memorandum "unreasonable" and that, though a man of peace, he would resist any nation that "had made up its mind to dominate the world by fear of its force," he coupled an offer to go to Germany yet a third time if any useful purpose could be served. This offer was repeated in a further letter to Herr Hitler, and at the same time Signor Mussolini was asked to join in the appeal for delay. This Signor Mussolini, to his credit, immediately did. In response, Herr Hitler agreed to postpone for twenty-four hours the mobilisation of the German army, which had apparently been planned for Wednesday afternoon. And, dramatically, at the end of Mr Chamberlain's speech to the House of Commons, came the news that a meeting not only of Herr Hitler and Mr Chamberlain, but of Signor

Mussolini and M. Daladier as well, was to be held on Thursday afternoon at Munich.

The enthusiasm with which this announcement was greeted in Parliament and throughout the nation and the world was as genuine as it was overwhelming in volume. The fitting of gas masks, the digging of trenches, the evacuation of families have brought home to every one of us both the nearness and the appalling character of war. The wave of relief was a measure of the strain that had been upon the public; there cannot be a member of the community who, in Mr Chamberlain's words, "did not feel his heart leap that the crisis has been once more postponed."

Mr Chamberlain and M. Daladier, on Thursday, bore upon their shoulders a responsibility that no man would envy. Their task was to secure peace—but to secure it in such conditions that it will last more than a few weeks. Peace of a sort could be had for the asking. The acceptance of Herr Hitler's Godesberg terms, perhaps modified in sufficient minor particulars to have the semblance of a concession, and the abandonment of Czechoslovakia to her fate, would have been an easy solution. The temptation was strong. But we trust that Mr Chamberlain and M. Daladier will be found to have resisted it. For if Herr Hitler now achieves what he wants, substantially when he wants it, and substantially in the way he wants it, our own security will hang only by a single thread—Herr Hitler's declaration that he has no more territorial ambitions in Europe. Mr Chamberlain says he is convinced Herr Hitler means what he says. No doubt he does—now. No doubt he sincerely meant it when he undertook in 1935 to respect the territorial provisions of the Treaty of Versailles and to carry out revisions only by peaceful understandings. No doubt he sincerely meant it in May, 1935, when he declared that Germany "neither intends nor wishes to interfere in the internal affairs of Austria, to annex Austria, or to conclude an Anschluss." If our security depends only on Herr Hitler's word, we are at the mercy of his changing moods.

This is not a pleasant thing to say about the head of any State, least of all the most powerful man in Europe. But it is dangerous self-deception not to recognise it as the truth. And the wisdom of Mr Chamberlain and M. Daladier will, in the end, prove to have been in direct

proportion to their realisation of the need for some security stronger than words.

This is, and remains, the crux of the problem. We gave reasons last week for believing that the cession of the Sudeten areas to Germany is not a sacrifice that can be demanded of Czechoslovakia in the name of justice. It can only be justified by the calculus of expediency; it will be right if it preserves and buttresses the peace. This being so, the methods by which the Sudetenland is transferred to Germany are not an inconvenient side-issue; they are the very centre of the problem itself. If this problem is settled in such a way that Germany will be encouraged to further her other ambitions by using the threat of force, then no treaties, no promises, no guarantees will hold the Nazis back. If, on the other hand, the solution is such that German diplomacy is forced to look for other methods, then we shall not have gone through this ordeal for nothing.

As we write, little more is known of the Munich agreement than that it provides for the German occupation of the Sudetenland by stages and for the delimitation of the new frontier by an international commission. The temptation is almost irresistible to thrust aside the precise details of the agreement arrived at in Munich, whatever they may be, and to treat them as of little account beside the magnitude of the universal relief that we have been saved, at the fifty-ninth minute of the eleventh hour, from destruction. But to-day's rejoicings will sound a little flat if it is soon discovered that the great crisis of our civilisation is merely postponed, soon to fall on us again. And they will appear downright foolish if it eventually transpires that this week's work has lessened our powers of resistance to aggression when we come to meet it again. The skeleton at the feast is not a lovable creature. But even at the risk of casting ourselves for this rôle we feel constrained once more to repeat what has been said so frequently in these columns: any agreement with the ambitious dictator-States, whatever its apparent terms, will turn out to be bad and dangerous in so far as it rewards aggression, good and beneficent in so far as it warns the aggressor for the future. We hope that the Munich Agreement, when it comes to be put to the touchstone of experience, will prove to have been a good day's work.

Big Steamers

LAST Tuesday's launching of the giant new Cunarder had been eagerly awaited for a long time. Almost exactly eight years ago, Sir Percy Bates, chairman of the Cunard Company, announced that for the first time in the history of naval architecture it had become possible to plan a weekly service across the Atlantic Ocean with two steamers only in place of the three then in use. The contract for the "Queen Mary," the first of these vessels, was signed as long ago as December, 1931.

At the start, there was no lack of sceptics who doubted the ability of the Cunard Company to carry through such a grandiose programme. It has required a merger of the Cunard and White Star Lines and the grant of Government assistance. But it has been carried through, to the beginning of the last chapter. The building of the "Queen Mary" was a chequered story, and many voices were raised against what was deemed the megalomania of big ships. But in June, 1936, the company, now Cunard-White Star, took the definite decision to proceed with the second ship—the ship that was launched on Tuesday, the largest ever to enter the water.

In the event, the launch provided a poignant scene. The clear voice of the Queen brought a message of comfort and good cheer from the King in these desperately troubled

days before she gave her own name to the vessel. And it was into an unknown future that the "Queen Elizabeth" moved down the slipway. Yet the two-ship plan has been almost completed, and it is possible to examine the likely wisdom and usefulness of the scheme—under normal peace-time conditions.

The building of two 80,000-ton liners is the latest stage in the history of growing size and increasing speed on the North Atlantic sea routes. A hundred years ago the "Syrius," of 703 tons, completed the first Atlantic crossing wholly under steam, taking eighteen days from Cork to Manhattan. In 1840, precisely a hundred years before the "Queen Elizabeth" is nominally due to enter into service, the first Cunarder, the "Britannia," of 1,200 tons, was built. In 1858, the ill-fated and unsuccessful "Great Eastern" threw the shadow of future developments over the Atlantic scene by its unprecedented tonnage of 18,915 tons, which was actually not exceeded until after the dawn of the twentieth century.

International competition increasingly dominated trans-Atlantic travel, and under its spur size and speed rapidly rose. As early as 1849 the Cunard Company was faced with subsidised rivalry from American lines, and thirty-odd years ago the powerful competition of German undertak-

ings began. In 1907 the "Lusitania" and "Mauretania," for the construction of which Cunard had obtained Government help, exceeded 30,000 tons, and their speed was 26 knots, compared with the 6 knots of "Syrius." White Star's "Titanic" and "Olympic," and Cunard's "Aquitania," launched in 1914, were less speedy, but larger, rising to 46,000 tons; and the German "Imperator" and "Vaterland" topped 50,000 tons. When the last war ended, twenty years ago, 50,000-ton boats provided the express services across the Atlantic, operating on a seven-day schedule, although the smaller and speedier "Mauretania" took only five days. The "Aquitania," the "Berengaria" (once Germany's "Imperator") and the "Mauretania" carried Cunard's flag.

To-day the scene has changed. The "Mauretania" and the "Berengaria" have gone to the shipbreakers' yard. The watchword is 80,000-ton ships and a four-day trip. The traffic, too, has altered. In the old days the United States was still being peopled by European immigrants. Now the flow has practically ceased; and the keen competition between British, American, French, German and Italian lines is for tourists and business men. The express steamers cater for a luxury trade. And the question on all sides for many years has been: can it possibly pay?

What, in fact, seems to be the driving force in the race for size, which brought the "Queen Mary" as a riposte to the "Bremen" and "Europa," the "Normandie" as a reply to the "Queen Mary," and the "Queen Elizabeth" as so far the last word? The Cunard-White Star Company deny that publicity or competition in prestige has influenced their policy. This may be true. But, in any case, it may be taken for granted that the Cunard Company, in initiating the programme, and especially the State, in providing means to carry it through, were not solely motivated by the mere desire to have the world's biggest, fastest and most luxurious ships. There must surely be plausible reasons of an economic kind to account for their construction.

It is no secret that in this case size was dictated by speed. Sir Percy Bates's statement of policy in 1930 postulated a weekly service maintained by only two steamers. If a boat could be built to do the trip regularly in four days, to use two steamers instead of three was a feasible plan. The speed needed was determined by the time-factor, that is, by the necessity of keeping the weekly schedule at all seasons and in all conditions of weather—including the time necessary to remain in port at both sides. There are 168 hours in a week. Of these, something like 44 must be spent in port, 8 on the journey from Southampton to Cherbourg, and 5 on the journey from the Ambrose Channel to the pier at New York, leaving 111 hours to do 3,160 miles on the Atlantic itself. Thus an average speed of 28½ knots is a *sine qua non* of the two-ship weekly schedule.

The size of ship needed is in turn decided by the necessity of maintaining an average of 28½ knots, while at the same time providing sufficient saleable passenger (and/or freight) accommodation, or "pay-space," to cover the cost of achieving this speed. That is, the speed once fixed, it determines the ratio between pay-space and non-pay-space, but the pay-space must be sufficiently large to bring in the revenue required. The answer to this calculation, arrived at by Cunard-White Star and the C.G.T., is a gross tonnage of about 80,000 tons: the "Queen Mary" is 81,000 tons, the "Normandie" 83,000 tons and the "Queen Elizabeth" 85,000 tons.

Thus it is easy to see that the exigencies of the Cunard's weekly schedule provide solid and tangible technical reasons for the big ship as we know it in its latest phase. These factors, however, do not exhaust the controversy. Is the super-big ship of 80,000 tons a paying proposition compared with, say, the 50,000 tonner? This question is the more important because in this country public money

has been spent on the giant Cunarders; the assistance given in construction was only in part a method of financing useful public works; and the mail subsidy as well as the help given in insuring the vessels are direct aids. The company has a public responsibility that the 80,000 tonners should pay their way. In actual fact, these huge ships are, admittedly, not the most paying ships. Few would disagree with the view of the American Maritime Commission that the most paying ships on the Atlantic route are the seven-day 20-30,000 tonners, like the Cunard-White Star's own second string, the "Britannic," "Georgic," "Carinthia," "Franconia," "Scythia," etc. But that is not the point at issue. These boats take seven days to make a single crossing; and there is a public demand for a speedier express service. Cunard and the foreign lines have acted accordingly by building faster and bigger ships. Speed, as we have seen, dictates size.

The choice is not between 80,000 tons and 20,000 tons, but between 80,000 and 50,000, or more precisely in the case of Cunard between two 80,000 tonners and three 50,000 tonners. Exact financial details are a closed secret. But, on the revenue side, we can say that the super-big ships may attract a somewhat higher proportion of total trans-Atlantic traffic, at a slightly higher average fare. Their passenger accommodation is not markedly greater than the 50,000 tonners, but their annual turnover of passengers per ship is greater because they get more trips into the twelve months; two 80,000 tonners probably carry considerably more passengers in a year than three 50,000 tonners. At a modest estimate, the total revenue of two giants is possibly at least 10-20 per cent. higher than that of three merely big ships. Thus the question becomes: do two 80,000-ton ships cost more or less than 10-20 per cent. more to run than three 50,000 tonners when all capital charges and overheads are included? In other words, does the "Queen Mary" (or will the "Queen Elizabeth") cost more or less than 65-75 per cent. more to run than the "Aquitania" or "Berengaria"? The answer is, probably, less, since wages and upkeep costs do not rise in exact proportion to size.

In the last resort, of course, the proof of the pudding is in the eating. But, unfortunately, when the pudding comes to be eaten, it will be impossible to distinguish the ingredients. Cunard-White Star own many liners and the state of the company's profit and loss account will reveal little or nothing about the earnings of the "Queen Mary" and the "Queen Elizabeth." Trans-Atlantic traffic is very dependent, now that the stream of emigration has dried up, on the state of trade in America. Extravagant ships may earn their keep in good years, and the most economical vessels lose money in poor years. And, finally, the real question will always be hypothetical: would three 50,000 tonners have done any better? It is at any rate a fact that when Britain had no up-to-date fast ships, as in the early thirties, British vessels lost traffic appreciably to their more modern German rivals. And it is probable that, under normal conditions of trans-Atlantic trade, the best and most remunerative traffic will be secured by the ships which combine the greatest comfort with the highest speed. People will pay extra for these luxuries.

With the launching of the "Queen Elizabeth" on Tuesday, Cunard-White Star underlined their faith in a policy which, all things considered, was probably a wise one. And the launching may also have marked the end of an era in shipping history, the era of increasing size. A weekly sailing with two ships is a reasonable ambition. But there is no great attraction in a sailing every six days, and the weekly sailing with a single ship is a fantastic dream of the future. There is thus no real need for greater speed—and hence no compelling call for greater size. In any case, marine engineers and naval architects are learning to get more speed out of less space. The 80,000 tonner may well prove to be the last word in a long story.

Capital Market Inactivity

THE September quarter rarely breaks any records in new capital statistics, unless, indeed, they happen to be low ones. This year the period has proved more than usually undistinguished. None of the conditions for activity has been present. In addition to normal holiday distractions, the market has been confronted with growing evidence of trade recession and falling industrial profits. And company promoters, underwriters, and investors alike draw in their horns as soon as political clamour is heard. The new issue figures for the past three months, therefore, make no brave show; few have had the courage to be responsible for contributing to the meagre total in recent weeks.

The Economist's statistics of capital issues have now been presented for some years on a dual basis. There has been a considerable growth in recent years of the practice of raising capital not by a public issue of securities but by the "placing" of a block of securities on the Stock

Exchange and by making issues on bonus terms to existing shareholders. Our "old basis" figures exclude these issues, but are comparable with the figures for a long series of years. The "new basis" figures include placings and bonus share issues but are available only for the past four years. Total borrowing by direct public offer (our "old basis" figures) amounted to no more than £19.3 millions between July and September, and of this total, company issues accounted for £17 millions. The more comprehensive "new basis" figures amount to £34.9 millions for the quarter—well under a third of the total of £118.6 millions recorded in the corresponding quarter of 1937, although the latter was swollen to the extent of £75½ millions by the Tithe Redemption and Anglo-Iranian issues. Such quarterly comparisons demonstrate the paucity of new issue business during the past thirteen weeks. But they do not necessarily furnish the best basis for comparing the

TABLE I
TOTAL BORROWING BY DIRECT PUBLIC OFFER (OLD BASIS)
First Nine Months of Each Year
(Million £)

First Nine Months of Year	British				Empire	Foreign	Total Issues	Index 1928 = 100
	Government	Home Corporations*	Others	Total Home				
1928 ...	84.3	10.0	117.3	211.6	52.2	26.9	290.7	100
1929 ...	0.2	7.8	108.7	116.7	56.3	20.1	193.1	66
1930 ...	43.8	33.0	46.3	123.1	38.2	31.3	192.6	66
1931 ...	12.5	6.7	31.5	50.7	38.4	9.2	98.3	33
1932 ...	101.6	27.0	16.5	145.1	17.5	Nil	162.6	56
1933 ...	150.8	20.7	25.8	197.3	24.5	5.3	227.1	78
1934 ...	42.7	16.0	41.3	100.0	24.0	1.4	125.4	43
1935 ...	1.8	48.3	69.7	119.8	9.5	0.2	129.5	44
1936 ...	Dr. 0.8	56.4	61.8	117.4	14.4	0.6	132.4	45
1937 ...	96.8	31.8	65.4	194.0	16.4	1.5	211.9	73
1938 ...	76.8	24.9	30.4	132.1	20.7	2.8	155.6	54

* Including county and public board loans.

TABLE II
ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

	Total for First Nine Months			
	Old Basis		New Basis	
	1937	1938	1937	1938
British Government Loans	96,850,000	76,700,000	144,237,100	76,700,000
Colonial Government Loans	Nil	6,930,000	305,600	7,886,500
Foreign Government Loans	940,000	Nil	2,019,900	Nil
British Corporations, Counties and Public Boards	31,773,800	24,884,700	32,381,000	26,697,700
Colonial Corporation Loans	3,356,800	2,183,900	3,356,800	2,183,900
British Railways	Nil	Nil	Nil	Nil
Colonial Railways	258,000	Nil	258,000	Nil
Foreign Railways	Nil	Nil	96,000	30,100
Australasian Mines	2,942,700	344,600	4,662,800	344,600
South African Mines	3,387,600	4,767,100	14,111,700	5,869,500
Other Mines	1,537,000	858,500	14,588,200	2,790,100
Exploration Financial and Investment Trust	9,616,100	5,541,800	25,367,100	9,294,600
Breweries and Distilleries	2,309,000	2,152,500	8,183,800	4,937,100
Merchants, Importers, etc.	Nil	Nil	25,300	Nil
Stores and Trading	2,844,100	1,540,000	5,568,600	3,030,600
Estate and Land	527,300	123,500	1,181,900	329,100
Rubber	1,846,900	56,200	2,383,200	56,200
Oil	835,200	4,649,100	29,831,400	22,964,500
Iron, Coal, Steel and Engineering	15,571,800	1,337,900	25,082,700	3,584,500
Electric Light, Power, Telegraphs and Telephones	9,217,000	7,171,000	10,777,100	13,321,900
Tramway and Omnibus	406,000	327,900	4,709,500	3,911,400
Motor Traction and Manufacturing	839,000	Nil	2,528,200	Nil
Gas and Water	1,854,100	787,300	5,432,400	2,787,600
Hotels, Theatres and Entertainment	3,487,400	2,715,900	3,861,100	3,127,800
Patents and Proprietary Articles	1,518,700	800,000	3,446,200	1,200,000
Docks, Harbours and Shipping	773,600	Nil	7,422,000	1,114,500
Banks and Insurance	771,100	920,000	7,140,800	920,000
Manufacturing and Miscellaneous	18,461,700	10,715,800	48,160,700	25,180,800
Totals	211,924,900	155,607,700	407,119,100	217,848,000

TABLE III
TOTAL BORROWING, INCLUDING "PERMISSION TO DEAL" (NEW BASIS)
First Nine Months of Each Year
(Million £)

First Nine Months of Year	British				Empire	Foreign	Total Issues	Index 1935 = 100
	Government	Home Corporations*	Others	Total Home				
1935	1.8	51.5	151.8	205.1	19.6	1.4	226.1	100
1936	Dr. 0.8	58.3	162.3	219.8	23.0	5.0	247.8	109
1937	144.2	32.3	171.5	348.0	56.8	2.3	407.1	180
1938	76.8	26.7	64.2	167.7	47.2	2.9	217.8	87

* Including county and public board loans.

TABLE IV
CONVERSION ISSUES (OLD BASIS)
First Nine Months of Each Year
(Million £)

	1933	1934	1935	1936	1937	1938
British Government	50.8	105.0	Nil	Nil	Nil	Nil
Other Conversions	118.1	81.7	125.9	181.1	45.6	19.9
Total	168.9	186.7	125.9	181.1	45.6	19.9

TABLE V
TOTAL COMPANY ISSUES (OLD BASIS)
First Nine Months of Each Year
(Million £)

	1931	1932	1933	1934	1935	1936	1937	1938
Deb.	20.3	0.8	14.3	7.8	20.9	10.7	14.7	16.1
Pref.	6.2	8.0	7.3	13.4	26.8	14.9	16.5	9.2
Ord.	16.9	5.6	6.8	37.0	30.1	48.2	47.9	19.5
Total	43.4	14.4	28.4	58.2	77.8	73.8	79.1	44.8

TABLE VI
TOTAL COMPANY ISSUES (NEW BASIS)
First Nine Months of Each Year
(Million £)

	1935	1936	1937	1938
Debentures	39.6	22.0	22.2	24.3
Preference	41.3	29.8	26.3	15.4
Ordinary	88.5	131.1	176.4	64.6
	169.4	182.9	224.9	104.3

trend in the capital market between one year and another. For that reason the tables which accompany this article provide cumulative figures for the first nine months of the year, during which trade recession and political uncertainty have become increasingly obvious.

The first table on the preceding page shows that total direct borrowing for the past nine months amounted to £155.6 millions, compared with £211.9 millions for the same period of 1937. Taking into account the lack of demand for new industrial capital, this total does not compare unfavourably with the figures for the same periods in 1934 to 1936, when conditions were favourable for raising subscriptions to new industrial issues direct from the public. But practically half of the total for this year to date is attributable to the British Government's operations, which included in particular the second instalment of defence borrowing in June. For the greater part of the period, moreover, the volume of home corporation new borrowing has been fairly well maintained, without entailing any marked indigestion. The main factor in the new capital market during this period is clearly the fall in British borrowing, other than for Government or municipal purposes, from £65.4 millions to £30.4 millions. These figures are the direct measure of the effect of depression on the demand for industrial capital. Empire borrowers have absorbed funds to the extent of two-thirds of those required by British industry, but the proportion in the first nine months of 1937 was no more than one-quarter. And no expansion is to be expected in foreign lending at a time when the balance of payments is markedly adverse to this country and credit-worthy borrowers are scarce.

These conclusions are more strongly confirmed by the more comprehensive figures on the "new basis." New industrial finance under modern conditions is not concentrated in the public new issue market. A succession of industrial prospectuses may create an impression of high activity, as it did a year ago. But comparison of Tables I and III shows that the volume of public money subscribed for new issues is usually of much smaller importance than the amounts raised from shareholders, on bonus or rights terms, or by capitalising reserves. Home industrial issues, which are largely comprehended under the heading "Others" in the third table, show a fall, from £171.5 millions to £64.2 millions, which is substantially heavier than the reduction in direct and indirect official borrowing. The volume of business activity may be largely de-

pendent upon the volume of new capital investment. If so, the comprehensive figures of new capital raised so far this year suggest that, even apart from political factors, no immediate and substantial industrial recovery is to be anticipated.

The impact of the fall in the "new basis" figures on different economic groups may be traced in the second table. The reduction in the capital requirements of heavy industrial companies from over £25 millions to little over £3½ millions is eloquent of changing market and economic conditions. Yet the change occurred while iron and steel profits were still showing a handsome advance over those of the preceding year. As soon as definite evidence of trade recession had accumulated—in other words, by the end of 1937 at the latest—new capital expansion ceased quite abruptly. In the large manufacturing and miscellaneous group, the fall, while less marked, is still of the order of 50 per cent. And the analysis of total company issues in Table VI confirms what has been obvious in recent issue business—the virtual disappearance of the ordinary share issue immediately the security markets begin to hesitate.

The fate of the principal issues of the past quarter (among which are numbered that comparative rarity—a corporation issue in August bank-holiday week) is shown in a supplementary table on page 51. During the past two months, the gathering Stock Exchange crisis has taken toll of the majority of new issues which were made in July. Only one equity share—Beecham's Pills deferred—saves this list from being composed entirely of fixed-interest and preference issues.

It may not now be necessary, after all, to speculate on the fate of the capital market in the event of war. Yet it would be unreasonable to suppose that the need for control over borrowing will disappear in the near future. The authorities have a substantial programme of defence borrowing ahead of them, and they will presumably aim at keeping the market as clear as possible to raise whatever amounts may be necessary at minimum cost. The averting of war at the last moment will restore gilt-edged prices to more normal levels. And there is no reason to suppose that the authorities would be unable to bend the gilt-edged market to their will, provided that borrowing was tactfully based on the larger purpose of public finance—neither to give anything unneeded away, nor to extract the last dram from a market which cannot work satisfactorily under conditions of considerable strain.

Topics of the Week

The Nation and the Crisis.—Until hope dawned again on Wednesday, the tragic drama of preparation for war unfolded with gathering speed seemingly to an inevitable end. There have lately been those who have said falsely that democracy could not voluntarily face crisis with resolute action; and others have said, with perhaps more truth, that we were not entirely ready with men and equipment to defend ourselves at home. In the last few days the critics have been more than confounded; men and women in hundreds of thousands have rallied coolly and calmly to an urgent call; and the authorities, central and local, have caught up with astounding speed the leeway in air raid precautions and anti-aircraft defences which had only recently troubled clear-sighted observers. Sir Samuel Hoare's announcement on September 22nd that a great A.R.P. publicity campaign would begin on October 3rd was outdated as soon as it was uttered. That very day centres for the fitting of gas-masks were established in Westminster; and the Ministry of Health announced measures to organise the hospital system in the event of war. On the 23rd, men of the first anti-submarine flotilla at Weymouth and Portland were recalled from leave; and the ensuing week-end, Saturday, 24th, and Sunday, 25th, witnessed scenes of unprecedented

activity. The nation was making ready for the disaster which events abroad seemed to portend. Every man and woman was deeply relieved to learn that the London County Council was ready to evacuate half-a-million children from the menaced metropolis; and other cities had similar plans in hand. In local areas there was now little sign of the dilatoriness which had caused critics to be fearful of the consequences only a few short weeks before. The fitting of gas-masks proceeded swiftly with only minor hitches; and, most important of all, plans were rapidly put into practice on a wide scale to provide protection against high explosives. Trenches were dug in parks and open spaces; and the Home Office published a design for an emergency trench to be made by householders in their own gardens.

On Monday, the 26th, the pattern of official precautions against war and attack became clearer. The distribution of an A.R.P. handbook to every dwelling in the land was announced. Certain anti-aircraft units were called up as a precautionary measure. Volunteers for all forms of national service came forward in great numbers. Private

car owners were asked to place themselves in readiness to help in the removal of civil patients from hospitals if necessary; and the prices of bacon, ham, butter, cheese, lard, cooking fats and margarine were fixed for the next fourteen days. On Tuesday, the 27th, events entered a new and still more serious stage. At Clydebank the Queen conveyed a message of comfort and encouragement from the King. Active recruiting at territorial depots was in full swing. Eight London tube stations were closed for "urgent structural modifications"; and the evacuation of infirm and disabled children from London began. The nation's women were called upon to supply 25,000 volunteers for a new Auxiliary Territorial Service; and, male and female alike, citizens were urgently summoned for A.R.P. work. London's anti-aircraft units, apart from the balloon barrage contingents, were now at full strength.

* * *

The country greeted Wednesday with courage and resignation. Four proclamations called up reserves of officers and men for the Royal Navy and Marines; and England knows no surer sign of impending calamity than the mobilising of the fleet. People knew from the Press and the radio how serious the situation was, and they knew their duty. They had listened to Mr Chamberlain on Tuesday evening and they were under no illusions. Thousands of families were leaving London by rail and road; and crowds of recruits for the defence services were clamouring at the depôts to help. Then came the Prime Minister's dramatic call to Munich; and the wheel of tragedy was for a time arrested. But preparations went on; and the whole world knew, when an agreement was announced on Thursday night, that England, hoping desperately for peace, and glad now that it seemed in sight, had made herself fully ready for war.

* * *

Mussolini's Recent Speeches.—In an interrupted tour of north Italian towns which began at Trieste on September 18th and ended at Verona on September 26th, Signor Mussolini has delivered himself of a number of messages to the Italians and to the world in general. He has ranged himself on the side of Germany, whether it is to be peace or war. He has inflated—or tried to inflate—the national morale in face of a possible war against the democracies. He has shown a strong though sometimes obscured hope that it will be peace, a hope tempered by a great deal of warlike rhetoric and assurances that Italy will stand firm whatever chances may befall. In Trieste he produced an all-round solution for European problems by plebiscite wherever plebiscite was demanded, inspired, we learn, by a sentiment "European rather than Italian." "We still hope even in this last hour for a peaceful issue," he continued, "We hope that if that is not possible the conflict may be localised, but if that cannot be done and

a front is formed either for or against Prague, Italy knows on which side she will be." For the relief of the seaport itself, cut off (though scarcely in its prime) by the *Anschluss*, he professed himself ready to do great things: it transpired that his main proposal for the comforting of Trieste lay in the establishment of a university "for all the studies." There is no spontaneous record of how this was received by the long-suffering Triestines. The Duce's speeches at Padua, Belluno, Vicenza, and Verona were in the nature of running commentaries on the crisis enlivened by the utterance of various moral sentiments. At Padua he commented on German moderation in permitting a time-limit after the added provocation of a new Czech Government which was "too friendly to Moscow"; and on the general situation stated that: "During the last few days certain more or less influential parties and currents of opinion in the Western countries seem to have thought that the time had come to settle accounts with the totalitarian states. If that is to be the case those parties and opinions will not find themselves faced with two separate countries, but with two countries which will form a single *bloc*." At Belluno he affirmed that Italy's enemies beyond the Alps were "at least a quarter of a century behind the times," and could not prevail; and at Vicenza on the next day warned his hearers that although Italy had not yet taken any special military measures "if the other nations continue to call up reservists, and if there are further concentrations of fleets, you will not be surprised if Italy takes similar measures."

* * *

A tendency to deflate feelings of tension about the affairs of Central Europe was noticeable in each of these speeches. The identification of his point of view with that of Herr Hitler received final confirmation at Verona on September 26th. Sole responsibility for relieving the dangers of war was thrown on to President Benes; and whilst the Duce gave recognition to Mr Chamberlain's efforts in the interests of peace, he followed Herr Hitler again in stating that: "The German memorandum (i.e. "the last word") does not deviate from the lines which were approved at the meeting in London." The fate of Versailles, he averred, was being decided this week. The real climax of these speeches rests in Signor Mussolini's readiness to act as mediator, which resulted in the Four Power meeting at Munich on Thursday. It is no criticism of the Italian people to say that some of the Duce's remarks in recent speeches have implied that many Italians are anxious to avoid another war, especially a war in which they would be allied to Germany. His ability to bring together the Munich meeting (in the Italian Press it will seem like magic) must redound enormously to his prestige at home; for not only will it serve to convince many sceptics that his policy is one of peace, but it will also figure as a great personal triumph. And it would be unreasonable to suppose that there will be no rewards for the mediator.

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Commonwealth Unity of Mind.—Statesmen of the British Commonwealth have been singularly outspoken on what would be the attitude of their Governments in case Britain were drawn into war. After a full Cabinet meeting, Mr Mackenzie King, the Prime Minister of Canada, said that his Government was "in complete accord with the statement Mr Chamberlain made to the world" after Herr Hitler's Berlin speech on Monday. The Prime Minister further said that his Government "continued to keep in the closest touch with the grave developments in the European situation and were making preparations for any contingency and the immediate summoning of Parliament if efforts now being made to preserve peace in Europe failed." Similar assurances have come from Mr Lyons, the Prime Minister of Australia. "If war is to come," he said on Tuesday, "it will not come by any reason of anything any British nation has done or failed to do. Our hands are clean. . . . Even as the clouds gather about us we still hope that peace may be preserved." The attitude of the Australian Labour Opposition seems to be divided, for although Mr Curtin, leader of the Opposition, has come out for what the *Sydney Morning Herald* describes as a "stay-at-home" policy, the Council of Trade Unions has offered full support to the democratic nations. The place of New Zealand is even more definite. "We fit in at all times to help the Mother Country," said Mr Walter Nash, Minister of Finance and Marketing, on Tuesday, and was echoed by Mr Martin, the Minister of Agriculture, who said: "If the worst comes to the worst, New Zealand will be right behind Britain in a moment. Our Government are prepared to call upon and use all their resources to help." South Africa is necessarily less resolved. General Hertzog, the Prime Minister, has not gone beyond an affirmation that "he would see to it that when it became necessary South Africa's obligations towards the League of Nations would be carried out"; but he has refused to be driven to a declaration of neutrality by the efforts of Dr Malan, leader of the Cape Nationalist Party Congress, just as he has refused to endorse General Smuts' announcements that South Africa would come to Britain's aid. By Thursday, thirty-five Indian Princes had proffered their services to the King-Emperor, including the powerful Nizam of Hyderabad. In British India there is not yet, nor is there likely to be, a consensus of opinion either for or against military support. The Prime Minister of the Punjab, Sir Sikander Hyat Khan, has stated that "Britain could rely on the steadfast support of the martial races of India," by which he presumably meant the Moslems; but opinions in Congress are divided. Sympathies are strongly with Czechoslovakia, but there are those who think with Mr Gandhi that intervention would violate the principle of non-violence, and those who think with Mr Jawaharlal Nehru that "Britain's first task is to eliminate empire from India" (as Mr Nehru wrote in a recent letter to *The Manchester Guardian*), and that Indian support must be conditional on such elimination.

Poland's Future.—The fundamental aim of Polish foreign policy must always be to preserve neutrality in European war without risking territorial dismemberment, to balance the great forces which actuate Poland's neighbours so as to obtain maximum possible leverage for subsidiary acts of policy and the maintenance of Poland's claim to be a Great Power. During the past weeks Warsaw has watched the movement of neighbouring nations with eyes anxious for a sign. Since 1936 a marked movement towards the Berlin-Rome interest, favoured personally by Colonel Beck, emphasised the fall of Anglo-French prestige after the Abyssinian war. The Runciman Mission and the British commitments to Czechoslovakia which the Mission was thought to imply, reminded Warsaw that a pro-German policy was interchangeable at need for *rapprochement* with Paris; and the steadiness with which both France and Britain interested themselves in the affairs of Central Europe provided the necessary persuasion that this was a moment for trimming policy away from Germany. Scarcely had a more amiable face been turned towards the Czechs than Mr Chamberlain had visited Berchtesgaden and, as it turned out, agreed to secession of

the German areas in Czechoslovakia. Fanned by the controlled Press, public opinion in Poland swung quickly and, as in Germany, seemed to apprehend nothing but a localised war. According to precept, the Polish Government took immediate advantage of this situation to demand identical treatment for the Teschen enclave as was accorded to the Sudeten areas, threatening invasion by moving up troops to the frontier. Diplomatic exchanges between Warsaw and Prague revealed that the Poles had sent a virtual ultimatum, to which President Benes had replied with a personal letter to President Moscicki agreeing, it appeared, to negotiate for a secession of territory. Meanwhile Poland was ready to use force: the frontiers were closed and soldiers stood to arms. Over the week-end Poland, or at least the politicians in Warsaw, with disagreeable surprise to themselves, began to realise that Czechoslovakia might not after all be standing alone. The Soviet Government presented a note reminding Warsaw that invasion of Slovakia would mean immediate cancellation of the Soviet-Polish non-aggression treaty; and, more ominously, France and Britain began to prepare for war. By Wednesday the trimming process was again at work on Polish foreign policy, this time working towards the Western Powers, and Prague received a Polish note which was understood to agree to negotiate on secession of territory, possibly on the basis of the Anglo-French plan, without laying down any time limit. But on Thursday, possibly in view of the Munich meeting, this tentative settlement was denied by the Polish Foreign Office. Whatever may be the outcome of these present days, it may fairly be assumed that Poland will continue to apply that process of trimming by response to Franco-British weakness with a movement towards Germany, and *vice versa*. It would be inconceivable that with France, Britain and Russia in the field, and with the known democratic sympathies of the Polish peasant, Poland could ever afford to abandon its stand for neutrality unless in a sense inimical to Germany.

Hungary's Dilemma.—A small country with limited natural resources, small industry, and military strength hindered for twenty years by restrictive measures imposed by the Treaty of Trianon and so obliged to develop what size it can by methods more or less clandestine, is compassed on three sides by an *entente* pledged to resist this small country's aggression on any of its three well-armed members, and on the fourth side by an overweening friend whose claims may well be both irresistible and disastrous. In any large-scale conflict which embroils Central Europe Hungary will hold a key strategic position buffering Germany from Roumania and Russia. How does Hungarian foreign policy deal with the potentialities of such a situation? If the Government of M. Imredy, hoping to regain the Magyar lands lost in 1918, were ever to take up arms with Germany and permit the passage of German troops across the Hungarian plains, those plains would become a battlefield for the Germans, the Czechs, the Roumanians, the Russians and possibly the Yugoslavs. But if Hungary should declare for neutrality in any event, as present reports from Budapest indicate that she will, there must remain the fear that Hungarian territory might be violated by one side or the other striving to gain decisive advantage. This somewhat simple calculation is complicated in the minds of Hungarian statesmen by the knowledge that opponents at home will take immediate advantage of any hesitation shown over irredentist claims to southern Slovakia. When France and Britain appeared to be revealing weakness early last week M. Imredy and M. de Kanya accordingly flew to Berchtesgaden to obtain, if possible, Hungarian participation in any Reich-dictated settlement of Czechoslovakia's minorities. With France and Britain mobilising for war this week and Roumania showing no particular disfavour to Russian proposals of aid for Prague, Hungary began to wobble early in the week and show signs of shifting to the other foot. Hungary's position is very like that of Poland's, and the preservation of neutrality will presumably be the firm intention in case of war. Whether Roumania and Yugoslavia were both ready as the Statute of the Little Entente enjoins, to protect Czechoslovakia against attack from Hungary, was not clear.

M. Stoyadinovich and M. Petrescu-Comnen had a meeting over the week-end at Subotica, following which came reiterated reports of Yugoslav and Roumanian *démarches* in Budapest warning Hungary that the Little Entente would act together; but these reports were never officially confirmed. Demonstrations in support of Czechoslovakia occurred in Belgrade, sponsored chiefly by the Sokol and student organisations; the Government Press confined itself to vague generalisations in a sense usually favourable to Germany. While Yugoslavia's attitude had to remain uncertain until Signor Mussolini had finally committed himself, that of Roumania has been less ill-defined. Sympathies seem definitely in favour of the democratic Powers, and rumour which sprang from M. Litvinoff's meeting at Geneva with M. Petrescu-Comnen had it that, were France and Britain involved in war, Roumania would permit the passage of Russian military aid across its territory. In the event, this rumour might have proved to be based on more than wishful thinking; but the difficulties of communications across northern Roumania were at no time lost sight of. Meanwhile the Cabinet took defence measures in preparation for the worst.

The Straits in Time of War.—In contrast with their history the countries of the Southern Balkans have found themselves standing apart from the menace to peace. During the last few weeks the King of Bulgaria has gone in his own time from Balmoral to Berlin; and thence to visit Prince Paul of Yugoslavia at Bled, where he arrived last Monday, charged, it was rumoured, with a mission from Herr Hitler. In any case, he could wish for nothing but peace, for not only would a general conflict have offered him no returns, but he was surrounded by countries of the Balkan Entente sworn to preserve the *status quo*. Of those countries, Roumania and Yugoslavia might well have had great decisions before them, but from Greece and Turkey came no news except for an isolated statement made by the Turkish Under-Secretary of Foreign Affairs to the British Ambassador, Sir Percy Loraine, concurring with the general belief that his country's policy would not run counter to Great Britain. Trade and political relations between this country and Turkey have become very cordial in the past few years; and we may remain glad of this cordiality, for passage through the Straits, over which Turkey has now complete military control, could in case of war become vital to the Allies.

The terms of the Montreux Convention of July, 1936, regarding the regime of the Straits, repay study. Application to any Power of Article 16 of the League Covenant would bring into effect Article 25 of the Convention, which provides that nothing in the Convention shall prejudice contracting members' rights and obligations under the Covenant. In view of Turkey's League membership this provision vitally affects the regime of the Straits, which in time of war would briefly be as follows: Turkey not being belligerent, merchant vessels under any flag and with any kind of cargo enjoy freedom of transit and navigation in the Straits. If Turkey were at war, merchant vessels not belonging to a country at war with Turkey enjoy the same freedom on condition that they do not in any way assist the enemy. For vessels of war (subject to provisions regarding tonnage, method of transit, notification, etc.), with Turkey remaining neutral, permission is granted for complete freedom of transit and navigation through the Straits; but "vessels of war belonging to belligerent Powers shall not, however, pass through the Straits except in cases arising out of the application of Article 25 and in cases of assistance rendered to a State victim of aggression in virtue of a treaty of mutual assistance binding Turkey, concluded within the framework of the Covenant of the League of Nations . . ." The immense importance of this paragraph becomes apparent on reflection that in case of war no warships of a country not a member of the League might

pass through the Straits, while, on the other hand, the navies of the League States would become eligible, given invocation of Article 16 of the League Covenant, to pass to and fro between the Mediterranean and the Black Sea.

A Forgotten Crisis.—The details of the notorious Sandys case which so excited political passions before the adjournment of Parliament at the end of July were never of first-class importance. Wednesday's report of the Select Committee of the House of Commons, appointed to investigate the circumstances which led Mr Duncan Sandys, M.P., to complain that he had been threatened with proceedings under the Official Secrets Act, because he would not divulge the source of secret information about anti-aircraft equipment collected in the course of pursuing his Parliamentary duties, reveals no more than a chapter of trivial misunderstandings. The findings of the Committee were scarcely noticed under the broken skies of the international scene. Mr Sandys, they report, obtained what was undoubtedly secret information from a fellow Territorial officer who himself convinced the Committee that he divulged it on Mr Sandys' assurance that the details would only be communicated privately to the Secretary of State for War. By sending to Mr Hore Belisha the draft of a Parliamentary question on the matter, Mr Sandys conveyed the impression that he intended to make important secrets public. It is Mr Sandys' contention that this step was no more than a matter of form to elicit a private assurance from the Secretary of State. His conduct was, in the Committee's phrase, "disingenuous."

Nor did his political superiors act with marked tactfulness. Mr Hore Belisha very properly consulted the Prime Minister and the Attorney-General on the military, political and legal aspects of the case; but, unwisely, as the Committee suggest, the Attorney-General, not Mr Hore Belisha, then saw Mr Sandys and left the erroneous impression in his mind that he was being threatened with legal proceedings. On the more specific issue of the actual leakage of information, too, there were misunderstandings. Captain Hogan, Mr Sandys' informant, made no attempt to hide his responsibility, and although Lord Gort, Chief of the Imperial Staff, did not at the time fully grasp what he was being told, he was in fact informed by Captain Hogan's superior officer to that effect. The Committee fully accept Captain Hogan's good faith in the matter; and, unlike the House of Commons, which was made, they consider that the summons of Mr Sandys, as a Territorial officer, to the Military Court of Inquiry, despite the fact that he was a Member of Parliament, was quite in order. An unfortunate incident is now in itself satisfactorily closed. But the Committee have still to consider the wider issue of the position of M.P.s under the

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Official Secrets Act. Here graver questions of vital importance to the working of Parliamentary democracy are involved, and Parliament, when quieter days return, will be morally obliged to consider and possibly amend the Official Secrets legislation in the light of the principles by which we are ruled through our elected representatives.

* * *

Savings and Security.—A notable change has been effected in the lives of millions of working people and their families by the granting of holidays with pay. The National Savings Movement has played an important part by assisting employers to administer holiday schemes and by encouraging employees to derive full value from their new opportunities by supplementing holiday payments with personal savings. Sir Robert Kindersley, President of the National Savings Committee, in a speech at Llandudno last week, laid stress upon this and other socially valuable aspects of the Movement. In particular, he addressed himself to the grievous insecurity of employment which persists among large sections of the population who have very little margin from their wages to set aside against bad times. People of small means with three or four children find it practically impossible to save, and the children suffer in nutrition and health. Where saving, however slight, is possible, the Movement can, and does, help. No inconsiderable proportion of the record total of £1,433,600,000 held by Post Office Savings Banks and Trustee Savings Banks or invested in National Savings Certificates on March 31, 1938, is the fruit of thrift among persons of very slender resources.

* * *

But the Movement is helpless before the plight of the worst sufferers from insecurity; and Sir Robert Kindersley last week lent his authority as an economist and statistician to proposals that some sort of scheme to provide family allowances should be instituted. Allowances by individual firms or industries existed and were excellent; but these were not feasible in highly competitive trades. The State could with justice step in, the more logically because already income-tax payers received a remission for each of their children. Five shillings a week for each child after the third would cost only £7 millions a year. Five shillings for every working-class child would cost just over £100 millions. For the moment, social service expenditure has come perilously near its economic limit. But Sir Robert, who believes in economy as well as being an economist, agrees with very many people (including this journal) that money spent on family allowances would be very well spent.

* * *

Mr Roosevelt and the Primaries.—President Roosevelt is not having very much success in his attempt to turn the Democratic Party into a Liberal Party. So long as he confined himself to open support of those of his friends who are facing re-election, he was fortunate. Mr Pepper won a victory in Florida which was interpreted as meaning Southern support for the Wage and Hour Bill and helped that measure to enactment. Senator Barkley was re-nominated in Kentucky by an unexpectedly large margin. These successes encouraged the President to go over to the attack. A few of his most persistent opponents within his own party were listed to be "purged." The list included three Senators—Smith of South Carolina, Tydings of Maryland and George of Ohio—and one Representative, Mr O'Connor of New York. Senators have now all survived, and Mr was thought to be the solitary victim of the "purge." German policy was a par-prochement with Paris. The President had personally both France and Britain during the campaign. Moreover, it of Central Europe provides attempts in which he had the this was a moment for of his Postmaster-General, Mr many. Scarcely had a of the national machinery of the towards the Czechs there is no question that, for the Berchtesgaden and, as it osevelt has done himself harm by

this attempt to influence the primaries. The outburst of envenomed criticism from those who disapprove on principle of all Mr Roosevelt's acts may, perhaps, be disregarded. But the harmony of the President's nominal majority in Congress has hardly been increased, and it has been shown that the President's command over the electorate is not unlimited. But it may well be that Mr Roosevelt has his eye on 1940 rather than on 1938.

* * *

Towards Hankow.—With the Japanese advancing ever nearer to Hankow, another climax of the war in China seems imminent. In the third week of September the offensive developed a fourth point of attack, when in addition to the assaults on Teian, Wusueh and above Kwangtsi, each of which is still meeting vigorous resistance involving very high casualties, Japanese columns moved north-westwards into the province of Honan, occupying Loshan on September 21st and heavily bombing Sinyang on the Peiping-Hankow railway, and thence penetrated southwards into Hupeh to points scarcely more than one hundred miles from their final objective. On Monday last the Japanese claimed to have occupied the Split Hill forts on the Yangtze above Wusueh, and the way seemed clear for a direct assault by river on Hankow. The Chinese are fighting desperately, but appear unable to halt the advance. As with other big successes of the Japanese campaign, there is a fairly ready assumption in this country that the gaining of Hankow will not yield decisive victory to the invaders; the Chinese, it is said, will merely retreat farther into their vast territories, recuperate armed strength from their numberless peoples, and continue the struggle against an enemy whose lines of communication are ever drawing out and straining upon his power of attack, and who is harried by guerillas as soon as his front-line soldiers have passed. A writer in *The Economist* for September 17th thought differently. He pointed out that Hankow is of vital importance to the Chinese as "an essential function of the main lines of communication by which the parts of China still free from Japanese invasion are held together under a central authority," and that by holding the Yangtze from the sea to the gorges of Ichang the invaders would have cut China in two and won a great part of their war objectives. The determined Chinese resistance before Hankow, now lasting for many weeks, suggests that there is truth in this view. Meanwhile General Ugaki, the Japanese Foreign Minister, has resigned on a dispute over the scope and authority of the projected central bureau which is to handle Japanese interests in China; and the League has now applied Article 16 to Japan, leaving each Member to reserve its attitude to sanctions.

* * *

No Waiting in London Streets.—The most unfortunate fact about traffic congestion and its cure is that many persons have, quite naturally, a vested interest in the state of traffic as it is. On Friday of last week the Minister of Transport published an order proposing to forbid motor-vehicles to wait by the pavement in any of the streets in West and Central London, as well as in other areas on the North bank of the river. Immediately there were strong and widespread protests from traders, especially in the West End, against this drastic scheme. Traders depend for their livelihood upon customers being able to visit their shops conveniently, and the no-waiting ban would strike at the West End's most remunerative trade. On reflection, however, it would seem true to say that it is already impossible to leave a motor-car outside any shop in the main streets of the West End for the period needed for deliberate shopping; and even the traders' own vans are not permitted to stand after an early hour in the morning. The real grievance of traders and shoppers is surely that insufficient convenient garage and parking space is at present provided in those areas where the presence of waiting cars cannot, for the sake of traffic mobility and public safety, be easily tolerated. London must unhappily abide by the inconvenient consequences of its own monstrosity. But at least the authorities should have an inte-

grated policy for solving its problems; to regulate by bits and pieces is merely irritating. Meanwhile, shoppers in the West End would do well to walk or travel by bus.

* * *

Industrial Migration.—In July, 1937, the Ministry of Labour conducted an investigation by sample into the places where unemployment insurance books were initially issued and the places where they were exchanged in that month. The results, published in this month's *Gazette*, throw a sharp light upon the way in which workers have moved about the country in search of work. Of the books issued in Wales, for instance, over 16 per cent. were exchanged outside that division. And of the books exchanged in the London and South Eastern Area more than 10 per cent. had been issued outside this area. The following table of the number of books issued and exchanged in each of the Ministry's divisions shows clearly the drift to the Midlands and the South from the depressed areas.

GREAT BRITAIN (Males only)			
Division	No. of Books issued and still current in July, 1937	No of Books exchanged in July, 1937	Increase (+) or Decrease (—)
	'000	'000	'000
London and S.E.....	2,187	2,364	+ 177
Midlands	1,217	1,252	+ 35
South West	623	629	+ 6
North East	911	900	— 11
Scotland.....	898	861	— 37
North West	1,265	1,225	— 40
North	631	569	— 62
Wales	537	468	— 69

Notable features are the relatively favourable position of the North East, the wholesale movement from Wales, and the small increase in the South West whence many have moved over the border, into the London and South Eastern Area.

The Vital Documents

Correspondence respecting Czechoslovakia, September, 1938

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8. Letter from the Czechoslovak Minister in London to the Secretary of State for Foreign Affairs of September 26, 1938.
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10. Letter from the Reichschancellor to the Prime Minister of September 27, 1938.

No. 1.

Lord Runciman to the Prime Minister. (1)

Westminster, S.W.1,
September 21, 1938.

My dear Prime Minister,

WHEN I undertook the task of mediation in the controversy between the Czechoslovak Government and the Sudeten German party, I was, of course, left perfectly free to obtain my own information and to draw my own conclusions. I was under no obligation to issue any kind of report. In present circumstances, however, it may be of assistance to you to have the final views, which I have formed as a result of my Mission, and certain suggestions which I believe should be taken into consideration, if anything like a permanent solution is to be found.

The problem of political, social and economic relations between the Teuton and Slav races in the area which is now called Czechoslovakia is one which has existed for many centuries with periods of acute struggle and periods of comparative peace. It is no new problem, and in its present stage there are at the same time new factors and also old factors which would have to be considered in any detailed review.

When I arrived in Prague at the beginning of August, the questions which immediately confronted me were (1) constitutional, (2) political and (3) economic. The constitutional

(1) *Note.*—A similar letter was addressed by Lord Runciman to President Benes on September 21, 1938.

question was that with which I was immediately and directly concerned. At that time it implied the provision of some degree of home rule for the Sudeten Germans within the Czechoslovak Republic; the question of self-determination had not yet arisen in an acute form. My task was to make myself acquainted with the history of the question, with the principal persons concerned, and with the suggestions for a solution proposed by the two sides, viz., by the Sudeten German party in the "Sketch" submitted to the Czechoslovak Government on the 7th June (which was by way of embodying the 8 points of Herr Henlein's speech at Karlsbad), and by the Czechoslovak Government in their draft Nationality Statute, Language Bill, and Administrative Reform Bill.

It became clear that neither of these sets of proposals was sufficiently acceptable to the other side to permit further negotiations on this basis, and the negotiations were suspended on the 17th August. After a series of private discussions between the Sudeten leaders and the Czech authorities, a new basis for negotiations was adopted by the Czechoslovak Government and was communicated to me on the 5th September, and to the Sudeten leaders on the 6th September. This was the so-called 4th Plan. In my opinion—and, I believe, in the opinion of the more responsible Sudeten leaders—this plan embodied almost all the requirements of the Karlsbad 8 points, and with a little clarification and extension could have been made to cover them in their entirety. Negotiations should have at once been resumed on this favourable and hopeful basis; but little doubt remains in my mind that the very fact that they were so favourable operated against their chances, with the more extreme members of the Sudeten German party. It is my belief that the incident arising out of the visit of certain Sudeten German Deputies to investigate into the case of persons arrested for arms smuggling at Mährisch-Ostau was used in order to provide an excuse for the suspension, if not for the breaking off, of negotiations. The Czech Government, however, at once gave way to the demands of the Sudeten German party in this matter, and preliminary discussions of the 4th Plan were resumed on the 10th September. Again, I am convinced that this did not suit the policy of the Sudeten extremists, and that incidents were provoked and instigated on the 11th September and, with greater effect after Herr Hitler's speech, on the 12th September. As a result of the bloodshed and disturbance thus caused, the Sudeten delegation refused to meet the Czech authorities as had been arranged on the 13th September. Herr Henlein and Herr Frank presented a new series of demands—withdrawal of State police, limitation of troops to their military duties, etc., which the Czechoslovak Government were again prepared to accept on the sole condition that a representative of the party came to Prague to discuss how order should be maintained. On the night of the 13th September this condition was refused by Herr Henlein, and all negotiations were completely broken off.

It is quite clear that we cannot now go back to the point

where we stood two weeks ago; and we have to consider the situation as it now faces us.

With the rejection of the Czechoslovak Government's offer on the 13th September and with the breaking off of the negotiations by Herr Henlein, my functions as a mediator were, in fact, at an end. Directly and indirectly, the connection between the chief Sudeten leaders and the Government of the Reich had become the dominant factor in the situation; the dispute was no longer an internal one. It was not part of my function to attempt mediation between Czechoslovakia and Germany.

Responsibility for the final break must, in my opinion, rest upon Herr Henlein and Herr Frank and upon those of their supporters inside and outside the country who were urging them to extreme and unconstitutional action.

I have much sympathy, however, with the Sudeten case. It is a hard thing to be ruled by an alien race; and I have been left with the impression that Czechoslovak rule in the Sudeten areas for the last twenty years, though not actively oppressive and certainly not "terroristic," has been marked by tactlessness, lack of understanding, petty intolerance and discrimination, to a point where the resentment of the German population was inevitably moving in the direction of revolt. The Sudeten Germans felt, too, that in the past they had been given many promises by the Czechoslovak Government, but that little or no action had followed these promises. This experience had induced an attitude of unveiled mistrust of the leading Czech statesmen. I cannot say how far this mistrust is merited or unmerited; but it certainly exists, with the result that, however conciliatory their statements, they inspire no confidence in the minds of the Sudeten population. Moreover, in the last elections of 1935 the Sudeten German party polled more votes than any other single party; and they actually formed the second largest party in the State Parliament. They then commanded some 44 votes in a total Parliament of 300. With subsequent accessions, they are now the largest party. But they can always be outvoted; and consequently some of them feel that constitutional action is useless for them.

Local irritations were added to these major grievances. Czech officials and Czech police, speaking little or no German, were appointed in large numbers to purely German districts; Czech agricultural colonists were encouraged to settle on land transferred under the Land Reform in the middle of German populations; for the children of these Czech invaders Czech schools were built on a large scale; there is a very general belief that Czech firms were favoured as against German firms in the allocation of State contracts, and that the State provided work and relief for Czechs more readily than for Germans. I believe these complaints to be in the main justified. Even as late as the time of my Mission, I could find no readiness on the part of the Czechoslovak Government to remedy them on anything like an adequate scale.

All these, and other, grievances were intensified by the reactions of the economic crisis on the Sudeten industries, which form so important a part of the life of the people. Not unnaturally, the Government were blamed for the resulting impoverishment.

For many reasons, therefore, including the above, the feeling among the Sudeten Germans until about three or four years ago was one of hopelessness. But the rise of Nazi Germany gave them new hope. I regard their turning for help towards their kinsmen and their eventual desire to join the Reich as a natural development in the circumstances.

At the time of my arrival, the more moderate Sudeten leaders still desired a settlement within the frontiers of the Czechoslovak State. They realised what war would mean in the Sudeten area, and which would itself be the main battlefield. Both nationally and internationally such a settlement would have been an easier solution than territorial transfer. I did my best to promote it, and up to a point with some success, but even so not without misgiving as to whether, when agreement was reached, it could ever be carried out without giving rise to a new crop of suspicions, controversies, accusations and counter-accusations. I felt that any such arrangement would have been temporary, not lasting.

This solution, in the form of what is known as the "Fourth Plan," broke down in the circumstances narrated above; the whole situation, internal and external, had changed; and I felt that with this change my mission had come to an end.

When I left Prague on the 16th September, the riots and disturbances in the Sudeten areas, which had never been more than sporadic, had died down. A considerable number of districts had been placed under a régime called Standrecht, amounting to martial law. The Sudeten leaders, at any rate the more extreme among them, had fled to Germany and were issuing proclamations defying the Czechoslovak

Government. I have been credibly informed that, at the time of my leaving, the number of killed on both sides was not more than 70.

Unless, therefore, Herr Henlein's Freikorps are deliberately encouraged to cross the frontier, I have no reason to expect any notable renewal of incidents and disturbances. In these circumstances the necessity for the presence of State Police in these districts should no longer exist. As the State Police are extremely unpopular among the German inhabitants, and have constituted one of their chief grievances for the last three years, I consider that they should be withdrawn as soon as possible. I believe that their withdrawal would reduce the causes of wrangles and riots.

Further, it has become self-evident to me that those frontier districts between Czechoslovakia and Germany where the Sudeten population is in an important majority should be given full right of self-determination at once. If some cession is inevitable, as I believe it to be, it is as well that it should be done promptly and without procrastination. There is real danger, even a danger of civil war, in the continuance of a state of uncertainty. Consequently there are very real reasons for a policy of immediate and drastic action. Any kind of plebiscite or referendum would, I believe, be a sheer formality in respect of these predominantly German areas. A very large majority of their inhabitants desire amalgamation with Germany. The inevitable delay involved in taking a plebiscite vote would only serve to excite popular feelings, with perhaps most dangerous results. I consider, therefore, that these frontier districts should at once be transferred from Czechoslovakia to Germany, and, further, that measures for their peaceful transfer, including the provision of safeguards for the population during the transfer period, should be arranged forthwith by agreement between the two Governments.

The transfer of these frontier districts does not, however, dispose finally of the question how Germans and Czechs are to live together peacefully in future. Even if all the areas where the Germans have a majority were transferred to Germany there would still remain in Czechoslovakia a large number of Germans, and in the areas transferred to Germany there would still be a certain number of Czechs. Economic connections are so close that an absolute separation is not only undesirable but inconceivable; and I repeat my conviction that history has proved that in times of peace the two peoples can live together on friendly terms. I believe that it is in the interests of all Czechs and of all Germans alike that these friendly relations should be encouraged to re-establish themselves; and I am convinced that this is the real desire of the average Czech and German. They are alike in being honest, peaceable, hard-working and frugal folk. When political friction has been removed on both sides, I believe that they can settle down quietly.

For those portions of the territory, therefore, where the German majority is not so important, I recommend that an effort be made to find a basis for local autonomy within the frontiers of the Czechoslovak Republic on the lines of the "Fourth Plan," modified so as to meet the new circumstances created by the transfer of the preponderantly German areas. As I have already said, there is always a danger that agreement reached in principle may lead to further divergencies in practice. But I think that in a more peaceful future this risk can be minimised.

This brings me to the political side of the problem, which is concerned with the question of the integrity and security of the Czechoslovak Republic, especially in relation to her immediate neighbours. I believe that here the problem is one of removing a centre of intense political friction from the middle of Europe. For this purpose it is necessary permanently to provide that the Czechoslovak State should live at peace with all her neighbours and that her policy, internal and external, should be directed to that end. Just as it is essential for the international position of Switzerland that her policy should be entirely neutral, so an analogous policy is necessary for Czechoslovakia—not only for her own future existence but for the peace of Europe.

In order to achieve this, I recommend:—

- (1) That those parties and persons in Czechoslovakia who have been deliberately encouraging a policy antagonistic to Czechoslovakia's neighbours should be forbidden by the Czechoslovak Government to continue their agitations; and that, if necessary, legal measures should be taken to bring such agitations to an end.
- (2) That the Czechoslovak Government should so remodel her foreign relations as to give assurances to her neighbours that she will in no circumstances attack them or enter into any aggressive action against them arising from obligations to other States.

- (3) That the principal Powers, acting in the interests of the peace of Europe, should give to Czechoslovakia guarantees of assistance in case of unprovoked aggression against her.

- (4) That a commercial treaty on preferential terms should be negotiated between Germany and Czechoslovakia if this seems advantageous to the economic interests of the two countries.

This leads me on to the third question which lay within the scope of my enquiry, viz., the economic problem. This problem centres on the distress and unemployment in the Sudeten German areas, a distress which has persisted since 1930, and is due to various causes. It constitutes a suitable background for political discontent. It is a problem which exists; but to say that the Sudeten German question is entirely or even in the main an economic one is misleading. If a transfer of territory takes place, it is a problem which will for the most part fall to the German Government to solve.

If the policy which I have outlined above recommends itself to those immediately concerned in the present situation, I would further suggest: (a) That a representative of the Sudeten German people should have a permanent seat in the Czechoslovak Cabinet. (b) That a Commission under a neutral chairman should be appointed to deal with the question of the delimitation of the area to be transferred to Germany and also with controversial points immediately arising from the carrying out of any agreement which may be reached. (c) That an international force be organised to keep order in the districts which are to be transferred pending actual transfer, so that Czechoslovak State police, as I have said above, and also Czechoslovak troops, may be withdrawn from this area.

I wish to close this letter by recording my appreciation of the personal courtesy, hospitality and assistance which I and my staff received from the Government authorities, especially Dr Benes and Dr Hodza, from the representatives of the Sudeten German party with whom we came in contact, and from a very large number of other people in all ranks of life whom we met during our stay in Czechoslovakia.

Yours very sincerely,

RUNCIMAN OF DOXFORD.

No. 2.

The Anglo-French Proposals presented to the Czechoslovak Government on September 19, 1938.

THE representatives of the French and British Governments have been in consultation to-day on the general situation, and have considered the British Prime Minister's report of his conversation with Herr Hitler. British Ministers also placed before their French colleagues their conclusions derived from the account furnished to them of the work of his Mission by Lord Runciman. We are both convinced that, after recent events, the point has now been reached where the further maintenance within the boundaries of the Czechoslovak State of the districts mainly inhabited by Sudeten Deutsch cannot, in fact, continue any longer without imperilling the interests of Czechoslovakia herself and of European peace. In the light of these considerations, both Governments have been compelled to the conclusion that the maintenance of peace and the safety of Czechoslovakia's vital interests cannot effectively be assured unless these areas are now transferred to the Reich.

2. This could be done either by direct transfer or as the result of a plebiscite. We realise the difficulties involved in a plebiscite, and we are aware of your objections already expressed to this course, particularly the possibility of far-reaching repercussions if the matter were treated on the basis of so wide a principle. For this reason we anticipate, in the absence of indication to the contrary, that you may prefer to deal with the Sudeten Deutsch problem by the method of direct transfer, and as a case by itself.

3. The area for transfer would probably have to include areas with over 50 per cent. of German inhabitants, but we should hope to arrange by negotiations provisions for adjustment of frontiers, where circumstances render it necessary, by some international body, including a Czech representative. We are satisfied that the transfer of smaller areas based on a higher percentage would not meet the case.

4. The international body referred to might also be charged with questions of possible exchange of population on the basis of right to opt within some specified time-limit.

5. We recognise that, if the Czechoslovak Government is prepared to concur in the measures proposed, involving material changes in the conditions of the State, they are entitled to ask for some assurance of their future security.

6. Accordingly, His Majesty's Government in the United Kingdom would be prepared, as a contribution to the pacification of Europe, to join in an international guarantee of the new boundaries of the Czechoslovak State against unprovoked aggression. One of the principal conditions of such a guarantee would be the safeguarding of the independence of Czechoslovakia by the substitution of a general guarantee against unprovoked aggression in place of existing treaties which involve reciprocal obligations of a military character.

7. Both the French and British Governments recognise how great is the sacrifice thus required of the Czechoslovak Government in the cause of peace. But because that cause is common both to Europe in general and in particular to Czechoslovakia herself they have felt it their duty jointly to set forth frankly the conditions essential to secure it.

8. The Prime Minister must resume conversations with Herr Hitler not later than Wednesday, and earlier if possible. We therefore feel we must ask for your reply at the earliest possible moment.

No. 3.

The First Letter of September 23, 1938, from the Prime Minister to the Reichschancellor.

My dear Reichskanzler, Godesberg, September 23, 1938.

I THINK it may clarify the situation and accelerate our conversation if I send you this note before we meet this morning.

I am ready to put to the Czech Government your proposal as to the areas, so that they may examine the suggested provisional boundary. So far as I can see, there is no need to hold a plebiscite for the bulk of the areas, i.e., for those areas which (according to statistics upon which both sides seem to agree) are predominantly Sudeten German areas. I have no doubt, however, that the Czech Government would be willing to accept your proposal for a plebiscite to determine how far, if at all, the proposed new frontier need be adjusted.

The difficulty I see about the proposal you put to me yesterday afternoon arises from the suggestion that the areas should in the immediate future be occupied by German troops. I recognise the difficulty of conducting a lengthy investigation under existing conditions and doubtless the plan you propose would, if it were acceptable, provide an immediate easing of the tension. But I do not think you have realised the impossibility of my agreeing to put forward any plan unless I have reason to suppose that it will be considered by public opinion in my country, in France and, indeed, in the world generally, as carrying out the principles already agreed upon in an orderly fashion and free from the threat of force. I am sure that an attempt to occupy forthwith by German troops areas which will become part of the Reich at once in principle, and very shortly afterwards by formal delimitation, would be condemned as an unnecessary display of force.

Even if I felt it right to put this proposal to the Czech Government, I am convinced that they would not regard it as being in the spirit of the arrangement which we and the French Government urged them to accept and which they have accepted. In the event of German troops moving into the areas as you propose, there is no doubt that the Czech Government would have no option but to order their forces to resist, and this would mean the destruction of the basis upon which you and I a week ago agreed to work together, namely, an orderly settlement of this question rather than a settlement by the use of force.

It being agreed in principle that the Sudeten German areas are to join the Reich, the immediate question before us is how to maintain law and order pending the final settlement of the arrangements for the transfer. There must surely be alternatives to your proposal which would not be open to the objections I have pointed out. For instance, I could ask the Czech Government whether they think there could be an arrangement under which the maintenance of law and order in certain agreed Sudeten German areas would be entrusted to the Sudeten Germans themselves—by the creation of a suitable force, or by the use of forces already in existence, possibly acting under the supervision of neutral observers.

As you know, I did last night, in accordance with my understanding with you, urge the Czech Government to do all in their power to maintain order in the meantime.

The Czech Government cannot, of course, withdraw their forces, nor can they be expected to withdraw the State Police so long as they are faced with the prospect of forcible invasion; but I should be ready at once to ascertain their views on the alternative suggestion I have made and, if the plan proved acceptable, I would urge them to withdraw their

forces and the State Police from the areas where the Sudeten Germans are in a position to maintain order.

The further steps that need be taken to complete the transfer could be worked out quite rapidly.

I am,

Yours faithfully,

NEVILLE CHAMBERLAIN.

No. 4.

The Reichschancellor to the Prime Minister.

(Translation.)

Your Excellency.

Godesberg, September 23, 1938.

A THOROUGH examination of your letter, which reached me to-day, as well as the necessity of clearing up the situation definitely, lead me to make the following communication:—

For nearly two decades the Germans, as well as the various other nationalities in Czechoslovakia, have been maltreated in the most unworthy manner, tortured, economically destroyed, and, above all, prevented from realising for themselves also the right of the nations to self-determination. All attempts of the oppressed to change their lot failed in the face of the brutal will to destruction of the Czechs. The latter were in possession of the power of the State and did not hesitate to employ it ruthlessly and barbarically. England and France have never made an endeavour to alter this situation. In my speech before the Reichstag of the 22nd February, I declared that the German Reich would take the initiative in putting an end to any further oppression of these Germans. I have in a further declaration during the Reich Party Congress given clear and unmistakable expression to this decision. I recognise gratefully that at last, after twenty years, the British Government, represented by your Excellency, has now decided for its part also to undertake steps to put an end to a situation which from day to day, and, indeed, from hour to hour, is becoming more unbearable. For if formerly the behaviour of the Czechoslovak Government was brutal, it can only be described during recent weeks and days as madness. The victims of this madness are innumerable Germans. In a few weeks the number of refugees who have been driven out has risen to over 120,000. This situation, as stated above, is unbearable, and will now be terminated by me.

Your Excellency assures me now that the principle of the transfer of the Sudeten territory to the Reich has, in principle, already been accepted. I regret to have to reply to your Excellency that as regards this point, the theoretical recognition of principles has also been formerly granted to us Germans. In the year 1918 the Armistice was concluded on the basis of the 14 points of President Wilson, which in principle were recognised by all. They were, however, in practice broken in the most shameful way. What interests me, your Excellency, is not the recognition of the principle that this territory is to go to Germany, but solely the realisation of this principle, and the realisation which both puts an end in the shortest time to the sufferings of the unhappy victims of Czech tyranny, and at the same time corresponds to the dignity of a Great Power. I can only emphasise to your Excellency that these Sudeten Germans are not coming back to the German Reich in virtue of the gracious or benevolent sympathy of other nations, but on the ground of their own will based on the right of self-determination of the nations, and of the irrevocable decision of the German Reich to give effect to this will. It is, however, for a nation an unworthy demand to have this recognition made dependent on conditions which are not provided for in treaties nor are practical in view of the shortness of the time.

I have, with the best intentions and in order to give the Czech nation no justifiable cause for complaint, proposed—in the event of a peaceful solution—as the future frontier, that nationalities frontier which I am convinced represents a fair adjustment between the two racial groups, taking also into account the continued existence of large language islands. I am, in addition, ready to allow plebiscites to be taken in the whole territory which will enable subsequent corrections to be made, in order—so far as it is possible—to meet the real will of the peoples concerned. I have undertaken to accept these corrections in advance. I have, moreover, declared myself ready to allow this plebiscite to take place under the control either of international commissions or of a mixed German-Czech commission. I am finally ready, during the days of the plebiscite, to withdraw our troops from the most disputed frontier areas, subject to the condition that the Czechs do the same. I am, however, not prepared to allow a territory which must be considered as belonging to Germany, on the ground of the will of the people and of the recognition granted even by the Czechs, to be left without the protection of the Reich.

There is here no international power or agreement which would have the right to take precedence over German right.

The idea of being able to entrust to the Sudeten Germans alone the maintenance of order is practically impossible in consequence of the obstacles put in the way of their political organisation in the course of the last decade, and particularly in recent times. As much in the interest of the tortured, because defenceless, population as well as with regard to the duties and prestige of the Reich, it is impossible for us to refrain from giving immediate protection to this territory.

Your Excellency assures me that it is now impossible for you to propose such a plan to your own Government. May I assure you for my part that it is impossible for me to justify any other attitude to the German people, since, for England, it is a question at most of political imponderables, whereas, for Germany, it is a question of primitive right of the security of more than 3 million human beings and the national honour of a great people?

I fail to understand the observation of your Excellency that it would not be possible for the Czech Government to withdraw their forces so long as they were obliged to reckon with possible invasion, since precisely by means of this solution the grounds for any forcible actions are to be removed. Moreover, I cannot conceal from your Excellency that the great mistrust with which I am inspired leads me to believe that the acceptance of the principle of the transfer of Sudeten Germans to the Reich by the Czech Government is only given in the hope thereby to win time so as, by one means or another, to bring about a change in contradiction to this principle. For if the proposal that these territories are to belong to Germany is sincerely accepted, there is no ground to postpone the practical resolution of this principle. My knowledge of Czech practice in such matters over a period of long years compels me to assume the insincerity of Czech assurances so long as they are not implemented by practical proof. The German Reich is, however, determined by one means or another to terminate these attempts, which have lasted for decades, to deny by dilatory methods the legal claims of oppressed peoples.

Moreover, the same attitude applies to the other nationalities in this State. They also are the victims of long oppression and violence. In their case, also, every assurance given hitherto has been broken. In their case, also, attempts have been made by dilatory dealing with their complaints or wishes to win time in order to be able to oppress them still more subsequently. These nations, also, if they are to achieve their rights, will, sooner or later, have no alternative but to secure them for themselves. In any event, Germany, if—as it now appears to be the case—should find it impossible to have the clear rights of Germans in Czechoslovakia accepted by way of negotiation, is determined to exhaust the other possibilities which then alone remain open to her.

(Signed) ADOLF HITLER.

No. 5.

The Second Letter, September 23, 1938, from the Prime Minister to the Reichschancellor

My dear Reichskanzler. Godesberg, September 23, 1938.

I HAVE received your Excellency's communication in reply to my letter of this morning and have taken note of its contents.

In my capacity as intermediary, it is evidently now my duty—since your Excellency maintains entirely the position you took last night—to put your proposals before the Czechoslovak Government.

Accordingly, I request your Excellency to be good enough to let me have a memorandum which sets out these proposals, together with a map showing the area proposed to be transferred, subject to the result of the proposed plebiscite.

On receiving this memorandum, I will at once forward it to Prague and request the reply of the Czechoslovak Government at the earliest possible moment.

In the meantime, until I can receive their reply, I should be glad to have your Excellency's assurance that you will continue to abide by the understanding, which we reached at our meeting on the 14th September and again last night, that no action should be taken, particularly in the Sudeten territory, by the forces of the Reich to prejudice any further mediation which may be found possible.

Since the acceptance or refusal of your Excellency's proposal is now a matter for the Czechoslovak Government to decide I do not see that I can perform any further service here, whilst, on the other hand, it has become necessary that I should at once report the present situation to my colleagues

and to the French Government. I propose, therefore, to return to England.

Yours faithfully,

NEVILLE CHAMBERLAIN.

No. 6.

Memorandum handed by the Reichschancellor to the Prime Minister on September 23, 1938 (with a Map).

(Translation.)

REPORTS which are increasing in number from hour to hour regarding incidents in the Sudetenland show that the situation has become completely intolerable for the Sudeten German people and, in consequence, a danger to the peace of Europe. It is therefore essential that the separation of the Sudetenland agreed to by Czechoslovakia should be effected without any further delay. On the attached map⁽²⁾ the Sudeten German area which is to be ceded is shaded red. The areas in which, over and above the areas which are to be occupied, a plebiscite is also to be held are drawn in and shaded green.

The final delimitation of the frontier must correspond to the wishes of those concerned. In order to determine these wishes, a certain period is necessary for the preparation of the voting, during which disturbances must in all circumstances be prevented. A situation of parity must be created. The area designated on the attached map as a German area will be occupied by German troops without taking account as to whether in the plebiscite there may prove to be in this or that part of the area a Czech majority. On the other hand, the Czech territory is occupied by Czech troops without regard to the question whether, within this area, there lie large German language islands, the majority of which will without doubt avow their German nationality in the plebiscite.

With a view to bringing about an immediate and final solution of the Sudeten German problem the following proposals are now made by the German Government:—

1. Withdrawal of the whole Czech armed forces, the police, the gendarmerie, the customs officials and the frontier guards from the area to be evacuated as designated on

⁽²⁾ [The White Paper contains a sketch-map based on the original. The information given in it is incorporated in the map below—Ed., Econ.]

the attached map, this area to be handed over to Germany on the 1st October.

The evacuated territory is to be handed over in its present condition (see further details in appendix). The German Government agree that a plenipotentiary representative of the Czech Government or of the Czech Army should be attached to the headquarters of the German military forces to settle the details of the modalities of the evacuation.

3. The Czech Government discharges at once to their homes all Sudeten Germans serving in the military forces or the police anywhere in Czech State territory.

4. The Czech Government liberates all political prisoners of German race.

5. The German Government agrees to permit a plebiscite to take place in those areas, which will be more definitely defined, before at latest the 25th November. Alterations to the new frontier arising out of the plebiscite will be settled by a German-Czech or an international commission. The plebiscite itself will be carried out under the control of an international commission. All persons who were residing in the areas in question on the 28th October, 1918, or were born there prior to this date will be eligible to vote. A simple majority of all eligible male and female voters will determine the desire of the population to belong to either the German Reich or to the Czech State. During the plebiscite both parties will withdraw their military forces out of areas which will be defined more precisely. The date and duration will be settled by the German and Czech Governments together.

6. The German Government proposes that an authoritative German-Czech commission should be set up to settle all further details.

Godesberg, September 23, 1938.

APPENDIX.

The evacuated Sudeten German area is to be handed over without destroying or rendering unusable in any way military, commercial or traffic establishments (plants). These include the ground organisation of the air service and all wireless stations.

All commercial and traffic materials, especially the rolling-stock of the railway system, in the designated areas, are to be

DISPUTED AREAS IN CZECHOSLOVAKIA

(THIS MAP SHOWS THE CESSIONS PROPOSED BOTH BY THE ANGLO-FRENCH PLAN AND BY HERR HITLER'S MEMORANDUM)



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handed over undamaged. The same applies to all utility services (gas-works, power stations, etc.).

Finally, no foodstuffs, goods, cattle, raw materials, etc., are to be removed.

No. 7

Letter handed by the Czechoslovak Minister to the Secretary of State for Foreign Affairs on September 25, 1938.

Sir,

September 25, 1938.

My Government has instructed me just now, in view of the fact that the French statesmen are not arriving in London to-day, to bring to His Majesty's Government's notice the following message without any delay:—

The Czechoslovak people have shown a unique discipline and self-restraint in the last few weeks regardless of the unbelievably coarse and vulgar campaign of the controlled German press and radio against Czechoslovakia and its leaders, especially M. Benes.

His Majesty's and the French Governments are very well aware that we agreed under the most severe pressure to the so-called Anglo-French plan for ceding parts of Czechoslovakia. We accepted this plan under extreme duress. We had not even time to make any representations about its many unworkable features. Nevertheless, we accepted it because we understood that it was the end of the demands to be made upon us, and because it followed from the Anglo-French pressure that these two Powers would accept responsibility for our reduced frontiers and would guarantee us their support in the event of our being feloniously attacked.

The vulgar German campaign continued.

While Mr Chamberlain was at Godesberg, the following message was received by my Government from His Majesty's and the French representatives at Prague:—

"We have agreed with the French Government that the Czechoslovak Government be informed that the French and British Governments cannot continue to take the responsibility of advising them not to mobilise."

My new Government, headed by General Syrový, declared that they accept full responsibility for their predecessor's decision to accept the stern terms of the so-called Anglo-French plan.

Yesterday, after the return of Mr Chamberlain from Godesberg, a new proposition was handed by His Majesty's Minister in Prague to my Government with the additional information that His Majesty's Government is acting solely as an intermediary and is neither advising nor pressing my Government in any way. M. Krofta, in receiving the plan from the hands of His Majesty's Minister in Prague, assured him that the Czechoslovak Government will study it in the same spirit in which they have co-operated with Great Britain and France hitherto.

My Government has now studied the document and the map. It is a *de facto* ultimatum of the sort usually presented to a vanquished nation and not a proposition to a sovereign State which has shown the greatest possible readiness to make sacrifices for the appeasement of Europe. Not the smallest trace of such readiness for sacrifices has as yet been manifested by Herr Hitler's Government. My Government is amazed at the contents of the memorandum. The proposals go far beyond what we agreed to in the so-called Anglo-French plan. They deprive us of every safeguard for our national existence. We are to yield up large proportions of our carefully prepared defences, and admit the German armies deep into our country before we have been able to organise it on the new basis or make any preparations for its defence. Our national and economic independence would automatically disappear with the acceptance of Herr Hitler's plan. The whole process of moving the population is to be reduced to panic flight on the part of those who will not accept the German Nazi régime. They have to leave their homes without even the right to take their personal belongings or, even in the case of peasants, their cow.

My Government wish me to declare in all solemnity that Herr Hitler's demands in their present form are absolutely and unconditionally unacceptable to my Government. Against these new and cruel demands my Government feel bound to make their utmost resistance, and we shall do so, God helping. The nation of St. Wenceslas, John Hus and Thomas Masaryk will not be a nation of slaves.

We rely upon the two great Western democracies, whose wishes we have followed much against our own judgment, to stand by us in our hour of trial.

I have, etc.,

JAN MASARYK.

No. 8.

Letter from the Czechoslovak Minister in London to the Secretary of State for Foreign Affairs.

Sir,

London, September 26, 1938.

I HAVE communicated to my Government the Prime Minister's question which he put to me yesterday afternoon and for which he wished an answer. This question of the Prime Minister's, as I understood it, I transmitted to Prague as follows:—

"Although Herr Hitler did say that the memorandum handed to the Czechoslovak Government by His Majesty's Government was his last word, and although Mr Chamberlain doubts very much that he could induce Herr Hitler to change his mind at this late hour, the Prime Minister may, under circumstances, make a last effort to persuade Herr Hitler to consider another method of settling peacefully the Sudeten German question, namely, by means of an international conference attended by Germany, Czechoslovakia and other Powers which would consider the Anglo-French plan and the best method of bringing it into operation. He asked whether the Czechoslovak Government would be prepared to take part in this new effort of saving the peace."

To this question I have now received the following answer from my Government:—

"The Czechoslovak Government would be ready to take part in an international conference where Germany and Czechoslovakia, among other nations, would be represented, to find a different method of settling the Sudeten German question from that expounded in Herr Hitler's proposals, keeping in mind the possible reverting to the so-called Anglo-French plan. In the note which Mr Masaryk delivered to Mr Chamberlain yesterday afternoon,^(*) mention was made of the fact that the Czechoslovak Government, having accepted the Anglo-French note under the most severe pressure and extreme duress, had no time to make any representations about its many unworkable features. The Czechoslovak Government presumes that, if a conference were to take place, this fact would not be overlooked by those taking part in it."

My Government, after the experiences of the last few weeks, would consider it more than fully justifiable to ask for definite and binding guarantees to the effect that no unexpected action of an aggressive nature would take place during the negotiations, and that the Czechoslovak defence system would remain intact during that period.

I have, etc.,

JAN MASARYK.

No. 9.

Letter from the Prime Minister to the Reichschancellor.

My dear Reichskanzler, London, September 26, 1938.

In my capacity as intermediary I have transmitted to the Czechoslovakian Government the memorandum which your Excellency gave me on the occasion of our last conversation.

The Czechoslovakian Government now inform me that, while they adhere to their acceptance of the proposals for the transfer of the Sudeten-German areas on the lines discussed by my Government and the French Government and explained by me to you on Thursday last, they regard as wholly unacceptable the proposal in your memorandum for the immediate evacuation of the areas and their immediate occupation by German troops, these processes to take place before the terms of cession have been negotiated or even discussed.

Your Excellency will remember that in my letter to you of Friday last I said that an attempt to occupy forthwith by German troops areas which will become part of the Reich at once in principle and very shortly afterwards by formal delimitation, would be condemned as an unnecessary display of force, and that, in my opinion, if German troops moved into the areas that you had proposed, I felt sure that the Czechoslovakian Government would resist and that this would mean the destruction of the basis upon which you and I a week ago agreed to work together, namely, an orderly settlement of this question rather than a settlement by the use of force. I referred also to the effect likely to be produced upon public opinion in my country, in France and, indeed, in the world generally.

The development of opinion since my return confirms me in the views I expressed to you in my letter and in our subsequent conversation.

(*) No. 7.

In communicating with me about your proposals, the Government of Czechoslovakia point out that they go far beyond what was agreed to in the so-called Anglo-French plan. Czechoslovakia would be deprived of every safeguard for her national existence. She would have to yield up large proportions of her carefully prepared defences and admit the German armies deep into her country before it had been organised on the new basis or any preparations had been made for its defence. Her national and economic independence would automatically disappear with the acceptance of the German plan. The whole process of moving the population is to be reduced to panic flight.

I learn that the German Ambassador in Paris has issued a communiqué which begins by stating that as a result of our conversations at Godesberg your Excellency and I are in complete agreement as to the imperative necessity to maintain the peace of Europe. In this spirit I address my present communication to you.

In the first place, I would remind your Excellency that as the Czechoslovakian Government adhere to their acceptance of the proposals for the transfer of the Sudeten-German areas there can be no question of Germany "finding it impossible to have the clear rights of Germans in Czechoslovakia accepted by way of negotiation." I am quoting the words at the end of your Excellency's letter to me of Friday last.^(*)

On the contrary, a settlement by negotiation remains possible and, with a clear recollection of the conversations which you and I have had and with an equally clear appreciation of the consequences which must follow the abandonment of negotiation and the substitution of force, I ask your Excellency to agree that representatives of Germany shall meet representatives of the Czechoslovakian Government to discuss immediately the situation by which we are confronted with a view to settling by agreement the way in which the territory is to be handed over. I am convinced that these discussions can be completed in a very short time, and if you and the Czechoslovakian Government desire it, I am willing to arrange for the representation of the British Government at the discussions.

In our conversation, as in the official communiqué issued in Germany, you said that the only differences between us lay in the method of carrying out an agreed principle. If this is so, then surely the tragic consequences of a conflict ought not to be incurred over a difference in method.

A conference such as I suggest would give confidence that the cession of territory would be carried into effect, but that it would be done in an orderly manner with suitable safeguards.

Convinced that your passionate wish to see the Sudeten-German question promptly and satisfactorily settled can be fulfilled without incurring the human misery and suffering that would inevitably follow on a conflict I most earnestly urge you to accept my proposal.

I am,

Yours faithfully,

NEVILLE CHAMBERLAIN.

No. 10.

Letter from the Reichschancellor to the Prime Minister.

(Translation.)

Dear Mr Chamberlain,

Berlin, September 27, 1938.

I HAVE in the course of the conversations once more informed Sir Horace Wilson, who brought me your letter of the 26th September, of my final attitude. I should like, however, to make the following written reply to certain details in your letter:—

The Government in Prague feels justified in maintaining that the proposals in my memorandum of the 23rd September went far beyond the concession which it made to the British and French Governments and that the acceptance of the memorandum would rob Czechoslovakia of every guarantee for its national existence. This statement is based on the argument that Czechoslovakia is to give up a great part of her prepared defensive system before she can take steps elsewhere for her military protection. Thereby the political and economic independence of the country is automatically abolished. Moreover, the exchange of population proposed by me would turn out in practice to be a panic-stricken flight.

I must openly declare that I cannot bring myself to understand these arguments or even admit that they can be

(*) No. 4.

regarded as seriously put forward. The Government in Prague simply passes over the fact that the actual arrangement for the final settlement of the Sudeten German problem, in accordance with my proposals, will be made dependent not on a unilateral German petition^(*) or on German measures of force, but rather, on the one hand, on a free vote under no outside influence, and, on the other hand, to a very wide degree on German-Czech agreement on matters of detail to be reached subsequently. Not only the exact definition of the territories in which the plebiscite is to take place, but the execution of the plebiscite and the delimitation of the frontier to be made on the basis of its result, are in accordance with my proposals to be met independently of any unilateral decision by Germany. Moreover, all other details are to be reserved for agreement on the part of a German-Czech commission.

In the light of this interpretation of my proposals and in the light of the cession of the Sudeten population areas, in fact agreed to by Czechoslovakia, the immediate occupation by German contingents demanded by me represents no more than a security measure which is intended to guarantee a quick and smooth achievement of the final settlement. This security measure is indispensable. If the German Government renounced it and left the whole further treatment of the problem simply to normal negotiations with Czechoslovakia, the present unbearable circumstances in the Sudeten German territories which I described in my speech yesterday would continue to exist for a period, the length of which cannot be foreseen. The Czechoslovak Government would be completely in a position to drag out the negotiations on any point they liked, and thus to delay the final settlement. You will understand after everything that has passed that I cannot place such confidence in the assurances received from the Prague Government. The British Government also would surely not be in a position to dispose of this danger by any use of diplomatic pressure.

That Czechoslovakia should lose a part of her fortifications is naturally an unavoidable consequence of the cession of the Sudeten German territory agreed to by the Prague Government itself. If one were to wait for the entry into force of the final settlement in which Czechoslovakia had completed new fortifications in the territory which remained to her, it would doubtless last months and years. But this is the only object of all the Czech objections. After all, it is completely incorrect to maintain that Czechoslovakia in this manner would be crippled in her national existence or in her political and economic independence. It is clear from my memorandum that the German occupation would only extend to the given line, and that the final delimitation of the frontier would take place in accordance with the procedure which I have already described. The Prague Government has no right to doubt that the German military measures would stop within these limits. If, nevertheless, it desires such a doubt to be taken into account, the British and, if necessary, also the French Government can guarantee the quick fulfilment of my proposal. I can, moreover, only refer to my speech yesterday in which I clearly declared that I regret the idea of any attack on Czechoslovak territory, and that under the condition which I laid down I am even ready to give a formal guarantee for the remainder of Czechoslovakia. There can, therefore, be not the slightest question whatsoever of a check to the independence of Czechoslovakia. It is equally erroneous to talk of an economic rift. It is, on the contrary, a well-known fact that Czechoslovakia after the cession of the Sudeten German territory would constitute a healthier and more unified economic organism than before.

If the Government in Prague finally evinces anxiety also in regard to the state of the Czech population in the territories to be occupied, I can only regard this with surprise. It can be sure that, on the German side, nothing whatever will occur which will preserve for those Czechs a similar fate to that which has befallen the Sudeten Germans consequent on the Czech measures.

In these circumstances, I must assume that the Government in Prague is only using a proposal for the occupation by German troops in order, by distorting the meaning and object of my proposal, to mobilise those forces in other countries, in particular in England and France, from which they hope to receive unreserved support for their aim and thus to achieve the possibility of a general warlike conflagration. I must leave it to your judgment whether, in view of these facts, you consider that you should continue your effort, for which I should like to take this opportunity of once more sincerely thanking you, to spoil such manoeuvres and bring the Government in Prague to reason at the very last hour.

(Signed) ADOLF HITLER.

(*) ? decision.

Overseas Correspondence

From Our Special Correspondents

United States

Wall Street and Europe

NEW YORK, September 20.—Last week, for the first time, American markets appeared to be directly under the influence of news from Europe. The sterling exchange was heavy, and its break through \$4.80 (although brief) was the occasion of a certain amount of apprehensive foreboding. Wheat prices fluctuated widely; cotton was heavy; and non-ferrous metals were strong. The bond market was weak, and Government securities erratic.

The main reflection of the crisis, however, was in share prices, which fell. It is questionable, nevertheless, whether the break can be explained entirely in these terms. The weakest groups, as has now come to be usual, were utilities and rails; these have lost a great part of the June advance, in which, in any case, they had participated only half-heartedly. Reasons for renewed weakness in the utilities are not wholly clear; electric power output has shown a fair recovery; and the utilities are nearer their 1937 earnings than any other important industrial group. The railways are faced with a serious labour problem. They have filed notice of cancellation of the increase in wages granted a year ago; and this has been formally rejected by the unions.

Railway Difficulties

It will be recalled that the increase in wages was granted just before the slump began. By the end of September, 1937, the railways were already in a critical position. Two small increases in freight rates were allowed by the Interstate Commerce Commission, and provided some slight alleviation. This summer there has been a small increase in traffic. Carloadings are now approaching their annual peak, and the railways must look forward to the lean and expensive operations of the winter months.

The basic problem of the railways is what suggests an inherent change in our economy. In 1937, when the index of production was nearly at the 1928 level, the total volume of goods transported, by rail, water and road, was much less than in 1928. In other words, while the railways have lost traffic to road and water competition, this loss in competition is only a fraction of the total loss. Although the index of production in 1937 and 1928 was practically the same, the character of the American economy has changed so much in the last decade that the total volume of goods transported was much lower.

Meanwhile, the railroad problem remains in suspense. For many companies the question of showing earnings on capital investment has long since gone. It has become the bald problem of meeting operating expenses and taxes. Under these circumstances weakness in railway securities is by no means inexplicable.

Revival Continues

While certain business indices have shown signs of becoming stationary, in general the data give the impression that vigorous revival is still proceeding. Steel output now exceeds 47 per cent. of capacity—a new high level for this year's recovery period, and automobile production is in full swing, except where operations are cut down by strikes. The

figures for residential building continue to show expansion. There is some element of speculation in these signs. The introduction of new automobile models needs several weeks of full production merely to supply samples to dealers; and much of this year's residential building is also of a speculative character.

Reports from retail trade are, on the whole, rather non-committal. Considering that the pump-priming programme has been operative for almost six months, its effects on consumer demand are extraordinarily difficult to ascertain. This is not entirely unexpected. The pouring out of deficit payments may, in its early stages, have encountered a neutralising current of falling incomes elsewhere. And it is not at all unlikely that the income of large sections of the population went on falling, even after the revival in business was evident. Nevertheless, the absence of any vigorous upturn in consumer demand is surprising.

Pensions and Politics

With the elections only six weeks away, the Congressional campaign has shown only one distinct feature of economic interest—the question of pensions. The Townsend Plan to provide pensions of \$200 a month for persons over 60, figured in the campaign of 1936, but was damped down by the Social Security Act. It has reappeared in the current campaign, and, as in 1936, a substantial proportion of the candidates for Congress are standing as sponsors of the plan.

A variant has appeared in California, where an amendment to the state constitution will be submitted to the voters, authorising a scheme midway between a pension plan and a Social Credit system. If this amendment is adopted, the state of California will undertake to pay "\$30 every Thursday" to persons over 50 years of age who are unemployed and not employers. As \$30 a week is well above average wages, it may be supposed that most persons over 50 would be or become eligible. Payment would be made in state scrip, to which a 2 per cent. stamp would be affixed every week, thus retiring the scrip (plus 4 per cent.) in one year. The project is, therefore, analogous to that undertaken in Alberta some years ago.

Enthusiasm for similar pension plans is most marked in those states where the proportion of elderly persons is highest; and it is fairly high in a good many places. The heavy immigration of 1900–14 was largely adult, and these immigrants are now becoming advanced in years; while internal migration has occasioned wide variations in the age distribution of the population of the several states.

Although Congress will not meet until January, dispatches from Washington regularly contain references to tax revision. The question of tax-exempt securities is frequently mentioned. The totals of such securities are as follows:—

TAX EXEMPT SECURITIES (\$000,000)

Borrower:—	Total	Wholly Exempt	Partly Exempt
U.S. Government.....	29,836*	11,600	18,236
Federal Agencies	5,712	1,393	4,319
State and Local Governments†	14,854	14,854	...
Territorial and Insular Govts.	120	120	...
Total	50,522	27,967	22,555

* Excludes U.S. securities held by Government agencies, etc.
† Estimated.

Of this total, \$17,300 millions of United States securities are held by banks, with \$3,600 millions of local government securities. Life insurance companies are estimated to hold \$4,400 millions of Federal securities and \$1,400 million of local government securities. In other words, well over half of the Federal debt is held by these two types of financial institution. Of individual holders, the largest are, of course, those in the higher income grades, to whom tax-exemption presumably compensates for the low return.

France

A Loyal Response

PARIS, September 29.—The French people have responded firmly and loyally to calls made upon them by the crisis. The majority are not ready to fight for any ideology, but all understand that further concessions would lead to war and not to peace. The dignified calm of the reservists who have been called to the Eastern frontier has made a great impression and may have important social consequences in the future.

Last week the strikers in the building trades resumed work, and the leaders of the mining unions exhorted their followers to cease their resistance to the agreement of September 1st which sanctioned supplementary hours of work; the situation was too grave for sectional controversy; and social and national discipline was imperative. If peace is safeguarded at the eleventh hour, then the crisis may prove to have had some favourable consequences; at least the country has come to realise the danger of internal conflicts.

Financial Resistance

Appreciable withdrawals from private and public banks were easily met by these institutions with the aid of the Bank of France and the use of technical measures, such as the multiplication of instruments of payment, the creation of 5,000 franc bank-notes, and the increase of the note issue. The increased note issue appears in the latest weekly return of the Bank of France, which was as follows:—

	(Thousands of francs)	September 1	September 8	September 19
Note circulation	101,759,702	102,900,034	108,185,555	
Securities, etc.	9,086,136	10,541,962	13,086,896	
Advances to the State...	40,246,954	40,246,954	43,246,954	

Prolonged pressure on public cash has caused the bank to increase its rediscount rate from 2½ to 3 per cent. and the rate for advances from 3½ to 4 per cent. New Treasury bonds (three months at 3 per cent.) have just been issued and the rate of interest on other bonds was increased to the same extent as interest on National Defence Bonds, that is, from 3½ to 4½ per cent.

Other measures have been taken to alleviate the money market and to prevent the rapid increase of hoarding just at the time when the Treasury most needs money.

A fresh ban has been placed on the export of certain products needed for war purposes. These include all foods, rubber, copper, tin, aluminium, nickel, chemicals, cloth, etc.

The Stock Exchange Waits

The tragic turn taken by the European crisis, before new hopes were raised on Wednesday, and the stiffening attitude of London and Paris led on Monday to a general fall in Stock Exchange prices. Yet the decline in the public funds was not more than 2 or 3 points, though the loan which carries an exchange guarantee was particularly hard hit because of the fear of a further decline in the pound and the franc.

On the following day, however, the market showed better resistance. Quotations were already very low indeed, and in actual fact they considerably underestimate the improvement which has taken place in the economic and social situation. Prices will rise rapidly if and when the international tension eases:—

	Highest 1938	Lowest 1938	Sept. 1	Sept. 26	Sept. 27
3% perpetual	77.25	65.30	75.64	74.00	74.50
3% redeemable ...	79.80	70.30	75.65	76.00	76.00
4% 1917	78.00	62.25	72.50	68.00	68.00
4% 1918	76.85	62.40	71.85	66.20	65.80
5% 1920	107.25	88.60	98.10	92.65	92.80
4% 1925	142.00	104.00	133.75	124.75	125.50
4½% 1932 A.	82.25	68.20	79.45	75.20	75.50
4½% 1932 B.	80.50	68.60	79.25	74.80	75.05
4½% 1937	139.40	103.75	133.20	125.50	125.50

Paid holidays in August caused the output of coal to drop to 2,866,839 tons for 15.9 working days, compared with 3,801,145 tons in July for 20.9 working days. In August, 1937, it was only 2,672,580 tons for 15.3 working days. Average daily production was thus 178,903 tons, against 182,887 tons in July and 170,040 tons in August,

1937. The number of men employed was 248,773 at the end of August, compared with 249,084 at the end of July and 238,307 in August, 1937. And the production of coke in the coke plants of the collieries was 319,037 tons, against 336,156 tons in July, 1938, and 320,963 tons in August, 1937.

Prices

Wholesale prices have risen slightly and the following table shows price movements during the last six weeks:—

	Aug. 20	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
General index	644	646	641	644	645	648
Domestic products	669	670	664	668	666	669
Imported products	600	603	600	602	607	612
Foodstuffs	627	629	627	632	630	635
Raw materials ...	660	661	654	655	659	660

In the week ended September 17th, the number of persons unemployed was 337,932, compared with 338,255 on September 10th and 305,958 a year ago.

Bulgaria

Credits from France

SOFIA, September 17.—After the conclusion of the Salonika agreement of July 31st, by virtue of which Bulgaria obtained the right to re-arm, public opinion is optimistic about the country's security. A credit of 350 million French francs was recently granted to Bulgaria by a French banking group. This credit is to be used for the construction of roads, the purchase of railway materials, and for armament purposes.

A new commercial agreement is pending between France and Bulgaria, designed to increase Bulgaria's sales to France, so that the credit will in effect be reimbursed in kind. Negotiations are under way with Greece and some expansion of trade with that country is also expected.

The drought during the summer severely affected a number of crops, including maize, oats, forage and industrial plants, such as sunflower. As a protective measure to guarantee fodder for cattle during the winter, the Government has imposed an embargo on the export of maize, rye, sunflower-seed and forage plants. The wheat crop, on the other hand, is plentiful and is 5 per cent. greater than last year's; there will undoubtedly be a surplus for export. Vegetables and fruit, especially grapes, have likewise been abundant.

Signs of Recession

The unfavourable outlook for several crops, however, exercised a depressing influence on industrial activity, as well as on domestic and foreign trade. There has also been some curtailment of credit facilities. Commodity prices, on the other hand, have risen owing partly to events abroad, but more especially to diminished output in certain branches. The general index of wholesale prices (1926 = 100) rose from 70.5 in June to 73.3 in July, against 71.3 in July, 1937. The price of exported products has risen most—6 per cent. Compared with July and August last year business activity in the last two months fell off some 3 per cent.

Exports, which increased during the first quarter of the year and remained stable during the second quarter, fell in

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July. For the first seven months of this year the course of foreign trade was as follows:—

	1937		1938	
	Thousands of tons	Million Leva	Thousands of tons	Million Leva
Imports	184	2.663	200	2.639
Exports	377	2.701	314	2.790
Surplus of exports	193	38	114	151

During the last three months the value of both imports and exports has fallen, and their estimated values for 1938 include the exchange premium. This actual fall in values is estimated at about 5 per cent.

Great Britain ranks second among Bulgaria's suppliers, sending 8 per cent. of her imports, against 5 per cent. in 1937. The share of Germany in Bulgaria's imports has declined from 58 per cent. in 1937 to 49 per cent. this year, but she still takes 45 per cent. of Bulgaria's exports.

Argentina

Europe Over Argentina

BUENOS AIRES, September 24.—Argentine markets have lately been dominated by the European political crisis. The Stock Exchange several times showed extreme weakness when it appeared that war was imminent, and recovered sharply on the arrival of more favourable news. The grain market reacted in the opposite direction, prices rising with the increase of tension and falling back when a settlement appeared probable.

Nearly half the population of Buenos Aires is foreign-born, while the remainder are largely of foreign parentage. Hence the psychological effect of events in the Old World is much greater than in a country whose neutrality is undisturbed by blood-ties. Foreign affairs are in consequence overshadowing Argentina's own problems.

Meanwhile there is no change for the better in the economic outlook. Exports are still very low; the import surplus is increasing; and the prospects of short or medium term loans from abroad seem to have receded. No forecast of the coming crops can safely be made for another six weeks, since late frosts and drought are liable to upset early calculations. And the trend of commodity prices is still disappointing.

In August, imports were surprisingly high, while there was scarcely any recovery in exports. Thus the import surplus for the year increased considerably. The following table shows the course of Argentine foreign trade this year:—

(In Pesos)			
1938—	Exports	Imports	Export (+) or Import (–) Surplus
January	145,993,968	145,801,423	+ 192,545
February	127,714,064	123,959,819	+ 3,754,245
March	118,578,386	144,403,619	–25,825,233
April	103,690,644	116,733,359	–13,042,715
May	110,173,828	110,831,148	– 657,320
June	106,371,841	105,561,480	+ 810,361
July	107,760,397	114,381,836	– 6,621,439
August	108,940,329	120,096,850	–11,156,521
Total ...	929,223,457	981,769,534	–52,546,077

In the first eight months of 1937, Argentina had an export surplus of 750,214,668 pesos. In Argentina, which needs an export surplus of around 500,000,000 pesos annually to pay for invisible items, an import surplus, even in a single month, is an unusual occurrence, and such a long succession of deficits on trade account is very rare.

The commercial disequilibrium is due to two causes. Exports have fallen owing to small crops in Argentina, bumper wheat crops abroad, and falling prices. Imports, whose market value for the first eight months of 1938 was higher than in a similar period of any year since 1930, rose in response to the expansion of exports in the first half of 1937.

The increase in imports during the eight months is very marked in machinery and vehicles, which were higher by 54.2 per cent. in tariff value compared with the same period of 1937. This helps to explain why the United States have ousted Great Britain from first place as a supplier of goods to Argentina. In the first eight months of 1938 the United States supplied 19.1 per cent. of the total imports; Great Britain supplied 18.5 per cent., Germany (including Austria) coming next with 10.8 per cent.

Restrictions on Foreign Trade

Early in the month the Government presented to Congress a Bill to protect Argentine industry against alleged foreign dumping. The Bill has caused much controversy between rival interests and may be considerably modified before it becomes law. The main principle is the creation of a committee authorised to impose compensatory duties on goods which can be produced in Argentina and are imported and sold below the market price in the country of origin. A year or so ago it was hoped among importers that, as a result of the prosperity then existing, the restrictions on trade imposed by the crisis would soon begin to disappear; the increase of obstacles to the normal flow of trade creating fresh vested interests to be protected in the future is being viewed with a jaundiced eye.

On September 16th, the Ministry of Agriculture issued its first estimate of cereal and linseed sowings for 1938–39. Wheat sowings are calculated at 8,100,000 hectares compared with 7,778,000 hectares last year and with an average for the last ten years of 7,730,690 hectares. Linseed sowings are given as 2,780,000 hectares compared with 2,842,000 hectares last year and with an average for the decade of 2,977,516 hectares. The figures for maize are not yet available because this crop is sown much later in the season.

The latest official estimate of the production of Argentine cotton in the 1937–38 season is 45,000 tons. This is 8,800 tons less than the previous estimate, but 13,830 tons higher than in the preceding year when drought caused a partial failure. About three-quarters of Argentina's cotton is grown in the Chaco Territory in the far north of the Republic. Cotton, although holding great possibilities, is still a crop of secondary importance in the economic life of the country.

India

Favourable Outlook

CALCUTTA, September 8.—The report of the Reserve Bank of India for the year 1937–38, which has just been published, notes a fairly substantial increase in imports and a slight decline in exports. The favourable balance of trade in merchandise (for India and Burma combined) decreased from Rs. 79.51 lakhs in 1936–37 to Rs. 43.54 lakhs in 1937–38. There was also a fall in net exports of gold from Rs. 27.85 lakhs to Rs. 16.33 lakhs, but this was more than made up by a decrease in net imports of silver from Rs. 13.59 lakhs to Rs. 1.50 lakhs.

Reporting on exchange and remittance transactions for 1937–38 the Bank notes with satisfaction that though the total amount of sterling purchased by it on behalf of the Central and Provincial Governments fell short of total requirements by roughly £12 millions (for the reasons mentioned above) it had no difficulty in meeting the deficit from the large sterling resources which had been built up in previous years. Total sterling purchases for 1937–38 amounted to Rs. 32.29 lakhs (£25,140,000), against Rs. 70.87 lakhs (£53,532,000) in 1936–37. In view of the tendency to rupee weakness, it will be interesting to see how the current 1938–39 sterling purchases compare with the two previous administrative years. For the past three weeks sterling purchases have been suspended, and the absence of any revival in export business does not point to the restoration of more propitious conditions for Government.

An interesting sidelight on the official debt redemption policy is shown in the report. Although there were no new loans during the year, the Government of India were able to effect a reduction in the amount of sterling debt outstanding by approximately £3,000,000 by the purchase of sterling securities up to a limited amount and their transfer to the Government for cancellation.

Disparity between rupee and sterling security prices began to be noticeable as long ago as March, 1936, though at first the advantage of rupee paper seldom exceeded one point. During 1937–38 and 1938–39 the difference has continued to grow, the average difference being about five points, and at some periods as much as seven points. This must be attributed mainly to the confidence of the Indian investor in the sound financial position of the Government of India and the Provincial Governments, the absence of internal disturbances, and the comparative immunity of the Indian markets from the effects of political developments in Europe.

The last available trade figures, those for July, show an improved balance of trade in favour of India, a welcome change after the narrow margin disclosed by the June figures.

Letters to the Editor

West Cumberland

TO THE EDITOR OF THE ECONOMIST

SIR,—I was interested to see the comments on "The Special Areas and Aliens" in last week's issue of *The Economist*. It might perhaps be of interest to your readers to know something about West Cumberland, perhaps the least well known of all the Special Areas.

Our problem here is somewhat different to the other Special Areas in so far as our population is more scattered. On this account it was felt that a trading estate would not be suitable for the Area, owing to the distances over which workers would have to travel.

To meet our peculiar needs the Commissioner for the Special Areas formed the West Cumberland Industrial Development Company, Ltd., and granted the company powers to build factories on selected sites in various parts of the Area. This has enabled us to put down factories close to the people for whom we are endeavouring to find employment, and has also enabled us to offer prospective industrialists choice of sites, each with its own special advantages.

We have received a large number of enquiries from aliens, and particularly from Czechoslovakia. Enquiries, from whatever source they may come, are equally welcomed.

Yours faithfully,

JOHN PATTINSON.

Whitehaven.

The Shape of the Trade Cycle

TO THE EDITOR OF THE ECONOMIST

SIR,—The following appears in the article under the above heading in your issue of August 27th:—

... the changing relationships between agricultural and industrial prices are clearly of crucial significance in the working of a world economy based upon the exchange of primary products for manufactures. Low agricultural prices relative to industrial prices mean small purchases of manufactured goods and slackened industrial activity; and, while high agricultural prices mean high exports of manufactures from the industrial nations and quickened industrial activity, they also bring with them rising costs of industrial production and an enhanced cost of living which eats into the purchasing power of the industrial masses.

While high prices for primary products mean high exports of manufactures from the industrial nations and quickened industrial activity, is it inevitable that they should bring with them rising costs of production?

If manufacturers would wait until the high exports had materialised before raising the prices of their finished products to the consumer, and would look for their increased profits from the fuller utilisation of their plant rather than from the higher prices of the finished products, would they not encourage sales of their goods and avoid the reaction which the enhanced selling price of consumer goods appears always to bring about?

Much of the benefit of the higher purchasing power of the producer of primary products which high prices brings is lost as soon as the manufacturer increases the selling price of his goods. The heavy capitalisation of the modern manufacturing plant means that the interest on capital investment is a very important factor in a manufacturer's costs, in relation to which the cost of the raw material and even of wages are frequently of relative unimportance.

Although high wages to labour in manufacturing countries and high primary products prices (which means high wages in countries producing them) bring increased consumption of manufactured goods, manufacturers are inclined to regard them as unmixed evils. But, owing to the high capitalisation of manufacturing plants, the advantages of keeping machinery employed at 80–100 per cent. of its capacity are so great, as compared with utilisation of plant at only 50 per cent. of capacity or less, that the amount paid out for wages or raw materials is of smaller significance in the ultimate cost than is generally realised.

Yours truly,

FREDK. C. HARDING.

Port of Spain.

Books and Publications

Modern Banking

This book* is a general survey of modern banking. Beginning with a brief account of the functions of banks, Mr Sayers describes the typical developed banking system of to-day. Mainly he discusses English practice, but the most significant differences between our practice and that of other countries are succinctly examined. One of the most welcome features of the book is its freedom from that tendency to idealise one particular phase of banking development so common—at least up to 1931—in English textbooks. We are constantly kept aware, in reading Mr Sayers, of the extent to which any banking system is simply an adaptation to the changing needs and shifting local problems of the economic world.

This general exposition of central and commercial bank functions is followed by an analysis of the relations between banks and the wider economic system, between banking operations and international monetary conditions, and between banks and governments. Here the book becomes somewhat more difficult, but the treatment of these topics remains admirably clear and straightforward.

In Chapter VI the theory of changes in bank rate is considered. Mr Sayers regards bank rate as useful for dealing with gold movements under certain conditions. As a method of securing a general revision of money incomes, however, "it is a halting, clumsy, indeed a brutal, instrument."

The collapse of the gold standard is discussed as a double issue. Why did the bankers break "the rules of the gold standard game" between 1925 and 1931? And, were the so-called Cunliffe "rules" really the operative principles of

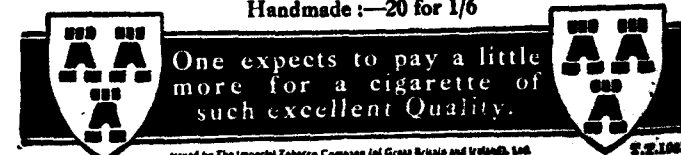
* Modern Banking. R. S. Sayers. Oxford University Press Humphrey Milford. vii+316 pages. 12s. 6d.



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the pre-war banking system? To the first question Mr Sayers replies that bankers did *not* break the rules, which they (correctly) believed to allow them a wide discretion which, however, they may have exercised mistakenly.

On the more important second point, Mr Sayers claims that the Cunliffe Report did not give a true picture of the pre-war system—only of what it promised to become. It is possible to feel that this comment disposes of the issue far too summarily. If we could approach, without any preconceptions, the monetary arrangements prevailing over a large part of the world towards the end of last century, we should be impressed most of all by their dependence on a particular centre, London, which happened to have attained a high degree of technical development about the time when other countries found it desirable to use the financial facilities it offered.

It is arguable, that is to say, that without London there would have been no international monetary system as we knew it before 1931, and that it was because sterling was a gold unit that the system actually established was a gold standard one. It involved comparatively frequent movements in the English bank rate because foreign centres, despite large gold reserves, stood in something of the relationship to London in which individual banks stand to the central bank in an integrated system. In effect, the holding of the international system's final reserve—which had to be mobile—was thrown on London. We gather, however, that Mr Sayers's own position approximates to that of Mr J. M. Keynes; he is not enamoured of international monetary arrangements unless local conditions can be effectively insulated, when desired, from external changes.

So far as commercial banking is concerned, the most valuable part of this book is perhaps the discussion (in Chapter IX) of the distribution of bank assets. The ambiguity of the term "liquidity" in this connection is clearly shown. As Mr Sayers shows, what bankers have in mind is partly "shiftability," i.e. the acceptability by the central bank of certain assets, and partly the "self-realisability" at short term of other assets. The last chapter contains a short discussion of the issue involved in the nationalisation of banking.

Taken as a whole, Mr Sayers has written a book of high quality, which is as stimulating as it is informative. Attractively written, it will enable the student to trace the main outlines of modern currency and banking, in both theory and practice, unblurred by details of bank routine or commercial history.

Shorter Notices

"Europe and the Czechs." By Sheila Grant Duff. Penguin Series. 6d.

This timely book aims at giving the facts, historical, political, diplomatic and economic, about the Czech problem, in a succinct and popular way. It was brought up-to-date right up to the moment of publication; and it achieves its topical purpose remarkably well. Even now the public needs enlightenment on issues which have shaken the structure of world peace to its foundations. Miss Grant Duff has responded to their need.

"The Bank and Insurance Shares Year Book, 1938-39." Compiled and published by Trust of Insurance Shares Limited. 739 pages. 10s. 6d.

This reference book is now in its third year of publication. It has quickly established itself as an authoritative source of

information on all aspects of bank and insurance business, management and finance. The accounts of 59 banks and discount companies and 37 insurance companies are analysed in detail. Other features include records of share prices and dividends, and useful tables summarising the progress of banking, discount and insurance institutions in recent years. The value of the year book is enhanced by its pleasing format.

"International Year Book of Agricultural Statistics." International Institute of Agriculture, Rome. 1013 pages. L.100.

The latest edition of this annual volume has again been enlarged by the inclusion of statistics of various new crops, among which rubber is the most important. Six more countries have been included, of which Brazil is the largest. The statistics relate mainly to 1936 and 1937, though data for the latter year are naturally not complete.

Books Received

Wilkinson's Tea and Coffee Share Manual for 1939. Compiled by B. P. Wilkinson. Published by *The Investors' Chronicle*, 391 pages. 3s. 6d. net. The August, 1938, edition of this annual work of reference contains revised and up-to-date information about companies which produce tea and coffee, as well as statistics and comment upon the industries as a whole.

Common Stock Indices, 1871-1937. Alfred Cowles and Associates, Cowles Commission for Research in Economics. Principia Press, Inc. 499 pages. No price stated.

Latin America and the United States. Graham H. Stuart. D. Appleton-Century Company. 510 pages. 15s.

City of Birmingham: Financial Statement for the year ended March 31, 1938. (Birmingham) The Treasurer, The Council House. 557 pages. No price stated.

Summary of 1938 Federal Legislation Affecting Banking. Published by The American Bankers' Association. 29 pages. 25 cents.

Reports of the International Labour Office: Technical and Financial International Co-operation with regard to Migration for Settlement. P. S. King and Son, Limited. 180 pages. 4s.

Outlines of Economics. By R. T. Ely. Sixth edition. Macmillan (New York). 1,064 pages. 15s.

Labour's Progress and Problems. By H. A. Millis and R. E. Montgomery. McGraw-Hill. 584 pages. 21s.

League of Nations Studies and Reports on Statistical Methods, No. 1: Statistics of the Gainfully Occupied Population. 32 pages. 1s. No. 2: Minimum List of Commodities for International Trade Statistics. 62 pages. 2s. net. No. 3: Timber Statistics. 17 pages. 9d. No. 4: Statistics Relating to Capital Formation. 22 pages. 1s. (London) Allen and Unwin.

Modern Economic Organisation and Problems. E. W. Shanahan. Longmans Green and Company. 401 pages. 4s.

Industrial and Social Revolution, 1750-1937. L. W. White. Longmans Green and Company. 308 pages. 5s.

Official Publications

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

An Economic Survey of the Colonial Empire, 1936. £1 7s. 6d. net.

Annual Report of the Chief Inspector of Factories and Workshops for the Year 1937. 2s. net.

Statistical Abstract for British India, 1926-27/1935-36. Cmd. 5804. 15s. net.

Civil Judicial Statistics for the Year 1937 for Scotland. Cmd. 5779. 9d. net.

Imperial Economic Committee. Fruit Supplies, 1937. 2s. 6d. net.

Colonial Reports. No. 1847. Annual Report on the Social and Economic Progress of the People of Zanzibar Protectorate, 1937. 9d. net. No. 1848: Bermuda, 1937. 6d.

Ulster Year Book, 1938. Published by Authority of the Minister of Finance. 329 pages. 1s.

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THE BUSINESS WORLD

The City—Then and Now

TO the City's relief, the nightmare of immediate war has been averted. Many observers looking back over the events of a critical week will nevertheless feel that, although the history of 1914 so nearly repeated itself, its consequences for the City would have been substantially different. The position of the financial markets to-day is in many respects totally changed compared with the situation prevailing during the last few days that preceded the outbreak of the war in 1914. It would be essential to lay stress on the differences, if only in order to allay fears of a recurrence of the chaotic conditions which placed London at such a heavy disadvantage during the early days of the last war.

The difference between August, 1914, and September, 1938, may be summed up under three headings. First, there is a difference in the technical position of the discount market; secondly, there is a difference in the psychological preparedness of the City in an emergency; and, thirdly, there is a difference in the readiness and ability of the authorities to take action in order to cope with emergency. Regarding the technical position, it is sufficient to recall that the volume of bills outstanding at present is a mere fraction of its volume of 24 years ago. Informed estimates of the volume of bills in August, 1914, vary between £350 millions and £500 millions. Even if the lower figure is accepted, the volume of bills in 1914 must have been at least four times the present amount of bills carried by the market.

Nor is this all. About half of the bills outstanding at present have already been frozen for the last seven years. As far as standstill bills are concerned, the arrangement by which for seven years they have been treated as if they were liquid would become even more of a fiction than it is to-day if we were at war with the debtors' country, and the standstill might have to come to an end. But, in any case, since 1931 most banks have had ample opportunity to make provision for a large part of their frozen standstill credits, and they would be able to take up their own bills without any difficulty. In relatively few instances assistance might be required, but the amount involved could not be very large.

As for the bills which do not come under the standstill, the bulk of them were drawn to finance trade with countries which are not likely to be affected by European war. While temporary disorganisation might cause inconvenience in many instances, the bulk of these bills would remain self-liquidating. The more countries were opposed to us in a conflict, the higher, of course, would be the total of frozen bills. Nevertheless, the total which might conceivably have to be looked after would be a negligible fraction of £120 millions, which was the amount of the bills which had to be taken into "cold storage" in August, 1914. Thus the crisis in the discount market experienced at the outbreak of the last war would not be repeated to anything like the extent experienced in 1914.

Another important difference is in the extent to which the financial community is prepared to face the blow of an outbreak of war. In August, 1914, the City was caught utterly unprepared. The war and the financial crisis that accompanied it came entirely as a bolt from the blue. At

the end of July, 1914, everybody took it for granted that the methods that had created prosperity and stability for nearly 100 years would continue for ever. It was no wonder that the City was stunned by the shock when, from an atmosphere of confidence, it stepped into chaos overnight. Until the very last moment, most people were convinced that Great Britain would keep out of the European war. When it was decided to declare war on Germany the financial community and the public were psychologically entirely unprepared for the decision. At present, however, the state of affairs is totally different. For one thing, even before the development of acute political tension, conditions had been distinctly depressed for many months past. The political crisis itself developed slowly and gradually. After a series of isolated war scares the tension became continuous from July onward, and in the last few weeks there can have been few people in the City who did not envisage the strong possibility of an armed conflict in which Great Britain would be heavily involved. This being so, the outbreak of war would not have taken the financial markets by surprise.

By far the most important difference between the immediate financial consequences that would have followed an outbreak of war at the present time and the events of August, 1914, lies in the attitude which the authorities might have adopted in the face of emergency. There can be little doubt that the shock of the outbreak of war in 1914 became accentuated to no slight degree as a result of the Bank of England's decision to raise Bank rate to 10 per cent. It is unlikely that the authorities would resort to similar drastic methods to-day. In 1914 the main object of this move was to call in credits from abroad in order to support sterling. This object was so well attained that for a short while sterling went to an entirely abnormal premium against the dollar. Whether or not the result provided adequate compensation for the considerable inconvenience caused by the high Bank rate is a matter of opinion. What is important is that the motive for the action of 1914 does not now exist. The amount of the credits which could be called in with the aid of a Bank rate is at present so small that it would certainly not be worth while to disorganise trade and inflict inconvenience upon the financial markets for the sake of such a meagre result. In any case, the same result could be achieved much more easily through a request to the London banks to call in their foreign credits. Such a direct method of intervention would have been entirely unprecedented in 1914, but similar requests have become accepted practice during recent years.

This does not necessarily mean that the Bank rate would not be raised to a relatively high figure on the outbreak of war, or even before. But it would be done for more normal and technical reasons. If money rates should tend to rise, notwithstanding the cheap money policy which the Treasury would be as anxious in war as in peace to continue, then Bank rate would follow the trend. What is unlikely is that the deliberate increase of Bank rate, almost for its own sake, would be repeated. It may be taken for granted that the authorities would not rely upon Bank rate for the regulation of the market to anything like the extent they did in 1914. Apart from direct intervention, such as the request to call in short-term credits, the

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authorities have at their disposal their highly developed technique of open market operations, which was in a much more rudimentary form 24 years ago.

The Government is altogether better equipped to meet an emergency than it was in 1914. In the sphere of foreign exchange it is now in possession of an organisation by which the market can be held under control. Had the Exchange Equalisation Account existed in 1914 the sterling-dollar rate would never have been allowed to rise even temporarily to the drastic level of \$7 to the pound. An outbreak of war might, in fact, make comparatively little difference to the activities of the Exchange Equalisation Account, which would continue to control sterling as before. Its task might well be facilitated by the restrictions that would doubtless be placed on some categories of transactions by British subjects.

Stock Exchange Policy

IT would be difficult to discover any period in Stock Exchange history in which hopes have sunk so low, to be so spectacularly revived, as in the past five days. The security markets have been increasingly apprehensive since the Czech problem came to a head. But this week they have tasted the bitter threat of war itself, and enjoyed the relief of catastrophe averted at the fifty-ninth minute. When the Prime Minister, at the outset of his dramatic speech on Wednesday, declared that the situation to-day had no parallel since 1914, his words were appreciated to the full in another "House." Until the unexpected *dénouement* at the end of the speech sent prices ablaze in the "Street" market, indeed, the gilt-edged market had been dealing for two days on the basis of minimum prices—a situation unknown since the Great War. For any security market, the maintenance of peace is an essential condition for free dealings and representative quotations. As soon as emergency threatens, the most which investors and professional dealers can do is to avoid precipitate action, and, in the process, the normal channels of business inevitably dry up.

In the strained circumstances of the past three weeks, the London Stock Exchange may take credit for calmness and discretion. It is true that the immediate danger of war—which threatened on September 14th, and again this week—produced serious falls in quotations, and an inevitable increase in sales, particularly of gilt-edged securities. On Monday this week, War Loan again provided a target for renewed selling, falling 4½ points to the wholly abnormal basis of 93.96. Indeed, dealings in the stock were marked as low as 90 and as high as 98—surely the widest extremes ever recorded in one day's business in the premier gilt-edged security.

Against falls such as these, some action was imperative if a semblance of rational dealing conditions was to be preserved. There were, as always, the usual complaints regarding the "uncommercial" attitude of jobbers, coupled with the usual unreadiness of the critics to perceive that it is not the jobber's function to take unlimited amounts of stock in a "one way" market. Accordingly, to meet a situation which was indeed without parallel since 1914, jobbers in gilt-edged, municipal and dominion stocks quoted agreed minimum prices at the opening of business on Tuesday, below which they were not prepared to deal. In most cases, these minimum prices (which are set out in greater detail on page 30) were the same as, or fractionally higher than, the bid quotations in the Official List on Monday. War Loan, for instance, which was quoted 93.97 on that day, was called 93.95, and could not be sold below 93. These precautionary measures by the jobbers, although not taken at the behest of the Stock Exchange Committee, no doubt had the latter's approval.

Brokers were not stopped from dealing below these minimum prices. They appear in the main to have observed them loyally, but some "outside" bargains at

During the tension of the last few days, part of the transition from a state of peace to a state of imminent war had been gradually accomplished. Voluntary measures for fixing minimum prices for Government loans have been successfully tested. Others have been discussed and decided upon, so that there would be no need for hasty panic decisions. There is therefore every reason to believe that if the final shock had come, it would have had a relatively moderate effect upon the City. The idea that the outbreak of a major war must necessarily be accompanied by a major financial panic is not merely fallacious but dangerous, for the mere fact that an unduly large number of people believe that the experience of 1914 must necessarily be repeated would have tended to accentuate the disorganisation, which war must necessarily bring to the mechanism of the City.

lower levels are reported to have been transacted. Nor did the scheme carry any Treasury mandate. It was, in fact, a purely private arrangement between the jobbers in one section of the market to produce order where disorder threatened, and there can be no doubt that it was generally successful, and generally appreciated. There is naturally a risk that fixed minimum prices, under the conditions which prevailed during the first part of the week, provide an outlet for sellers without encouraging buyers; but selling orders have generally been cleared, even though jobbers on occasion have been willing to offer stock at the minimum—in other words, to forgo any "turn" in the interest of maintaining a market.

In unofficial dealings on Wednesday, and when the "House" re-assembled on Thursday, these minimum prices had already lost reality on the sudden change in the political situation. But they open up the larger question of Stock Exchange policy in times of extreme political emergency. They appear to provide a partial solution to a problem which has been debated for twenty-four years: under what conditions, if any, should the market be closed? When the closure was applied on July 31, 1914, there were many in the Stock Exchange, as well as outside, who criticised the action of the authorities. On that occasion closure preceded the fixing of minimum prices, which took effect on September 14th—nearly four months before the market was again officially opened. To-day, the entire market is in an appreciably stronger position in one respect than in 1914. Its total commitments have been reduced to a point which approaches more closely to technical equilibrium than on any occasion in recent years. Yet serious price reactions, as Monday's dealings clearly threatened, might have produced untoward effects on other parts of the credit structure. The uncovering of loans backed by collateral security was regarded in 1914 as an imperative reason for closing the Stock Exchange. Judging from the behaviour of the market when it was reopened in 1915, however, it was not easy to justify a step which affected the prestige of the freest market in the world, when Lombard Street itself was still able to function with assistance.

It is probable that the majority opinion to-day would be in favour of maintaining an open market, provided that precautions against the consequences of extreme selling could be observed. Even the partial introduction of minimum prices this week has demonstrated their superiority both to closure and to panic. Under conditions of prolonged crisis, minimum prices would need to be extended to all markets under official control to prevent "black" dealings, at least for a time. Here, again, the war-time precedent is of interest. Treasury sanction was given to a new list of minimum prices in March, 1915. In November of that year dealings in gilt-edged stocks were released from control, and in July, 1916, the market was restored to full freedom. As an alternative even to short closure, the advantages of this method of control must be obvious.

As we write, investors have real ground for hoping that

the need for such measures will be averted. But even now the investor can hardly venture far upon a positive policy. A political settlement, even of a partial character, would undoubtedly bring a substantial further recovery in all sections of the market. Yet it is evident that the long-term market outlook, on these assumptions, may still present the unattractive alternatives of a re-armed peace or eventual war. On the former assumption, fiscal strain will become increasingly evident; the armament industries and their ancillaries will enjoy a further period of intense activity; and the course of trade generally will be determined largely by political factors, secondarily by arms activity, and only partially by the play of free economic forces and the trend of American industry.

These, after all, are the general conditions under which the investor has been called increasingly to operate during the past year or two, and he has had ample notice to effect his dispositions to accord with them. The effect of the last critical weeks upon business activity has yet to be recorded statistically, but even if the crisis is averted it has obviously affected the speed of general economic recovery. Yet, considered solely in terms of investment values, such conditions are infinitely preferable to war, which spares no department of the Stock Exchange. The following index numbers illustrate this point:—

	British and Indian Stocks*	British Industrials*	S. African Mines*	U.S. Common Stocks†
July, 1914	100	100	100	100
January, 1915	91	85	75	97
December, 1915 ...	84	73	75	126
December, 1916 ...	76	83	80	130
December, 1917 ...	75	88	80	91
December, 1918 ...	81	100	93	105
December, 1919 ...	71	112	125	119
December, 1920 ...	63	66	76	91

* Based on *Bankers' Magazine* indices. † Based on Cowles Commission index.

By the end of 1916, it will be seen, gilt-edged, industrial and mining securities had suffered a depreciation of between 20 and 25 per cent., compared with July, 1914. It was not, indeed, until war had been ended a year that

inflationary factors held sway and fixed-interest and equity stocks parted company. But these inflationary consequences were essentially post-war phenomena, and they proved short-lived. The only major protection available to the investor during the early stages of the Great War lay in a holding of American common stocks, although even these were 9 per cent. lower at the end of 1917, compared with July, 1914.

Such figures illustrate the limitations to which any attempt to hedge the war risk is necessarily subject. In minor degree, the same limitations hold under conditions of re-arming peace. The main distinction between the two situations is one of economic control. In both, the problem of Budget deficits and high taxation must be faced. In both, the authorities would keep a close watch on the profits of the armaments industry. In both, fears of inflationary developments upon the prices of essential materials and primary foodstuffs would be tempered, for a time at least, by the existence of considerable unabsorbed supplies, actual and potential. All these factors tend to limit the advantages of equity shares generally, as a war risk hedge. They might leave some scope for industries serving the armament trades and for suppliers of essential war materials. But they might not provide the same advantages as carefully chosen gold-mining shares or American industrial securities, under wartime conditions.

Such conclusions illustrate the negative policy which alone would have been open to the investor, if a grave emergency had developed into war. For the immediate future, much depends on the nature of the Munich agreement, and the political temper which emerges from it. It may renew the forces of economic recovery in the United States which have lately been checked. If it demonstrates that war has been wholly averted, rather than deferred, it could pave the way to general economic improvement. But these are large assumptions at present, and the investor would be well advised to exercise all his powers of vigilance for the time being. Meanwhile, the crisis of recent weeks will have served to emphasise one useful investment lesson—that a well-chosen portfolio, in the last resort, affords the best protection against adversity, short of actual disaster.

Munition Metals

IN this machine age metals play a decisive part in peace as in war. But while the qualities and uses of the non-ferrous metals—aluminium, copper, lead, spelter and tin—have received much publicity, the steel alloying metals—including chromium, cobalt, manganese, molybdenum, nickel, titanium, tungsten and vanadium—have perhaps not received the attention they deserve as a result of their growing importance, partly, perhaps, because the majority of them are sold by private treaty. Antimony and mercury, though not, strictly speaking, ferro-alloying elements, are also important munition metals. Although some substitution is possible, ferrous metals are indispensable in the manufacture of modern armaments. A description of their properties, uses and sources of supply may, therefore, be of interest.

To the layman, steel is a uniform product made from iron ore; but the engineer recognises an infinite variety of steels—just as a connoisseur of wine can distinguish between a multitude of growths, each with its distinctive flavour. Since the Great War technical progress in metallurgy has, perhaps, been more rapid than in any other period of the steel age, and the main feature of recent progress in this field has been the development of alloy steels—the metal markets now recognise some 8,200 alloys—designed to meet the strains and stresses to which the modern aeroplane, the motor car and the engines of war are subjected. Indeed, metallurgical research is probably more highly concentrated on alloy steels than on any other type of ferrous metal.

The remarkable increase in the efficiency of modern engines of all kinds is largely due to the rapid technical progress in the manufacture of alloy steels. It is now possible, for example, to produce steels of a tensile strength of over 130 tons per square inch. As a result, the ratio of power to weight, which is all-important in the aeroplane engine, has been appreciably increased. Again, in the manufacture of armaments, makers of armour-piercing shells have been running a neck-and-neck race with producers of armour plate, which has led to a remarkable improvement in the efficiency of both. A few facts concerning the chief uses of the different alloying metals may be briefly set out.

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Manganese.—An addition of 7-18 per cent. of manganese to steel results in an alloy of great strength and elasticity combined with hardness. It is used in the manufacture of jaws for stone and ore crushers, of dredger baskets, tramway and railway switches and crossings, mining car wheels and burglar-proof vaults. Its non-magnetic property is of great value in the construction of submarine mines whose presence cannot be detected by magnetic means. It enters into the composition of shrapnel-proof helmets. Manganese is also used for decarbonising, desulphurising and purifying steel.

Chromium.—Added in small quantities, chromium slightly raises the tensile strength of steel but slightly diminishes its ductility. A large proportion of chromium renders steel brittle. Steel containing chromium is used in the production of armour-piercing shells and diaphragms in connection with submarine work. It enters into the composition of stamp shoes, dies for crushing hard ores, drawing dies, finishing rolls, chisels, impact tools, axes, hammer heads, balls and rollers for bearings, automobile axles and springs and locomotive frames and springs.

Nickel.—The ability to impart great tensile strength and ductility as well as corrosion-resistance to alloys is nickel's outstanding merit. Other applications arise from the magnetic qualities found in alloys containing certain percentages of nickel. While important as an armament metal, by far the greater part of the output of nickel is used for commercial purposes. Nickel steel is employed in machinery handling foods and beverages, in the mining and petroleum industries and in the moving parts of heavy-duty transport equipment, from high-speed aviation to slow-moving Diesel engines.

Cobalt.—The principal uses of this metal are about evenly divided between the metallurgical and ceramic industries. In metallurgy it is used in high-speed cutting steels, in the production of stellite alloys (cobalt and chromium with small amounts of other metals) used for cutting metals at high speed, and in the manufacture of permanent magnets.

Tungsten.—Tungsten renders steel hard and improves its wearing properties. Consequently, it is indispensable in the production of cutting, crushing and grinding tools. It is used for filaments in electric lamps and wireless valves and as a catalyst in chemical operations.

Molybdenum is an excellent substitute for tungsten; it is to a large extent interchangeable with vanadium and can be used in place of nickel, for example, in the manufacture of structural steel.

Vanadium.—Vanadium has probably the most powerful influence of all alloying metals on the properties of steel. An addition of 0.2 per cent. of this metal increases the elastic limit and tensile strength of mild steel by about 50 per cent. It is used in the manufacture of the highest classes of tool steel. Ordinary steel becomes brittle or "fatigued" under continual vibration or under variable strains. The addition of a small percentage of vanadium helps, for example, the piston and connecting rods of an engine, alternately under tension and compression, to resist deterioration.

Titanium.—By adding to a bath of steel or cast iron a ferro-carbon titanium containing about 15 per cent. of titanium, the bath can be almost entirely cleansed from dissolved or occluded gases, such as oxygen and nitrogen, and from oxides of iron usually present in steels. Titanium, therefore, is used in the production of pure steels. The addition of 1 per cent. of titanium to steel renders it practically rust-proof and very hard.

Antimony and Mercury.—Antimony is used in the production of "hard" lead, type metal, anti-friction metals and Britannia metal. It is an essential constituent of the ordinary shrapnel bullet, its effect being to harden the lead and prevent the bullets from losing shape on the bursting of the shell which contains them. The fulminate of mercury is employed as a detonator for high explosives and in percussion caps and primers for the ignition of explosives employed in the mining industry.

The principal sources of supply of these metals are given in the accompanying table, which shows production in the principal countries in 1936, as estimated by the Imperial Institute. As will be seen, all the principal consuming countries are dependent on imports for most of these metals, and only a few industrial countries—including the United States, the U.S.S.R., Italy and Japan—possess significant domestic supplies of any one of them.

The British Empire produces substantial quantities of chromium, cobalt, manganese, titanium, tungsten and vanadium and practically the whole of the world's output of nickel, but is deficient in antimony, molybdenum and mercury. Molybdenum can be obtained from the United States. Difficulties, in time of war, might arise in the case of mercury, for supplies might not be obtainable from Italy, and, in lesser degree, of antimony if Chinese supplies were not available. France, like the United Kingdom, has insignificant domestic resources, but obtains some of the metals from her Empire—cobalt and molybdenum from Morocco, and nickel and chromium from New Caledonia.

PRODUCTION OF IMPORTANT METALS IN 1936

Countries whose output exceeded the quantity shown	Chromium (b) 10,000 tons	Cobalt 1,000 cwt.	Manganese (b) 25,000 tons	Molybdenum (b) 1,000 cwt.	Nickel (b) 1,000 tons	Titanium (Ilmenite) 10,000 tons	Tungsten (b) 1,000 tons	Vanadium (b) ...	Antimony (b) 2,000 tons	Mercury 50,000 lbs.
British Empire:—	'000 tons	'000 cwt.	'000 tons	'000 cwt.	'000 tons	'000 tons	'000 tons	tons	'000 tons	'000 lb.
South Africa	75.7	...	119.2	...	...	...	...	...	...	...
South-West Africa	...	...	...	...	...	...	...	...	...	...
Southern Rhodesia	88.4	...	...	...	...	...	...	4,864(a)	...	...
Northern Rhodesia	...	9.1	...	...	...	...	...	201	...	...
Gold Coast	...	...	...	...	...	...	...	...	...	...
India	25.0	4.0	214.0(e)	...	1.3	140.5	3.0	...	...	...
Fed. Malaya	...	...	407.0	...	...	10.3	1.0	...	...	...
Canada	...	7.9	...	...	75.8	...	...	...	...	...
Other Countries:—	...	...	...	...	...	...	...	...	...	...
U.S.A.	...	...	...	255.7	...	...	1.4	62	...	1,259.2
Mexico	...	...	...	17.5(a)	...	...	...	...	7.2	403.3
Bolivia	...	...	...	...	...	...	1.3	...	614(a)	...
Brazil	...	...	77.0(e)	...	...	...	...	...	...	...
Cuba	19.0	...	30.0	...	...	...	...	...	...	...
Peru	...	...	...	...	...	...	...	283(e)	...	...
Greece	16.0	...	...	...	1.1(d)	...	...	...	...	...
Italy	...	...	...	...	...	...	...	...	...	3,247.4
Norway	...	...	...	13.8	1.3	66.1	...	...	...	...
Czechoslovakia	...	...	...	...	...	...	...	...	...	142.5
Spain	...	...	...	...	...	...	...	...	...	2,702.5(d)
Yugoslavia	18.4	...	...	...	...	...	...	...	...	...
Egypt	...	...	38.5	...	...	...	...	...	...	...
Turkey	81.0	...	...	...	...	...	...	...	...	63.5
China	...	...	35.0(d)	...	...	...	4.2(e)	...	17.0	...
Japan	14.3(d)	...	2,955.0(a)	...	1.8(d)	...	...	...	...	...
U.S.S.R.	216.0(a)	8.6	...	3.8	4.8	...	...	...	...	...
French Morocco	...	...	...	...	...	...	...	...	...	...
New Caledonia	21.0	...	...	...	...	...	...	...	...	...

(a) Ore. (b) Metal content of ore. (c) Concentrates. (d) 1935. (e) Exports.

Germany is bare of domestic supplies; and her immediate neighbours can supply only small quantities of chromium (Yugoslavia) and mercury (Czechoslovakia). Italy is also devoid of all these metals except mercury, of which Italy and Spain are the world's two chief sources. Some of Japan's needs of chromium and manganese can be supplied from domestic ores, but she has to rely on imports for the other metals. The United States produces tungsten and vanadium, is practically independent of foreign mercury and is the most important producer of molybdenum. Canada is the largest source of nickel and has a large production of cobalt, and Mexico produces antimony. North America as a whole thus lacks only chromium, manganese and titanium.

From the strategic point of view, Great Britain would be favourably placed for obtaining supplies of almost all these metals in wartime, provided the sea routes to America, Africa and the East could be kept open. France would presumably be in the same position. Russia would have no difficulty about chromium and manganese and would have some nickel, but, if the trade routes with the

outside world were closed, would be devoid of the other metals, except, perhaps, tungsten and antimony from China. Germany and Italy would be in a very unfavourable position. Japan, if she had access to Chinese supplies, would be tolerably well supplied with at least some of the more important of these metals.

The relative importance of these metals cannot be judged by the volume of their output, for the percentage of the alloying element added to steel in order to produce the desired properties varies considerably. But, taken as a group, their growing importance for commercial and armament purposes is revealed by the remarkable increase in demand during the past few years. For example, the world's output of chrome ore rose from 590,000 tons in 1929 to 1,040,000 tons in 1936. During the same period, world production of manganese ore advanced from 3,600,000 tons to 5,200,000 tons, while output of nickel rose from 55,000 tons to 87,200 tons. Moreover, metallurgical experts foresee further technical progress which will assure a continuance of the rapid increase in the demand for the majority of these rarer metals.

Finance and Banking

Rise in Discount Rates.—The situation in the discount market has this week evolved with a rapidity equal to the speed of events in the international crisis. Towards the end of last week it was already apparent that in the tug of war on rates between the popularity of the end-of-year bill and the implications of international developments the former technical factor failed to make the slightest impression. The end-of-year Treasury bills therefore went at 1d. under 1 per cent. During the first half of the present week the open market rate of discount was raised day by day and by Wednesday up to 2 per cent. was in certain cases quoted for three months fine bank bills. The Bank rate had in other words become theoretically effective, though in practice no bills were taken for discount at the bank. In the prevailing circumstances there has of course been no finely adjusted open market for bills. The rate for remitted bills to be discounted "at best" has differed fairly widely from that for bills obtained in competition. On Wednesday, for example, the competitive rate may have been 1½ and not 2 per cent., but none the less a fair amount of business was done at the higher figure. The rise in discount rates has not been caused by a corresponding hardening in short-term money rates. The clearing banks have continued to lend against bills at ½ per cent., though the volume of such money is strictly limited. There has been some evidence of calling from the clearing banks during the week. For bond money the rate paid to outside lenders has remained between ¾ and ⅞ per cent., but it is fairly evident that the total supply of outside money is now much smaller than it was. Many houses in the discount market, realising the precariousness of a good deal of what remains of outside money, have preferred to cease depending on it, and have gone to their clearing bankers for bond money for which the fixed charge of 1 per cent. has been made. The borrowers have decided to pay a little more for their bond money, regarding that as an adequate price to pay for the advantage of converting such loans from "bad" to "good" money.

The discounting of bills of longer currency has been largely a matter of negotiation—and of difficult negotiation at that. Up to 3 per cent. has been quoted for six months bills but the rate has been wholly nominal. One illustration of the difficulties experienced in discounting longer dated paper was provided by the tenders for the Liverpool yearling bills opened on Tuesday of this week. The amount on offer was £1,000,000 and applications totalled only £100,000. Even these were apparently based on so unfavourable a rate to the borrower that they were rejected and the tenders postponed to some more propitious moment. The dramatic turn of events on Wednesday after-

noon has found little reflection in the discount market. Though no change in Bank rate was made on Thursday the level of quoted open market rates remained substantially unchanged with three months bills at 1½ to 1⅞ per cent. One of the reasons for this insensitiveness of discount rates to the change in political sentiment was the fact that the money position on Thursday was feeling the backwash of the enormous movements of funds that occurred in the more strained hours on Wednesday. The exodus of capital, which was largely responsible for the drop in sterling to \$4.60, found its counterpart on Thursday in heavy calling of funds by foreign and other outside institutions. Moreover, large withdrawals of bank notes on Wednesday by firms large and small which were preparing for the possible eventuality of a bank holiday and temporary moratorium were having an effect on the clearing banks' cash positions and helped to maintain comparatively stringent conditions in the short loan market. Even though the climax in the international crisis may possibly have passed, it is unlikely that discount rates will return in the near future to their recent basic minimum levels.

Record Note Expansion.—This week the note circulation has risen from £479.2 to £500.9 millions. This increase of £21.7 millions is a record for any single week since the amalgamation of the note issues ten years ago. No comparison, of course, is possible with August, 1914, as notes were then not the main medium of circulation. There are many obvious explanations for this movement. First there are the normal quarter-day requirements, while there may also have been a certain amount of foreign hoarding. Then the banks have probably been strengthening their currency reserves all over the country, not because they are afraid of anything like a run, but because the outbreak of war would have created new currency requirements. Territorial, when mobilised, would at once qualify for pay; there might be billeting charges, and also wage payments for the host of miscellaneous civilian public servants. The evacuation of children and others

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from London also requires a large amount of currency, both for railway fares and also because it is unwise to send members of the family away without a few pounds in their pockets. Some people, too, will have had memories of the August, 1914, bank holidays, and so have thought it wise to have a little extra cash in the house. All these new requirements can easily mount up to a formidable total, and so this week's increase in the note circulation cannot be regarded as ground for either surprise or anxiety.

* * *

Wild Exchange Movements.—Ever since the breakdown of the Godesberg conversations extraordinary movements have been witnessed in the foreign exchange market. On Wednesday, in particular, when the fears that war could no longer be averted were suddenly relieved by the news of the Munich conference, the market was so chaotic that it is almost impossible to trace the course of events. Rates were quoted almost for the moment and with wide margins, and even so they disappeared almost before a dealer could lay down his telephone. How business could be done at all is a mystery, and yet the turnover in dollars alone on that day is estimated at little short of \$100 millions, with the British Control selling heavily in the morning and buying dollars back again in the late afternoon. In these circumstances it is impossible to give very connected records. Suffice it to say that up to Mr Chamberlain's electric announcement on Wednesday afternoon there was a continued demand for dollars in exchange for gold, sterling, French francs and practically all European currencies. The various Controls did the best they could, but from \$4.19½ on the evening of September 23rd sterling slid and slid, until on Wednesday it broke from \$4.72 to \$4.61. Three months' dollars went to 3 cents premium, with a strong commercial demand and the British banks scrupulously refraining from seeking the certain profit which they could have made out of swap purchases of spot and sales of forward dollars. On this same day the French franc broke through the Daladier limit of Frs. 179, the rate rising to Frs. 180, with three months' francs nominally at Frs. 7 discount. The Dutch authorities had earlier in the week abandoned their peg with sterling at Fl. 8.92, and on Wednesday the rate fell to Fl. 8.50. Swiss francs touched a low point of Frs. 20.50, and belgas one of bel. 26.95. Then came Mr Chamberlain's announcement of the Munich conference. In the twinkling of an eye sterling swung back to \$4.72½, reacted to \$4.68 and closed at \$4.71. Early on Thursday morning dollars were offered at \$4.74 in a relatively quiet market. Contractual rates rebounded in sympathy, and on Thursday morning French francs were quoted at Frs. 178½-¾, guilders at Fl. 8.80, Swiss francs at Frs. 21.00-05, and belgas at bel. 27.95-28.00. And so for the moment the foreign exchange market has settled down after one of the most memorable weeks in its history.

* * *

The Flight from Gold.—The London bullion market could not have expected to have escaped from the week's turmoils, and its hopes or fears were certainly

realised. The wide fluctuations in the exchange market and the further increase in the war risks rate from 2s. 6d. to 5s. per cent., restricted arbitrage to post-fixing dealings. There was also a fear among certain foreign holders that it was no longer safe to hold gold, as it would certainly be commandeered as soon as war broke out. Hence there was a general rush to sell gold, and after the week-end the British Exchange Equalisation Account became the sole buyer. On the first three days of this week £5,700,000 of gold was thrown on the market at the fixing alone. Between September 23rd and 28th the London price rose from 144s. 6d. to 147s., but even this latter price fell nearly 2s. short of the American shipping price parity, so far as the latter could be determined at all. Thus the British authorities only bought gold at a price very low from their point of view. The gold taken by the Exchange Equalisation Account was in one sense of no benefit, for the vendors of the gold at once bought dollars, and so the Exchange Account at once lost the gold again through its efforts to support sterling. It was, in fact, no more than a pipe-line, and all that can be said is that the Exchange Account's net gold losses were not the full amounts of its sales to the American authorities in support of sterling, but only the latter less its purchases in the London market. Still, this week's shipments to the United States are returned at £16,708,079, so that the Account has lost heavily on balance. It is, however, possible to say that this week's purchases of dollars for pounds did not wholly constitute a flight out of sterling. It represented a general rush for dollars out of gold, sterling, Continental currencies—in short, out of everything. On Thursday morning the market was easier. The recovery in sterling brought the price back to 145s. 10d., and only £1,300,000 was dealt in at the fixing.

* * *

French Precautions.—On Tuesday the Banque de France raised its discount rate from 2½ to 3 per cent. Other short-term rates are adjusted accordingly. Then the rate on National Defence Bonds with 18 months to two years to run is raised from 3½ to 6½ per cent., while the changes in Treasury bill rates are as follows:—

Maturity	Old rate	New rate
75 to 105 days.....	2½	3
Six months.....	2½	3½
Twelve months.....	3	4

The main object of this limited rise in short-term rates is thought to be to discourage currency hoarding: for the Banque de France's return dated September 22nd shows an expansion in the note circulation from Frs. 102.9 to Frs. 109.6 thousand millions during the preceding fortnight. With the same object in view it has been decided to make it simpler to use credit instruments instead of currency as a means for making payments. Circular letters of credit are to be issued by the Banque de France, free of commission, and it is pointed out that as no restrictions on the withdrawal of bank deposits are contemplated these letters of credit will be for all practical purposes equivalent to bank notes. Fresh steps are also being taken to simplify and popularise savings accounts at the Post Offices. Meanwhile, a new issue of three months' 3 per cent. Treasury bills is being made, in denominations ranging from Frs. 100 to Frs. 5,000. Interest is payable in advance, and they are eligible either for rediscount at the Banque de France or as collateral for 30-day advances from the Banque. According to one report they are to be used by the French authorities in making payment for requisitions, and to that extent they might become a supplementary form of currency. Certainly they are being issued in denominations small enough for that purpose, but it is doubtful if the introduction of an interest-bearing form of currency is either necessary or desirable.

* * *

The Banks' War Preparations.—The banks have shown little perturbation at the immediate reactions of the crisis. They are naturally not entering into any fresh commitments, and they are equally anxious to maintain their liquidity. This explains the current week's difficulties of the money market, which are described in a Financial Note. The decision to maintain minimum prices for gilt-edged

securities will alleviate the banks' anxieties regarding both their own investments and securities held as collateral for loan. They recognise, however, that nothing is to be gained by curtailing facilities to normally credit-worthy customers, and indeed that any tendency in that direction would be a national disservice. Preparations of a more practical character are those constituting the banks' part in air-raid precautions. In addition to the protection of staffs, the banks are having to arrange for the safeguarding, and as far as possible for the duplication, of ledgers, records, customers' signatures, authorisations, and the whole host of documents upon which depend the smooth working of our credit

system. In this task the branch-banking system no doubt is of great use, for branches scattered throughout the country could easily be made the repositories of essential documents usually kept at head office. There is also no reason why certain departments now housed in London could not be removed. An obvious and most important example is country clearing, which deals with cheques drawn on offices everywhere outside the Metropolitan area. There is as yet no public intimation of the banks' intentions, but it seems reasonable to assume that schemes dealing with these and other points have been prepared and are ready, if need be, to be put into immediate operation.

MONEY MARKET NOTES

Foreign Exchanges

THURSDAY proved a quieter day. This came as a great relief to the foreign exchange market, after its hectic experiences of previous days, which are described in a Financial Note. The New York rate, which had dropped on Wednesday to \$4.61, hovered on Thursday around \$4.74, then \$4.75, next back to \$4.73½, and finally to \$4.74½. The spot Paris rate, which on Wednesday had risen to Frs. 180, was brought back to Frs. 178½-¾, or nearly to its old pegged rate of Frs. 178½. Guilders, after several fluctuations, settled down at Fl. 8.82-4, while belgas went to Bel. 28.10, compared with Wednesday's low point of Bel. 26.95. Swiss francs came up to Frs. 21.09—again considerably above Wednesday's low point of Frs. 20.50. Registered marks were quoted at 61½ per cent. discount on a basic rate of Rm. 11.90, this making their rate about Rm. 31 to the pound. Taking the market as a whole, a fair amount of business was passing on Thursday, but it fell far short of the enormous turnover of the previous day. Clearly operators were on the whole hoping for a successful outcome to the Munich meeting.

*

The Bank Return

THIS week's abnormal increase of £21.7 millions in the note circulation, which is discussed in a Financial Note, has by itself called for special measures, for otherwise there would have been a big and undesirable contraction in the joint-stock banks' balances at the Bank. As matters stand, both the Reserve and the Proportion are heavily down from last week, but the authorities wisely decided to ignore those reactions and to concentrate upon maintaining the supply of bank cash.

	Sept. 20, 1937	Sept. 14, 1938	Sept. 21, 1938	Sept. 28, 1938
Issue Dept.:				
Gold.....	326.4	326.4	326.4	326.4
Notes in circulation.....	488.5	478.6	479.2	500.9
Banking Dept.:				
Reserve.....	39.6	47.8	48.7	26.9
Public Deps.....	21.8	21.6	18.4	11.4
Bankers' Deps.....	95.1	99.6	100.9	99.9
Other Deps.....	37.2	36.4	39.4	40.2
Govt. Secs.....	105.8	98.5	97.6	112.8
Discounts & Advances.....	6.2	5.9	6.1	7.3
Other Secs.....	20.8	22.1	24.6	22.8
Proportion.....	25.6%	31.2%	30.6%	17.7%

The remedy adopted was the special buying of bills and other securities. The Bank of England itself bought £15.2 millions, for Government securities have risen by that amount. The Exchange Equalisation Account has also continued to re-invest the proceeds of its gold sales in Treasury bills, either obtained through the tap or purchased in the open market. During the week

to September 24th, the tap issue rose by £11 millions, tender issues of Treasuries being reduced by £12 millions; while this week's Bank return shows a sharp reduction of £7 millions in public deposits. The latter, indeed, are now so low as to suggest that the Exchange Account has successfully re-invested all its surplus cash. Thanks to the Bank's purchases of bills and the Exchange Account's disbursement of its cash, bankers' deposits have been saved from the serious contraction which would otherwise have been caused by this week's heavy currency withdrawals. They have in fact only fallen by £1.0 millions, which shows how successfully this new problem has been handled.

*

The Money Market

EARLIER events in the money market are described in a Financial Note. On Thursday there was still a keen demand for money, in spite of the easier political outlook. The banks were not eager to do more than continue old loans, and while there was some desire to obtain bond money from the banks it was not always possible to do so. In spite of this difficulty, and also of the shortage of money among outside lenders, rates were slightly easier than on Wednesday, the rate for Thursday afternoon being described as "½ per cent. offered," compared with ¾ per cent. in the morning. To that very limited extent the market responded to the more hopeful outlook.

	Sept. 20, 1937	Sept. 22, 1938	Sept. 29, 1938
Bank Rate.....	½	½	½
London Deposit Rate.....	½	½	½
Short Loan Rates:			
Clearing Banks.....	1½-1*	1½-1*	1½-1*
Others.....	1½-5*	1½-7*	1½-4
Discount Rates:			
Treasury bills.....	1½	1½-7*	1½
Three months' bank bills.....	9½	1½-15½	15½

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

The fine rate for three months' bank bills was 1½ per cent. There was no business in hot Treasuries, as applications for this week's bills were concentrated on October 1st, so as to obtain the December 31st maturity. For these and for other reasons the discount market is by no means out of the wood, irrespective of impending political developments. Money is still very short, and there are heavy payments for Treasury bills to be made on October 1st. Next week, too, the market will remain short, owing to the heavy special purchases of early October maturities made during recent weeks. The absence of any increase in Bank rate caused no

surprise, especially as on Thursday the special buyer dropped his rate from 1½ to 1¼ per cent.

*

The Bullion Market

AFTER the disturbances of the previous days, described on page 28, more normal conditions were established on Thursday. Continental selling continued, but on a smaller scale, and there was a little Continental re-buying. The British Control was actually able to remain out of the market and content itself with holding a watching brief. If anything, it was inclined to give gold. There was a fair arbitrage demand after the fixing, as indeed has been the case all the week. Arbitrageurs now find that they cannot arrange their day's insurance in time for the fixing, which occurs in the middle of the morning, and so have to confine themselves to post-fixing purchases. The war risk rate was raised on Monday evening from 2s. 6d. to 5s. per cent. This increase has been allowed for in computing the discounts shown in the table. Gold was dealt in at a discount at every day's fixing, and on Wednesday, when the dollar was fluctuating rapidly, the discount was very substantial.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc.	Amt. dealt in £	Cash	Two Mths.
1938					
Sept. 23	144 6	d. 1½ dis	1,682	19½	19½
" 24	145 0	1 dis	867	19½	19½
" 26	145 7	4 dis	1,063	19½	19½
" 27	145 6	6½ dis	2,355	19½	19½
" 28	147 0	22 dis	2,267	18½	18½
" 29	145 10	6 dis	1,456	19½	19½

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 2s. 6d. per cent. up to September 26th and as 5s. 0d. per cent. from September 27th onwards. † At fixing. The New York price of silver remained at 43 cents per ounce - 999 fine during the week.

The silver market completely failed to follow the New York exchange, for silver fell heavily up to Wednesday and recovered all the ground lost the following day. American trade demand was choked off so long as war appeared imminent, while there was heavy general selling on Tuesday, followed by speculative re-selling on Wednesday. It is thought that this last day witnessed the final cleaning-out of the "tired bull" position. Thursday's better news at once caused the American trade demand to revive, and as only a small amount was on offer prices at once rebounded. American buying of both cash and forward silver was noticed. Silver, of course, is now cheap in London, in comparison with the present level of sterling.

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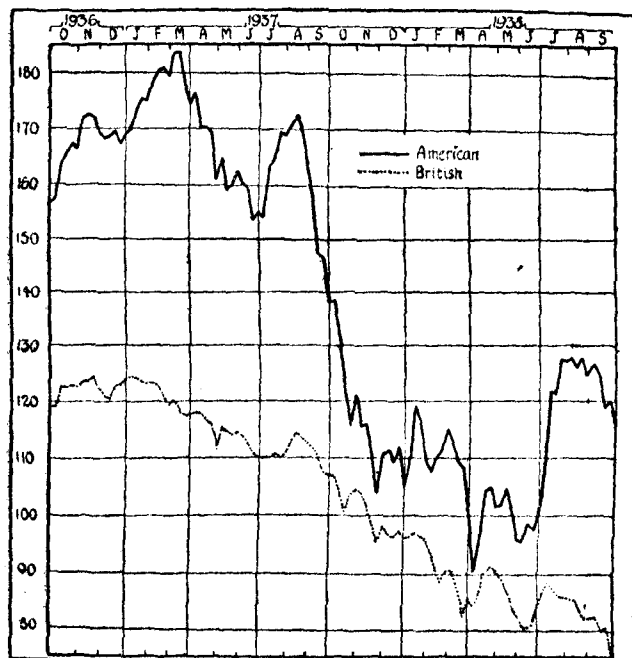
Investment

Course of Share Values.—All normal considerations for the valuation of securities in every market of the world have been swept aside during September—a month which included two threatening speeches by the German Chancellor, three flying visits to Germany by the Prime Minister, the threat of war, and—right at the end of the month, when all seemed lost—renewed hope of a peaceful solution. Both in London and New York, as the accompanying chart reveals, the rate of fall in equity values has been approximately the same—a matter of some significance in the latter case. American common share values have lost approximately one-third of their sharp recovery

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS

(July 1, 1935 = 100)

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



in June and July, but in London the continued trend line is clear and unmistakable. The Munich agreement obviously holds the prospect of a further improvement in share values. A solution of the crisis is of immediate importance, but its terms must bear full scrutiny. And on the best assumptions the investor must still consider the economic and political implications of increasing arms. To deny the market's reaction at the news of the Four Power conference would be churlish. But the investor, no less than the ordinary citizen, may still be advised to exercise self-discipline until tension has been fully removed.

The reaction of the London market to the strain and relief of this week is illustrated in the following table, which gives the closing dealing levels, so far as they can be accurately determined, of selected fixed-interest and equity securities.

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
INSURANCE COMPANY
ASSETS EXCEED £17,000,000
FIRE LIFE ACCIDENT MARINE
Edinburgh: 25 St. Andrew Square
London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

	Sept. 23	Sept. 26	Sept. 27	Sept. 28	Sept. 29	Change this week
Consols, 2½%	70¾	67	67	68	72	+ 1¼
War Loan 3½%	99	94	94	97	99	+ 1¼
Conversion 3%	99¼	94½	93	96	98	+ 1¼
German 4½%	37½	23	24	27½	34	+ 3½
Czech 8%	46	27	30	33	45	+ 1
Prague 7½%	40	30	30	30	45	+ 5
C. & Wireless ord.	39	37	37½	37½	39	+ 1
Courtaulds (L1)	28/9	26/10½	27/3	28/9	30/-	+ 1/3
Gen. Elec. (L1)	76/4½	72/9	73/3	72/6	76/-	+ 1/4
I.C.I. (L1)	29/6	27/-	28/-	28/9	29/9	+ 3
Turner & N. (L1)	73/1½	68/9	66/10½	69/4½	73/9	+ 7½
Vickers (10/-)	20/3	19/-	18/6	18/6	20/3	+ 1
Anglo-Iranian (L1)	95/-	87/6	90/7½	93/9	97/6	+ 2/6
"Shell" (L1)	83/9	78/9	81/3	86/3	86/3	+ 2/6
United Suez Betong (L1) ..	52/6	47/6	40/-	40/-	53/9	+ 1/3
Financial News Indices—						
Fixed Interest Secs.	125.0	122.0	119.9	120.0	122.5	+ 2.5
Ordinary Shares	79.6	75.3	75.3	73.7	79.9	+ 0.3

It must be understood that throughout the first half of the week conditions in all markets were completely nominal. It was impossible to deal satisfactorily, for instance, in all leading industrials until the news of the Munich conversations reached the City after official hours on Wednesday. And jobbers who had been compelled to take stock earlier in the week were not prepared to let it go easily, once the implications of Mr Chamberlain's third visit became clearer.

Minimum Prices.—The part which can be played by minimum prices (which were operative on Tuesday and Wednesday this week in the gilt-edged, corporation and Dominion stocks market) as an alternative to closing the "House" in emergency is discussed in a leading article on page 24. In order to assess their importance in this week's critical dealings, we set out in the following table the official quotations of the leading gilt-edged securities for the first four days of this week:—

	Monday, Sept. 26	Tuesday, Sept. 27	Wednesday, Sept. 28	Thursday, Sept. 29
2½% Consols	65-71	66-68	66-68	71-74
4% Consols	100-106	101-103	101-103	105-108
2½% Conversion ...	90-95	91-95	91-93	94-97
3% Conversion ...	93-98	93-95	93-95	97-99
3½% Conversion ...	91-96	92-94	92-94	97-99
4½% Conversion ...	100-104	101-103	101-103	102-104
5% Conversion ...	102-108xd	105-107xd	105-107xd	107-109xd
2½% Funding	81-87	83-85	83-85	83-85
2½% Funding	90-95	90-92	90-92	93-96
3% Funding	90-95	91-93	91-93	94-97
4% Funding	100-106xd	102-104xd	102-104xd	106-109xd
3% Local Loans ...	78-83	79-81	79-81	84-86
2½% Nat. Def. Bds.	92-96	93-95	93-95	95-98
3½% War Loan ...	93-97	93-95	93-95	98-100

It should be explained that, on Monday, quotations for the majority of issues were largely nominal, for although jobbers received a significant volume of sales, they were reluctant to deal on a normal basis, even when margins had been reduced, later in the day, to a half-point turn. On Tuesday, and again on Wednesday, dealings were regulated by agreed minimum bid prices—the lower of the official quotations recorded on each day. These, it will be seen, were usually somewhat higher than the corresponding quotations of the previous day, and by the close of business on Tuesday it was clear that the volume of selling had at least been regulated, and some buying orders, for example in War Loan, were being satisfied at rather more than the usual turn over the minimum price. Wednesday's experience in official hours suggested that most selling orders had been accommodated, although on occasion jobbers were prepared to meet buying orders on the basis of minimum prices, thus sacrificing any return for themselves in the interest of preserving a market. Unofficial dealings on Wednesday evening were more responsive to the gleam of light in the inter-

national crisis since dealers were reluctant to deal without adequate consideration of the last-minute efforts to avert war. But War Loan, which had closed officially unchanged on the basis 93-95, rose immediately to 93½-95, and within an hour to 96-98. Thursday's official quotations confirmed this initial response, with rises ranging up to four points. Quotations advanced without any reaction, unless the failure of War Loan to maintain its highest level of 99½ by half a point can be so described. The steadying effect of minimum price dealings carried out by agreement between jobbers has been generally appreciated by private and institutional investors.

* * *

Ranks' Report.—Obscure accounting practices permitted to holding companies under the provisions of the Companies Act may be criticised, even if they are legally permissible. There are companies like Dunlop and Wiggins, Teape which provide shareholders each year with detailed and informative profit and loss accounts and balance sheets, in which the affairs of the entire family group are clearly set out. On the other hand, there are companies like Ranks, Limited, whose accounts for the year ended July 2nd last are published this week, which display an extreme reticence regarding the financial position of their subsidiaries and associates. It is difficult for the lay investor to understand why the board of this company should decline each year to adopt the more informative accounting methods which are already practised by holding companies whose ramifications are far more complex. The make-up of the Ranks group is comparatively simple. The holding company owns the entire share capital of the operating company (Joseph Rank, Limited), which in turn controls Associated London Flour Millers and, directly or indirectly, various provincial flour milling concerns. In addition, the holding company has recently acquired over 90 per cent. of the equity of John Greenwood (Millers). It would hardly appear, therefore, that the preparation and submission of consolidated accounts for the whole group would present especial difficulties. It is fortunate, indeed, that while Ranks shareholders lack this information, they have some compensation in the company's proved capacity for earning profits. Since the holding company was registered in 1933, ordinary shareholders have received a first distribution of 9 per cent. actual, followed by 15 per cent. in both 1934-35 and 1935-36, 18 per cent. in 1936-37 and 17 per cent. in the year to July 2nd last. These distributions have been made from dividends paid by the operating company which is believed to have made regular and adequate reserve provisions in its own accounts. Undoubtedly the dividend experience of Ranks, Limited, shareholders has been, and should remain, favourable. The group's position has been further consolidated through the John Greenwood deal, by the acquisition of a well placed north-western district interest and also by the reported decision to renew the Millers' Mutual agreement on prices, output and sales for a period of ten years. But shareholders deserve to be given more adequate information regarding the affairs of the group of which they are, in the strictest sense, part owners.

* * *

Joseph Lucas Profits.—Throughout the past decade this company has given a demonstration of steady and expanding earning power. For the year to August 7th a dividend of 15 per cent. has already been announced. The report, published this week, shows that the previous year's record profit figures have not been maintained. Total profits, after taxation and depreciation, amount to £321,587, a figure which in fact is closely similar to that for 1935-36, before the advent of N.D.C. The absence of any information regarding the allocations made from profits before striking the published figures tends to limit their value, and it can only be assumed that the directors have followed their customary depreciation practice, in the absence of any indication to the contrary. The

following analysis of profits shows that the 15 per cent. dividend is comfortably covered by earnings of 21 per cent.:

	1936	1937	1938
Profit, after depreciation and taxation.....	320,642	351,298	321,587
Staff funds and fees	17,500	17,500	11,961
Preference dividends.....	10,647	10,474	10,215
Ordinary shares—			
Earned.....	292,495	323,324	299,411
Paid	224,244	220,567	213,215
Earned %	19.6	22.0	21.0
Paid %	15	15	15
Reserve	75,000	100,000	75,000
Carried forward	66,628	69,385	80,581

* * *

The Week's Dividend Announcements.—The direct consequences of the crisis have been evident in at least one dividend decision this week, for the directors of Barry and Staines have deferred the declaration of any interim dividend specifically on this account, although profits for the half-year to July 31st are adequate to cover the usual interim payment. Last year, an interim distribution of 5 per cent. was made. Some significance was read into the decision of the board of Philip Hill and Partners to maintain the interim dividend at 12½ per cent. The company, in fact, intends to make three distributions during the fifteen months' financial period to June 30th next year. In the past financial year, two payments, each of 12½ per cent. were made. It is tempting, perhaps, to make inferences regarding the prospects for the current year on the hope that such equal distributions may be maintained, but any estimate of revenues at this stage is conjectural. The announcement of a dividend of 13½ per cent. by Mufulira Copper Mines has a bearing on the dividend prospects for Rhodesian Selection Trust, and to a smaller degree for Rhokana Corporation. An approximate calculation suggests that the dividend should be equivalent to some 16 per cent. for

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Rhodesian Selection Trust shares, and to an addition to Rhokana Corporation's income equivalent to $8\frac{1}{2}$ per cent. on the ordinary capital. The preliminary announcement of Electric and Musical Industries is disappointing, for profits have fallen from £363,964 to £146,000, and the dividend is halved at 5 per cent.

* * *

Spinning Margins and Cotton Profits.—Last week's news that the minimum price agreements in the cotton spinning trade had again been shipwrecked on the rock of competition from uncontrolled minorities, was followed by falls of as much as 2d. per lb. in the American ring yarns concerned. The situation is obviously of considerable concern for the investor. While this collapse (in a section of the trade of which well over 90 per cent. of spindles supported the price agreement) has been taken as evidence that an Enabling Bill is essential, it may equally be observed that the cut in yarn prices, which was found necessary to compete with the "outside" concerns, is a measure of the savings which those concerns had been able to achieve by full-time working. In the American section a fall of 2d. per lb. in the spinning margin would be a very serious matter—though it should be observed that 2d. must be a maximum rather than an average figure for the cut suffered, for the true spinning margin itself could not support a 2d. cut. Over the range of yarns spun there is no actual figure which can be named as the spinning margin, but by comparing raw cotton prices with a representative yarn, and allowing about 12 per cent. for normal net wastage by evaporation and loss, a rough measure of the margin can be obtained. In 1913 that margin worked out at about 3d. per lb. for America and $6\frac{1}{2}$ d. per lb. on Egyptian yarns. For many years after the war the margin was much wider, but by the eve of Lancashire's brief revival at the end of 1936, the American margin had fallen back to about 4d. and the Egyptian to about, or rather under, the pre-war level of $6\frac{1}{2}$ d. Trade recovery gave mills enough work on which price agreements could be based with some hope of their being observed in most sections of the trade. Margins widened and, despite fluctuations and a narrowing tendency, continued wider until last week's collapse. For representative American yarns the margin at the beginning of September had been about $4\frac{1}{2}$ d. to $4\frac{3}{4}$ d., and for Egyptian yarns as much as $9\frac{3}{4}$ d. The cut, therefore, even if it averages well under $\frac{1}{2}$ d. on the spinning margin itself, is a serious matter for the American section, while the Egyptian section, in which the price agreement had very substantially raised the margin since 1936, is in a vulnerable position for that very reason.

* * *

The effect of the cut on individual concerns is impossible to assess. First, it is not practicable to measure the exact amount by which the average margin has been reduced; and secondly, the under-employment of spindles is a factor varying from mill to mill and capable of considerable effect on costs. But it may be observed that, on the full capacity output of the Lancashire Cotton Corporation, a variation of $\frac{1}{4}$ d. per lb. in the true margin means a rise or fall of as much as £250,000 a year in net profits. This calculation does not necessarily mean that the corporation's earnings will be wiped out, since it is almost always possible to introduce special economies to meet special emergencies. But, unless agreement is restored in the spinning trade, it is clear that profits will be meagre.

* * *

Thos. W. Ward Prospects.—In view of the increase in the interim dividend from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent. announced in February, it was generally expected that Thos. W. Ward would not be very seriously affected by the industrial recession. The report bears out this expectation. Trading profit is down by no more than 16 per cent., but though the final dividend is cut to the extent that interim payment was increased, the total distribution is in fact $2\frac{1}{2}$ per cent. higher at $12\frac{1}{2}$ per cent. owing to the addition of a special diamond jubilee bonus. It is probable that when the interim dividend was increased the company's profits were still expanding, but it was inevitable that sooner or

later a company with such a wide appeal of interests would suffer some decline in earnings, though it may be due to that wide spread that the fall is not more severe. Net earnings at £188,494 represent 17.7 per cent. on the ordinary capital, so that the increased distribution is still well covered. The table below shows the relative earnings position over the past three years:—

	Years to June 30		
	1936	1937	1938
Profit.....	175,220	292,600	245,095
Depreciation	7,100*	52,005*	56,601
Sundry interest	1,793	241	...
Preference dividends.....	44,297	43,984	43,594
Employees' dividend.....	3,010	3,952	5,003
Ordinary shares—			
Paid	63,250	82,844	100,719
Earned (%).....	14.2	23.5	17.7
Paid (%).....	7 $\frac{1}{2}$	10	12 $\frac{1}{2}$
Employees' fund.....	...	5,000	...
Reserve	40,000	80,000	15,000
Carry forward	50,301	74,874	99,053

* Also £56,085 written off out of capital reserve in 1936 and £10,879 out of capital profits in 1937.

The table shows quite clearly that the directors' policy during these three very successful years has always remained conservative, and the wisdom of this conservatism needs no stress. The company passed through a difficult time during the last depression, though it emerged with its capital intact. And as a result of a cautious financial policy during recovery the company is now much better able to face a recession in business. But its strength lies perhaps not so much in its financial position as in the ramifications of its business. If the company were still reliant almost solely on the scrap and shipbreaking side of the business, it might have been less ready to raise its distribution. The scrap side remains important, but at the present moment shareholders will probably look to the company's other activities, which have been so assiduously developed during recent years, for the maintenance of satisfactory earnings.

* * *

United States Rail Position.—The position of many American railways has shown improvement since their plight was reviewed in these columns two months ago. But it remains true that the depression has left the system decidedly weak, and that the special difficulties of the industry may even exercise a powerful pull against the forces now operating for wide industrial recovery. This possibility is most clearly reflected in the desperate efforts which many large roads are making to extricate themselves from financial collapse. The delay and confusion

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caused by the complicated procedure of the Bankruptcy Act is impelling the weakest units to submit voluntary plans, since they can no longer maintain full contractual obligations on their bond issues. These systems include Lehigh Valley, which has proposed the extension of interest and principal maturities, the New York, Chicago and St. Louis Railroad Company, which has defaulted on September interest payments, and is also seeking an extension of note maturities, and the Baltimore and Ohio line. The degree of support which has been received for these plans in authoritative quarters sufficiently reflects the gravity of the position.

* * *

In these instances there is ample evidence that the systems should be able to tide over immediate difficulties. Granted the more generous Federal Loan support now being given to roads in rather less difficult circumstances, the United States rail system should avoid the chaos which widespread financial collapse would undoubtedly bring. But the remaining problems will not easily be solved. The struggle for higher wage-rates, which played so prominent a part in the crisis of last year, is still far from a satisfactory solution. The bleak position facing the railroads is shown by the fact that in 1937 operating revenues amounted to \$4,166 millions, and that only \$98 millions of this sum was finally available to meet fixed charges, which were covered with a bare margin. With the wage advances then secured, the whole system was facing bankruptcy on the level of 1937 traffic—and traffic earlier this year fell below 1932 trough levels, and were, until recently, more than 30 per cent. below the level of last year. Even after the freight increases granted in the first quarter of this year, the Class 1 system piled up a net deficit of \$181 millions in the first six months of 1938. And on June 30th, the I.C.C. report on Class 1 roads showed cash at \$315 millions, against total current assets of \$1,014 millions, and current liabilities of \$2,035 millions. On this basis, the managements' demand for a 15 per cent. wage reduction (estimated to reduce operating charges by some \$300 millions in a normal year—or some 40 per cent. of all fixed charges) can be understood. To that demand the unions are offering uncompromising resistance, and although the lengthy arbitration procedure is almost certain to avert complete breakdown, the political situation will demand a compromise on terms much more favourable to the men. The one solid improvement is that car-loading volume is steadily moving to higher levels—the latest returns being some 17 per cent. below 1937 levels. By dint of desperate economies, the roads should be able to keep their heads above water this year, and revival next year should bring them much needed relief. But the history of 1938 will bring scant comfort to holders of American rail stocks.

* * *

Cordoba Central Affairs.—The legislative mill grinds slowly, but in the Argentine its delays seem peculi-

arly emphatic. In December, 1936, the Government communicated its offer to purchase the Cordoba Central Railway undertaking. Last year Congress departed without giving any attention to the Bill authorising the purchase. And in December the Minister of Public Works announced that agreement for the transfer of the railway would be concluded before December 12, 1938. In February, however, the State lines took over the operating management of the Cordoba concern by an agreement running for a maximum period of four years, and at the beginning of September the Argentine Chamber of Deputies approved the purchase of the line in principle. The Bill now awaits detailed consideration by the Senate. Consequently, the directors are still unable to submit a scheme of arrangement. But they have decided, with the approval of the trustees and the debenture holders' committee, to pay $1\frac{1}{4}$ per cent. on the first debenture stock on October 19th—the first payment since 1931. This decision leaves for later consideration the amounts accruing between October, 1934, up to this month. Meanwhile, it is the fate of the first debenture stock to provide the only speculative displays—and those rare ones—in the foreign railway market, as hopes of an early decision of the Senate rise and fall.

* * *

The Week's Company Profits.—Reports have been received this week from 39 companies, whose total profits amount to £2,329,000 compared with £2,719,000 in the preceding year—a reduction of over 14 per cent. The aggregate profits of 1,831 companies whose reports have been received this year to date total £245,343,000, showing an increase of slightly over 10 per cent. on the previous year's total of £222,361,000. This week's results are discussed in preceding notes and under the heading "Shorter Comments" on page 50. Our usual table appears on page 52.

* * *

Company Meetings of the Week.—Reports of company meetings will be found on page 45 of this issue. Sir Louis Vaughan reported to the shareholders of *Parnall Aircraft* that orders for turrets from the Air Ministry would keep the company occupied for at least two or three years. In the airframe construction and components section considerable contracts were also in hand. It is anticipated that the company will be able to finance its increased programme during the current year by bank facilities and Air Ministry progress payments, without any increase in capital. At the annual meeting of *E. W. Tarry and Company* Sir J. Fortescue Flannery had the pleasure of recommending the resumption of ordinary dividend payments. The chairman laid special emphasis on the trading prospects in South Africa. Mr W. H. Rhodes informed shareholders of *Allied Industrial Services* that business during the current financial year had so far proved satisfactory.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
OCTOBER 11	OCTOBER 13

NORMAL dealing conditions this week have been impossible in all sections of the market. As we show on earlier pages, the market re-assembled at the beginning of the week under a heavy cloud, and gilt-edged prices deteriorated seriously under selling pressure. On Tuesday and Wednesday the gilt-edged market was steadied by the introduction of minimum prices, but the remainder of the market, from the highest grade industrial equities and bank shares to the most speculative mining counters, was

despairing and nominal. After official hours on Wednesday the wave of enthusiastic buying caused spectacular advances in the "Street" market. And on Thursday a steady volume of business continued, without any interruption to mounting prices, amid renewed confidence. Closing prices in most sections were at the day's best levels, although War Loan closed at 99, after touching 99 $\frac{1}{2}$.

In all sections of the market, price movements followed this set pattern. Abnormal dealing margins were quoted in the gilt-edged market on Monday, but these failed completely to stem the selling in anticipation of Herr Hitler's Berlin speech. Jobbers anticipated the black conditions which threatened on

Tuesday by quoting agreed minimum prices, and these greatly steadied market conditions. Indeed, at the close there was some slight recovery in demand. Gloom prevailed for the greater part of Wednesday, until dramatic 3 point rises occurred in War Loan and Conversion 3 $\frac{1}{2}$ per cent. after hours. Buying was still confident on Thursday, and continued good throughout the day.

In the foreign bond market, all Central European issues were on a completely nominal basis. Headlong falls occurred in Czech 8 per cents. and German bonds touched new low levels. Dawes Loan was marked as low as 19 $\frac{1}{2}$ on Wednesday, jumped to 32 $\frac{1}{2}$ in late dealings, and further gains on Thursday made the rise between the two

extremes fully 100 per cent. Far Eastern issues were naturally affected in the early part of the week, and staged their recovery in less spectacular style.

★

Home rail debentures were again a weak feature in early dealings in sympathy with the demoralisation of the gilt-edged market, and, of course, lacking the benefit of minimum prices. Although the senior issues improved on Thursday, the rest of the home rail market failed to respond on the same scale as other sections. Business in Argentine rail stocks was negligible, and only possible by negotiation.

Nowhere have the violent repercussions of this critical week been more evident than in the industrial share market. In every section, at the opening, dealing was almost entirely a matter for negotiation. Wider and lower quotations were made in steel shares; substantial falls were recorded in electrical equipment issues; aircraft and armament shares fell as heavily as the remainder of the market; and bank and insurance shares, naturally affected by the gilt-edged market, registered heavy losses. There was some recovery above the worst levels recorded on Tuesday, but net losses were again substantial. Wednesday's dealings were spared a similar fate by the dramatic news of the Four-Power Conference, and prices in unofficial dealings rose to the accompaniment of enthusiastic buying. Imperial and British American Tobacco jumped 10s. from the lowest levels, and made even greater progress on Thursday. Other leading issues like Courtaulds also recovered sharply. The rebound was enjoyed by every section of the market on Thursday.

In the oil and rubber share markets, initial suspense was accompanied by lower and wider prices, and atrophied dealings. Oil issues enjoyed active "Street" trading on Wednesday, but rubber issues had perforce to wait until Thursday, before the last-minute peace moves had their natural effect.

General marking down occurred throughout the mining markets at first. Substantial losses were recorded by Kaffir shares, whether dividend payers or speculative issues, and business progressively deteriorated until the close on Wednesday. In hectic "Street" dealings, attention was centred on Western Holdings, which jumped from 10s. nominal to 14s. 4½d., and on West Wits., which closed at 6½ after 5. Rhokana and Treppa also staged a sharp advance in closing dealings. Although some of the speculative gold shares failed to make appreciable progress on Thursday, the general level of activity was more normal, and prices recovered briskly.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Sept. 23	5,370	7,215	79.6	125.0
Sept. 26	5,605	7,715	75.3	122.0
Sept. 27	5,045	6,575	75.3	119.9
Sept. 28	5,140	7,625	73.7	120.0
Sept. 29	6,285	6,890	79.9	122.5
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 73.7	Feb. 4 119.9
			Sept. 28	Sept. 27

† Approx. total recorded in S.E. List. * July 1, 1935 = 100. † 1925 = 100.

ACTUARIES' INVESTMENT INDEX

The Actuaries' Investment Index of 151 industrial ordinary share prices had fallen on Tuesday last (September 27th) to 58.0, compared with 63.5 a month ago and 80.6 a year ago. The corresponding average yields are 6.50, 5.97 and 4.52 per cent. A selection of the component indices—almost all of which recorded lows for the year last Tuesday—and also the usual monthly particulars of fixed interest security prices and yields, which have been similarly affected by the international crisis, are given below.

	Prices (Dec. 31, 1928 = 100)		
	Sept. 28, 1937	Aug. 30, 1938	Sept. 27, 1938
Fixed Interest			
2½% Consols. (1)	131.8	131.9	119.1
Misc. ind. deb. (13)	121.2	121.0	118.7
Misc. ind. pref. (26)	116.5	114.5	111.6
Ordinary			
Banks and Disc. (10)	112.1	112.8	100.6
Insurance (10)	120.3	117.6	102.7
Buildings, mats. (6)	85.8	77.3	69.1
Elec. manufacturing (12)	120.3	118.3	108.0
Gas (7)	120.3	116.0	107.5
Oil (3)	92.0	84.9	74.6
Breweries, etc. (20)	141.5	121.0	112.2
Yields %			
Sept. 28, 1937	Aug. 30, 1938	Sept. 27, 1938	
2½% Consols.	3.38	3.38	3.75
Misc. ind. deb.	4.10	3.94	4.02
Misc. ind. pref.	4.45	4.30	4.42
Ordinary			
Banks and disc.	4.21	4.15	4.65
Insurance	3.63	3.63	4.16
Building mats.	6.33	7.17	8.00
Elec. manufacturing	5.71	5.71	6.27
Gas	5.11	5.11	5.53
Oil	7.09	7.13	8.12
Breweries, etc.	4.43	5.51	5.96

New York

WALL STREET is still more sensitive to European events than to home conditions. Whilst United States business pointers have been generally good, the market has fluctuated in accordance with news of the crisis. On Saturday last week many operators threw their stock on the market for fear of grave week-end developments. After an early selling wave on Monday, further uncertainty developed, which was not removed by Herr Hitler's speech. There was some recovery on Tuesday, but the Prime Minister's speech caused a reaction. On Wednesday a gloomy opening was quickly succeeded by a rush to buy when the news of the Four-Power Conference was received, and stocks rose strongly in active trading. It was realised that the uncertainties of the European situation still remained, but opinion was optimistic in the belief that if the existing tension were removed the domestic business improvement would be greatly accelerated. Steel shares recovered on news of the rise in Pittsburgh schedules. The decline in steel activity was responsible for unsettlement on Monday, but on Wednesday steels joined in the general advance. Iron Age estimates production for the current week at 47 per cent. of capacity compared with 47.5 per cent. in the previous week. Motor stocks fluctuated with the crisis news and shared to the full in Wednesday's recovery. Chrysler, in particular, jumping several points. Treasury issues were affected early in the week by nervous selling, but prices were well maintained at the close.

New York Prices

	Close Latest		Close Latest	
	Sept. 28, 1937	Sept. 27, 1938	Sept. 28, 1937	Sept. 27, 1938
1. Rails and Transport				
Atchafalpa	31½	31½	32½	32½
Balt. & Ohio	7	7½	7½	68½
B.M.T.	8¼	8¼	44½	44½
Can. Pacific	57½	53½	8¼	8¼
Ches. & Ohio	27½	28	9	8½
G.N. Ry. P.	18	17½	4½	4½
Illinois Cent.	10½	10½	20½	20½
N.Y. Central	157½	153½	21½	22½
Norfolk Pac.	97½	10	43	44
Pennsylv. R.	18	17½	25½	25½
Southern Pac.	155½	151½	56½	56½
Southern Ry.	11½	11½	175½	175½
Union Pac.	83½	83	85	83
Greyhound	15½	15	130½	130½
2. Utilities and Communications				
Am. W. Works	8¼	8¼	96	96
Con. Edison	25½	25½	26½	25½
Col. Gas & El.	6¼	6¼	48	47½
El. Bond & Sh.	6½	6½	40¼	39½
Nat. Pwr. & Lt.	6½	6½	59½	59½
N. American	18½	17½	92	92
Pac. Gas & El.	26½	26½	97	94½
Pub. Light. & P.	37	35½	147½	147½
Pub. Serv. N.J.	29	27½	56½	64½
Stan. Gas & E.	3½	3½	81	82
United Corp.	2½	2½	20½	20
Un. Gas Imp.	9¼	9½	47½	43
Amer. Tel.	140½	138	95½	93½
Internat. Tel.	8¼	8¼	19½	20½
Westn. Union	25½	25½	27	25½
Radio	6¼	6½	17	10½
" B. Pref.	54	54½	171½	168
3. Extractive and Metal				
Am. Rol. Mill	16½	16½	81½	81½
Beth. Steel	56½	55½	131½	127½
Beth. Steel P.	96	91½	48½	48½
Republic St.	16½	16½	24½	23½
U.S. Steel	59½	59½	44½	44½
U.S. Steel P.	108½	98	69½	67½
Alaska Indus.	9½	9½	161½	151½
Am. Metal	34	32½	161½	151½
Am. Smelting	45½	43½	151½	151½
Anaconda	32½	32½	35½	34½
Boh. Alum.	25½	23	161½	161½
Cerro de Pas.	44½	44	231½	231½
Int. Nickel	47½	47½	121½	121½
Kennecott	40½	41½	7	6½
Patino Mines	10½	9½	8½	8½
Tex. G. Sul.	36½	35½	95½	92½
U.S. Smelt.	58½	57½	181½	181½
Vanadium	18½	17½	40½	41
Atlantic Ref.	22½	21½	23	23
Phillips Petr.	38½	38	15½	15
Shell Un. P.	104½	103½		
Suony Vac.	13	13½		
Stan. Oil Cal.	29½	29½	48	46½
Stan. Oil N.J.	52	51½	7	6½
Texas Corp.	42½	41½	49	48½
4. Manufacturing				
Briggs	32½	32½		
Chrysler	70½	68½		
Elec. Autolite	31½	31½		
Gen. Motors	44½	44½		
Hudson Mtr.	8¼	8¼		
Nash Kelvin	9	8½		
Packard Mtr.	4½	4½		
Bendix Avtn.	20½	20½		
Boeing Airplan	21½	22½		
Douglas Air.	43	44		
United Aircr.	25½	25½		
Air Reduction	58	56½		
Allied Chem.	179	175½		
Col. Carbon	85	83		
Dupont	131	130½		
Un. Carbide	81½	80½		
U.S. Ind. Alc.	21	20½		
Allis Chalm.	46½	47		
Gen. Electric	40½	40½		
West. Elec.	96	96		
American Can	96	96½		
Addressograph	26½	25½		
Caterpillar	48	47½		
Cont. Can.	40¼	39½		
Ingersoll Rnd	91½	92		
Int. Harvester	97	94½		
John Manville	147½	147½		
Am. Radiator	147½	147½		
Corn Prods.	56½	64½		
I Case & Co.	81	82		
Glidden	20½	20		
G. Am. Trans	47½	43		
Allied Stores	95½	93½		
Celanese of A.	19½	20½		
Ind. Rayon	27	25½		
Culgate Palm.	11	10½		
Eastm'n Kdk.	171½	168		
Gillette	81½	81½		
Lambert Co.	131½	127½		
Loews	48½	48½		
20th Cen. Fox	24½	23½		
5. Retail Trade, etc.				
Mont. Ward	44½	44½		
J. C. Penney	80½	78		
Sears Roebck	69½	67½		
Walgreen	161½	151½		
Woodworth	44½	43½		
Borden	151½	151½		
Gen. Foods	35	34½		
Kroger Groc.	161½	161½		
Nat. Biscuit	231½	231½		
Stand. Brands	7	6½		
Am. Tob. B.	8½	8½		
Lig. Myers B.	95½	92½		
Lorillard	181½	181½		
Reyn. Tob. B.	40½	41		
Nat. Distillers	23	23		
Schenley Dis.	15½	15		
6. Finance				
Comcl. Credit	48	46½		
Atlas Corp.	7	6½		
Com Inv. Tr.	49	48½		

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

WEEKLY AVERAGES					
	1938		Sept. 14, 1938	Sept. 21, 1938	Sept. 28, 1938
	Low Mar. 30	High Aug. 24			
347 Ind'l....	75.9	109.2	98.5	104.0	100.0
32 Rails.....	19.0	31.47	23.2	25.1	23.4
40 Utilities....	57.7	78.87	68.6	72.3	69.6
419 Stocks....	63.7	90.77	81.4	86.0	82.6
Av. yield % ..	8.35	3.92	4.30%	4.03%	4.99%

* 50 Common Stocks. † January 12th. ‡ July 20th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)						
Sept. 22	Sept. 23	Sept. 24	Sept. 26	Sept. 27	Sept. 28	
117.6	113.7	113.7	110.3	110.1	115.0	
1938 High: 127.4 August 6th. Low: 83.6 March 31st.						

TOTAL DEALINGS IN NEW YORK			
Stock Exchange		Curb Shares	
Shares 000's	Bonds \$000's	Shares 000's	
Sept. 22	470	4,360	67
" 23	720	4,600	99
" 24	800	3,080	87
" 26	1,230	6,950	161
" 27	770	4,770	94
" 28	1,570	9,250	150

* Two-Hour Session.

Paris

INTERNATIONAL politics entirely dominated the Bourse in September. Early in the month there were signs of weakness. Selling was not on a particularly large scale, but it found the market without support and prices in practically all sections were affected. There was a slight rally prior to Herr Hitler's Nuremberg speech largely on bear covering, but this was not sustained, and the first fortnight ended with a further weakening of price levels. Mr Chamberlain's first visit to Herr Hitler resulted in the third week opening with a definite improvement in tone which was further encouraged by the favourable reply from the Czech Government to the peace plans. The Godesberg talks and the further demands that resulted in Mr Chamberlain's return caused prices to weaken again towards the end of the week, and by the beginning of the last week of the month, when the nature of the new demands was understood, prices began to fall sharply. But an improvement in sentiment was noticeable after Herr Hitler's Berlin speech, and the decision to limit falls in French share prices to 5 per cent. had a steadying influence on prices, though dealings were necessarily suspended in certain shares. The month closed with a sharp rally on the news of the Munich conference.

	Aug. 31, 1938		Sept. 28, 1938	
	1938	1938	1938	1938
3% Rentes	75.55	74.50	Reunis	477 380
4% Rts. 17	73.60	67.75	Rio Tinto	2,385 1,810
Banque de France	6,355	5,550	Mex. Eagle	424 324
Credit Lyonnais	1,535	1,250	Ford	59 49
Suez Canal	19,800	18,405	De Beers	1,502 1,284
Wag. Lits.	80.00	58.00	"Johnnies"	489 376

Berlin

THE earlier part of September found the Bourse more cheerful than during the preceding two months, but by the second week an erratic tendency was becoming noticeable, though when losses occurred they were not extensive. The deterioration of the Czech situation naturally made itself felt, but the announcement of the British Premier's visit to Herr Hitler resulted, as everywhere, in a sharp recovery. A strong upward tendency occurred in the first few days of the second week, following the acceptance by the Czech Government of the Anglo-French Plan. Prices, however, relapsed on the realisation that fresh demands were to be made at the Godesberg talks which opened on September 22nd. Heavy falls occurred after the breakdown of the second conversations, but some improvement followed Mr Chamberlain's appeal for peace and Herr Hitler's Berlin speech. The market was very subdued during the few days at the end of the month that culminated in the announcement of the Four-Power Conference but the close was naturally firmer. On balance, the month has shown only a comparatively small decline in prices, and in view of the slumps that occurred in July and August when the situation was by no means so grave, it is impossible to escape the conclusion that the stability of prices during the past month is due to brokers having read the Government's appeal for the avoidance of a panic on the Bourse as a command.

Amsterdam

POLITICAL events in Europe have entirely overshadowed the Bourse throughout September, and heavy falls in prices have occurred. The first week of the month, which was interrupted by the holiday in connection with the fortieth anniversary of the Queen's accession, was mainly quiet and dull. The deterioration in the international situation, however, caused prices to commence falling in the second week. The movement gathered pace, and was only checked by the news of Mr Chamberlain's visit to Herr Hitler. The rally, however, was short-lived, and prices wavered during the first few days of the third week, and even the Czech Government's acceptance of the Anglo-French Plan did not result in any marked improvement. The general tone had become listless, and with no support prices continued to sag away. By the beginning of the last week of the month slump conditions prevailed, the breakdown of the Godesberg conversations resulting in the heaviest falls since the start of the crisis. Herr Hitler's Berlin speech resulted in some improvement, but it did not last, and only the news of the Four-Power Conference prevented markets from finishing the month at the lowest levels.

	Aug. 31, 1938		Sept. 28, 1938	
	1938	1938	1938	1938
2½% Dutch 87½	75	A. K. U.	431½	31
5½% Ger. 22	15¼	Ford Motor	294	290½
Philips Lp.	241½	Del. B. To.	214	194
Neth. Ship.	115¼	Ryl. Dutch	332½	296
Lever Bros.	138	Hand. Am.	458¼	420
& Unilever	110			

* Without transfer certificate.

Canada

THE Canadian stock markets continued stagnant until the end of August, when a sharp break resulted from the crisis in Czechoslovakia and heavy selling depressed all classes of stocks. Early this month the markets steadied themselves and there was even a slight recovery. But before the middle of the month alarming news from Europe caused renewed selling, unsupported by any buying resistance. There was also a good deal of forced selling when speculative accounts were closed out. The breathing space given by Mr

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive			
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low		
Name of Security				Name of Security				Name of Security				Name of Security				Name of Security			
British Funds				British Funds				British Funds				British Funds				British Funds			
84 1/2	73 1/2	79 1/2	64	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
113	105 1/2	111 1/2	98	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
101 1/2	94 1/2	100 1/2	90	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
103 1/2	97 1/2	104 1/2	92	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
106 1/2	99 1/2	107 1/2	95	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
108	105	109 1/2	100 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
117 1/2	111 1/2	115 1/2	102	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
92 1/2	89	91 1/2	81	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
96 1/2	89 1/2	91 1/2	81	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
101 1/2	92 1/2	99 1/2	90	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
116 1/2	109	114 1/2	98	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
99 1/2	96	101 1/2	90	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
114 1/2	107 1/2	112 1/2	100	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
105 1/2	99 1/2	103 1/2	90 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
96 1/2	84 1/2	90 1/2	78	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
102	99 1/2	102	100 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
77	62	68 1/2	55	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
85 1/2	74 1/2	79 1/2	68	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
93 1/2	87	95 1/2	75	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
119 1/2	112 1/2	117 1/2	110	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
109 1/2	105	108 1/2	97	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
105 1/2	101	104 1/2	97	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
118	114 1/2	115	109 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
110	104 1/2	108	95 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
107 1/2	103 1/2	107 1/2	95	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
114 1/2	110 1/2	112 1/2	97	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
103	93	96 1/2	73	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
105 1/2	97 1/2	102 1/2	73	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
91 1/2	84 1/2	89	38	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
102 1/2	95 1/2	99	80	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
33 1/2	24 1/2	36	31	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
89 1/2	37	37 1/2	31	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
28	15	19 1/2	14	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
95 1/2	54 1/2	60 1/2	40	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
107 1/2	59	73 1/2	40	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
108 1/2	101 1/2	105 1/2	94	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
100	92 1/2	99 1/2	94	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
106 1/2	100 1/2	104	87	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
18 1/2	11	13	9 1/4	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
26	22 1/2	24	20	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
40 1/2	35	36 1/2	25	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
40 1/2	35	36 1/2	25	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
62	47 1/2	58 1/2	20	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
88 1/2	53	60	35	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
94 1/2	57 1/2	64 1/2	38	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
61 1/2	40 1/2	50	35	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
83	56	75 1/2	54	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
20 1/2	13	15 1/2	10	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
96 1/2	88 1/2	92	75	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
118	111 1/2	115 1/2	101	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
118 1/2	112 1/2	117	104 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
95 1/2	82 1/2	87 1/2	75	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
101	93 1/2	97 1/2	90 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		
104 1/2	100 1/2	105 1/2	94 1/2	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2	97 1/2	82	101 1/2	91 1/2		

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive				Prices, Year 1938 Jan. 1 to Sept. 28, inclusive			
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low		
Name of Security				Name of Security				Name of Security				Name of Security				Name of Security			

Industry and Trade

Business and the Crisis.—Despite the grave risk of war, averted only at the last moment, the business world has remained calm. But the possibility of a conflict caused much dislocation in industry and commerce. The anxiety caused by Herr Hitler's unyielding attitude prompted many business men to postpone their plans, and the flow of new commercial orders to industry was reduced to a trickle. Export business, moreover, was seriously hindered by the sharp rise in the cost of war risk insurance. On the other hand, the speeding up of preparations for defence, especially of A.R.P., gave rise to some confusion here and there, but on the whole work proceeded smoothly. In contrast to the position in 1914, the Government has prepared detailed plans for the control of industry and of food supplies in case of a national emergency. So far these plans have not been put into operation, though steps have already been taken to ensure supplies of essential commodities and to prevent a sudden increase in prices of certain foods and raw materials. Export licences for war materials for foreign countries were suspended on September 28th. Moreover, in view of attempts to lay in abnormal stocks of foodstuffs by a number of consumers, the Board of Trade announced on September 28th that supplies of essential foods were adequate not only for immediate needs but for some time to come, and that in the case of war the supply and distribution of these commodities would be controlled in order to prevent an undue rise of prices and to ensure fair distribution. While the news that agreement had been reached at the Four-Power Conference in Munich has brought relief, industry is unlikely to recover quickly from the shocks of the past fortnight.

Control of Essential Commodities.—The Essential Commodities Reserves Act passed in June empowered the Board of Trade to obtain from traders information concerning their stocks of, and facilities for storing, commodities essential in time of war. The Board of Trade was also empowered to create reserves of these commodities either by direct purchases or by inducing traders to increase their own stocks. Last Monday the Board of Trade issued an Order listing the commodities to which the Act can be applied. All cereals and allied products, meat, live animals for food, dairy produce, all forms of edible fats, oils and oilseeds, sugar, fish, the staple fruits and vegetables (including potatoes), beverages, condiments and spices are included, thus covering the bulk of human and animal foods. The Act is also to apply to fertilisers and the raw materials from which they are made, to petroleum and its products, and to coke. The size of the stocks of these commodities held by the Government is unknown, but the information which the Board of Trade can obtain under this order is essential in the event of an outbreak of war.

Stocks of Raw Materials.—In view of the possibility of transport difficulties in the early stages of a war, the possession of adequate stocks of essential foods and raw materials is of the utmost importance. The Government has frequently been urged, not least by *The Economist*, to accumulate adequate reserves of primary products against an emergency. The accompanying table shows the stocks of certain important commodities, exclusive of those held by consumers. As complete information is not available in most cases, total stocks are probably higher than the published figures suggest. Although the Government has been somewhat tardy in

Commodities	British consumption 1937	Stocks in U.K. Total	Date	Stocks as per cent. of 1937 consumption
Foodstuffs—				
Sugar 000 tons refined	1,935	267½	31 July	14†
Butter 000 tons	532	32½	10 Sept.	6
Tea 000 lb.	436,800	182,558½	31 Aug.	42
Grains—				
Wheat 000 tons	Human Animal	405½	1 Sept.	5†
Wheat flour 000 tons	4,134½	20½	1 Sept.	4
Maize 000 tons	3,215	122½	1 Sept.	4
Barley 000 tons	55	48½	1 Sept.	6†
Oats 000 tons	100	1,926	1 Sept.	0†
Textiles—				
Raw cotton 000 actual bales	2,831	1,623½	31 July	56
Raw wool million lb. actual weight	639	141½	31 July	22†
Metals—				
Copper 000 long tons	303.7	36.0½	17 Sept.	12
Tin 000 long tons	25.9	7.9½	17 Sept.	31
Lead 000 long tons	342.0	9.5½	31 Aug.	3
Spelter 000 long tons	226.2	23.00½	31 Aug.	10

* Ratio to total consumption.
† 1938 home crop, England and Wales, estimated at : wheat, 1,719,000 tons; barley, 727,000 tons; oats, 1,020,000 tons; sugar, less than 370,000 tons white equivalent; wool, 116 million lb.; potatoes, 2,788,000 tons.

1 In terms of wheat.
2 Including Government-owned stocks; port stocks only.
3 Stocks in bonded warehouses.
4 Stocks in cold storage.
5 Port and mill stocks.
6 Stocks at ports and railway depots.
7 Port stocks.
8 Stocks in recognised warehouses.

accumulating reserves, stocks of many essential commodities are quite substantial.

Stabilisation of Prices.—In order to prevent a sudden increase in the price of consumption goods, it was announced on Tuesday morning that the London Provision Exchange, at the request of the Food Defence Plans Department, had agreed to maintain unaltered for fourteen days the wholesale prices for bacon, hams, butter, cheese, lard, cooking fats, and margarine current on Monday, September 26th. The prices of certain grades of these commodities are given below, with the prices ruling last Saturday and a month ago for comparison.

	Aug. 27	Sept. 24	Sept. 26
Bacon—			
No. 1 sizeable, English per cwt.	99s.	99s.	99s.
Danish per cwt.	99s.	99s.	99s.
Hams—			
Short cut, Canadian per cwt.	102s. 104s.	98s.	100s.
Lard—			
Irish finest bladders per cut	56s. 62s.	50s. 56s.	50s. 56s.
Cheese—			
Finest farm Cheddar, English per cwt.	78s. 80s.	86s. 90s.	86s. 90s.
Finest new, Canadian per cwt.	86s.† 85s.†	71s. 72s.	71s. 72s.
Butter—			
Finest salted, N.Z. per cwt.	121s. 136s. 137s.	117s. 135s. 136s.	116s. 135s. 136s.
Danish per cwt.			

† Old season.

Later, it was also announced that the leading tea distributing firms had agreed not to increase retail prices of tea during the next fortnight. Moreover, the Chamber of Coal Traders have voluntarily agreed, on behalf of their constituent associations, that, apart from normal seasonal increases operating from October 1st in certain districts, the present level of retail prices for household coal will remain unchanged for the next fourteen days. As our latest series of wholesale price

indices show, there has so far been little change in the prices of the majority of commodities, the sharp advance in wheat early in the week being a notable exception.

Minimum Coal Prices.—Under the original marketing schemes, efforts were made to increase the earning-capacity of the coal-mining industry by means of minimum price schedules. These have not been very successful, due partly to evasions of the terms of such schedules and partly to the absence of any effective method for the co-ordination of selling prices between districts. Under the amended schemes which were brought into operation on August 1, 1936, a different and more rigid form of price regulation was introduced by means of district central selling or centralised control of sales. For a period of about eighteen months this centralised regime met with the good fortune of a rising market. During the spring of 1937 there was an acute shortage of coal not only in the United Kingdom but throughout Europe, and in these circumstances the normal operation of the market led to substantial increases, particularly in the prices of steam and bituminous coals. This improvement in the financial position of the industry enabled it to achieve the two main objects of the 1936 amended coal schemes, namely, higher wages for the miners and higher profits for the coal owners. The average earnings per shift increased from about 9s. 3d. in 1935 to 11s. 1½d. in the first quarter of the current year, when the credit balance of the industry was greater than that for the whole of 1935. But times have changed. In the first eight months of 1938 the output of coal was over 7 million tons smaller than in the same period in 1937, and the Board of Trade price index fell by over 10 per cent. between January and August this year. The Central Council has therefore decided to exercise the compulsory powers of co-ordination delegated to it under the amended legislation of 1936. During the past week it has issued to the districts a direction requiring each forthwith to prepare a schedule of minimum prices for the inland trade for every class of coal produced locally. Pending the approval of these schedules no sales are to take place for delivery in areas other than those in which the coal is produced, except with the authority of the Central Council, or unless such sales take place under the co-ordinating arrangements which have already been established voluntarily in the districts and have been in operation for many months with the approval of the Council. Meanwhile, the districts are further amending their schemes in order to implement the assurances for the protection of consumers given by the colliery owners to the Government last February in negotiations over the Coal Mines Act. The preparation of the minimum schedules is not, it is understood, to involve any interruption of the normal operations of the local price-controlling bodies, except in so far as the over-riding supervision of the Central Council may be necessary to prevent price-cutting as between districts.

Retail Trade.—Reports from the big London stores indicate that the fear of war has led a number of consumers to order large quantities of essential foods. Most of these stores, however, are refusing to supply foods to any one purchaser in abnormal quantities. Retail trade in commodities other than food, on the other hand, is reported to have fallen substantially during the past fortnight. The latest returns of retail trade relate only to the month of August; they show that the daily value of sales in the shops concerned was 2.8 per cent. higher than in August of last year. The increase was general in all districts with the exception, as before, of Central and West London, where a decline of 4.7 per cent. was registered. Clothing departments obtained most of the increase in sales; sales of piece-goods, furnishings and hardware all showed a considerable decrease from the figures of last year. The value of stocks (at cost) at the end of August was 4.4 per cent. lower than a year ago.

British Ports.—The dominating position which London holds in British foreign trade is illustrated in the table below, which gives the value of imports into and exports from all ports whose total trade in 1936 exceeded £5 millions. London dealt with no less than 42 per cent. of British imports (by value) and with 31 per cent. of our exports. The second largest port, Liverpool, shipped 28 per cent. of our exports, but received only 19 per cent. of

DISTRIBUTION OF BRITISH TRADE BY PORTS, 1936

	Imports into	Exports from
	£'000 Per cent.	£'000 Per cent.
Bristol	27,907 3.3	1,161 0.2
Cardiff	5,699 0.7	7,073 1.4
Holyhead	3,633 0.4	4,789 0.9
Liverpool	158,988 18.7	138,164 27.6
Manchester	45,543 5.4	13,601 2.7
Newport	1,606 0.2	4,149 0.8
Swansea	4,564 0.5	11,941 2.4
Total : 7 Western Ports	247,940 29.2	180,878 36.0
Dover	4,929 0.6	3,884 0.8
Folkestone	3,915 0.5	2,538 0.5
Newhaven	3,486 0.4	3,885 0.8
Southampton	29,732 3.5	34,658 6.9
Total : 4 Channel Ports	42,062 5.0	44,965 9.0
Goole	6,481 0.8	7,484 1.5
Grimby	12,642 1.5	4,796 1.0
Harwich	21,332 2.5	4,194 0.8
Hull	56,104 6.6	25,425 5.0
London	353,068 41.5	156,669 31.2
Middlesbrough	3,150 0.4	5,841 1.2
Newcastle	13,534 1.6	11,897 2.4
Total : 7 Eastern Ports	466,311 54.9	216,406 43.1
Dundee	5,678 0.7	779 0.1
Glasgow	23,365 2.8	26,910 5.4
Grangemouth	5,742 0.7	1,698 0.3
Leith	11,319 1.3	3,457 0.7
Total : 4 Scottish Ports	46,104 5.5	32,844 6.5
Belfast	9,105 1.1	4,332 0.9
All other U.K. ports (including Irish Land Boundary)	36,107 4.3	21,949 4.5
Total : United Kingdom	847,752 100.0	501,374 100.0

our imports. The seven largest ports on the East coast, including London, handled 55 per cent. of our imports and 43 per cent. of our exports; the seven largest ports on the West coast, including Liverpool and Manchester, handled 29 per cent. of our imports, but 36 per cent. of our exports.

The Cocoa Season Ends.—What was perhaps the most eventful season in the history of the international cocoa trade came to an end yesterday. The year opened on October 1, 1937, with Accra cocoa priced at 30s. 1½d. per cwt., to which level it had fallen from a peak of 59s. per cwt. in January. Prices continued to decline until in May Accra cocoa was quoted for a time at less than 18s. per cwt. There is no doubt that this fall in price must be ascribed to the decline in consumption, which is estimated in the past twelve months to have been some 10 per cent. below the record quantity of 695,000 tons absorbed in 1936–37. But the beginning of this fall in price coincided with the formation of a buyers' pool by the big West African shippers, which led the native farmers of the Gold Coast (which supplies 40 per cent. of the world's cocoa) to believe that the buyers' pool was the cause of their declining receipts. They organised a selling boycott which lasted from November, 1937, until April of this year, when it broke down. For the remainder of the season, cocoa exports from the Gold Coast have been regulated by the Department of Agriculture, which

OTARD'S EST. 1793
V.S.O.P.
LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

has succeeded in disposing of the bulk of the crop at prices above the low levels reached in May. It is known that stocks have risen considerably in the season just ended, but they are held by the financially strong shippers, and there is no danger of forced sales. In fact, there is, at present, a considerable demand for good quality cocoa, as the quality of the last Gold Coast crop was affected by inadequate storage during the boycott, so that part at least of the new harvest, which will appear on the market in about two months' time, will find ready buyers. The new season thus opened to-day with a more hopeful note. The Gold Coast is anxiously awaiting the recommendations of the British Commission of Inquiry, which was set up at the end of the boycott, and whose report is believed to be completed. It is hoped that their recommendations will improve the marketing of the cocoa crop, and will remove some of the ill-feeling which still exists between the native farmers and the shippers.

* * *

The New Bacon Contract.—The Pigs and Bacon Marketing Boards, with the assistance of the Bacon Development Board, have now agreed on the terms of the 1938-39 contract. According to the Bacon Industry Act passed in July, the contract must provide for an average price of 12s. 6d. per score (against a basic price for feeding stuffs of 8s. 6d. per cwt.) to the farmers over the whole contract year. It has been agreed that in February and March, 1939, the farmers' price shall be raised by 6d. to 13s. per score and that it shall be lowered to 12s. per score in October and November, 1939. There has also been an alteration in the grades; Class II (pigs between 8 sc. 8 lb. and 9 sc. 8 lb. deadweight) has been abolished and pigs in this weight range will be graded into Class I (minimum deadweight 7 sc.) or Class III (maximum deadweight 10 sc. 10 lb.). The scale of prices agreed to by the Boards refers to a basic price for the standard ration of feeding stuffs of 8s. 6d. per cwt. During the latter half of 1936 and the early months of 1937 the price of this standard ration rose sharply, reaching a maximum of 10s. 4d. per cwt. between September, 1937, and March, 1938. Since then it has again fallen, to 8s. 11d. in September. Should the prices of wheat and barley (whose products compose 90 per cent. of the ration) fall further, it is likely that the price of this ration will fall below 8s. 6d. per cwt.; the basic price paid to the farmers will then be proportionately reduced.

* * *

Slight Rise in Wholesale Prices.—Events have been moving so rapidly and in such kaleidoscopic fashion, that it may be advisable to give the reminder that the latest *Economist* index numbers relate to Wednesday, September 28th. Compared with the previous fortnight they show surprisingly little movement for so anxious a period. The complete British index has risen by only 0.9 per cent., and the primary products index by 1.1 per cent. Part of this latter movement may reflect the depreciation of sterling, for the American primary

products index is practically unchanged. The complete Irving Fisher index number, which relates to a week earlier, shows an insignificant increase, and so does the French index number. The German index is unchanged. Generally speaking, wholesale prices have shown remarkable stability, but the intermediate fluctuations in the leading commodities during the intervening fortnight must not be overlooked, even though they are not reflected in these indices which relate to particular dates.

SEPTEMBER 18, 1931=100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A. Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanwalt
	British Complete Index (sterling)	Primary Products	American (dollar)					
1936								
Dec. 30th 1937	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
Jan. 27th	134.2	164.2	184.5	167.0	131.0	115.9	116.8	95.7
Feb. 24th	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31st	144.3	181.9	198.7	167.4	137.3	121.8	126.2	97.5
Apr. 28th	142.0	169.9	183.5	165.4	129.6	120.5	128.7	97.0
June 2nd	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30th	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28th	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25th	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22nd	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6
Oct. 20th	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Dec. 1st	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29th	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938								
Feb. 2nd	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Mar. 2nd	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 30th	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 27th	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 25th	119.6	132.2	121.9	165.5	117.2	145.6	143.4	96.3
June 22nd	119.3	133.2	124.8	165.8	117.6	147.3	143.8	96.9
July 6th	120.8	135.7	129.7	165.9	117.7	148.7	143.5	97.0
July 20th	119.5	137.4	128.6	166.5	118.2	147.8	142.7	97.1
Aug. 3rd	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5
Aug. 17th	118.3	136.1	124.7	167.6	115.9	145.5	142.8	97.5
Aug. 31st	116.3	133.5	125.0	168.6	116.8	144.9	143.6	97.3
Sept. 14th	115.2	133.0	126.9	170.6	117.0	145.8	143.9	97.0
Sept. 28th	116.2	134.8	127.0	173.0	117.2*	146.4*	...	97.0*

* These figures relate to Sept. 21st. † Monthly average.

The following table shows the complete *Economist* index number in greater detail:—

	The Economist INDEX (1927 = 100)			
	Sept. 18, 1931	Sept. 22, 1937	Sept. 14, 1938	Sept. 28, 1938
Cereals and meat...	64.5	89.1	72.7	72.4
Other foods	62.2	67.2	58.0	58.1
Textiles	43.7	65.5	52.6	53.9
Minerals	67.4	106.4	93.8	94.0
Miscellaneous	65.8	84.5	74.0	75.3
Complete index	60.4	82.2	69.5	70.2
1913 = 100	83.1	113.1	95.6	96.6
1924 = 100	52.2	71.0	60.1	60.7

During the fortnight covered by *The Economist* index, wheat, maize and meat prices were unaltered, but there was an increase in flour, and a decrease in barley, oats and potatoes. Sugar was firmer, and there was a sharp rise in coffee. Textiles were all slightly higher in price, and there were moderate increases in non-ferrous metals. In the miscellaneous group, hides and linseed oil were dearer, but there was a setback in rubber.

INDUSTRIAL REPORTS

BUSINESS transactions were seriously dislocated last week by the risk of a German invasion of Czechoslovakia. The view of the uncertainty, overseas holders held their hands, and the State in war risk insurance premiums possible the difficulty of doing business. war, throw of new commercial orders and raw material consumers was also Government. On the other hand, the *The Economist* preparations for defence increase in activity in the primary products. A tendency to ing table shows commitments has been ties, exclusive of the iron and steel information is not a instance of heavy are probably higher i-stocking move- Although the Govern- wise have been

expected to take place. On the other hand, the domestic demand for coal has been fairly well maintained. Transactions in cotton textiles were small in volume, but the market in wool textiles has shown some improvement in the expectation of heavy Government orders.

Coal

Sheffield.—Demand is improving steadily. Industrial steam coals move fairly well, with best qualities firm. Small coal is in good supply, electricity works taking good deliveries. The market in coking smalls is quiet, and

the demand of brickworks is easily met. Business in household fuels is moderately active, and gas coal is being well taken up. The market in coke remains quiet, with prices unaltered.

The export market is still depressed for prompt, but for forward shipment there is a slightly better inquiry.

*

Newcastle-on-Tyne.—Despite all the uncertainty, the North-East coal market has remained calm. Northumberland steam collieries continue to be slightly better placed, but there is no scarcity of coals. Durham collieries, on the other hand, are experiencing much idle time, the coking and

gas coal sections being particularly weak. Patent oven coke in the export section is affected by the scarcity of tonnage.

*

Glasgow.—Trade is proceeding normally and business has, if anything, been a little brisker. Nuts in particular have been moving a good deal more freely, and these are now in a fairly strong position in all districts, but chiefly on the East Coast. Demand for large coal has been less brisk and tonnages of most classes continue to be freely offered.

It was learned during the week that a new committee has been set up to control supplies for the London and South Coast markets. For some time past there has been increasing inter-district competition for this business, which conflicts with the industry's selling policy, and accordingly the new committee will operate a scheme to co-ordinate the delivered prices of all contracts of over 15,000 tons. The committee will fix prices and decide other matters affecting the interests concerned.

*

Cardiff.—The immediate outlook on the South Wales market has been profoundly disturbed by the grave events of the last few days. France is the chief outlet for German exports of coal and coke. In 1937 the exports of coal and coke to that country, principally from the Ruhr, exceeded 10 million metric tons, and during the first half of this year they reached nearly 4 million tons. In the event of the interruption of these supplies, France will have to depend primarily for her external supplies on the United Kingdom. No official steps have yet been taken to deal with this contingency, but an emergency meeting of the South Wales Executive Board was held on Wednesday afternoon, when the more general aspects of possible immediate developments in the Anglo-French coal trade were considered.

The volume of trade has not been materially affected by the risk of war. Shipments from the South Wales ports last week totalled 408,200 tons, against 344,500 tons in the previous week and 435,466 tons in the corresponding week last year. Prices are nominally unchanged. Under the Anglo-French coal-pitwood barter agreement, the price of the 80,000 tons of French pitwood to be purchased in the three months from November 1st next in exchange for the purchase by France during the same period of 120,000 tons of South Wales coals, has been reduced from 22s. 3d. to 22s. 1½d. per ton, ex ship. The Greek State Railways are inviting fresh tenders for the supply of 60,000 tons. The coke and patent fuel markets are featureless.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that there has been a tendency to avoid entering into commitments, owing to the uncertain outlook. In some directions there has been a movement to buy for stock replenishment, but in the majority of cases the accumulations in hand have been considerably

in excess of the normal tonnage for some months past. In spite of the quiet conditions, the undertone remains firm.

In the pig iron market there has been a little buying for near requirements and some inquiry for forward delivery. The position in this department has been improved by the depletion of stocks of foreign iron, and as imports have been on a restricted scale for some time, the demand for British materials may be expected slowly to improve.

Similar conditions now rule in the semi-finished steel section of the market. Although stocks are still heavy, they have been considerably reduced, and as a consequence, there has been an expansion in the volume of business with home producers.

The demand for finished steel has been irregular, and few of the steelworks are able to maintain a full rate of operations. There has been a tendency on the part of consumers to avoid committing themselves for forward purchases and most of the recent transactions have been in small parcels for near delivery. Export business has been handicapped by the high war insurance rates.

*

Sheffield.—More inquiries are about, and business shows some expansion. Where pig-iron contracts are at the point of termination there have been some renewals, but generally consumers are pursuing a hand-to-mouth buying policy, preferring to await developments in the international and industrial spheres. Small parcels of foundry iron are changing hands, and demand for basic iron is fairly steady, but forge is still neglected. Hematite users are well covered by contract to the end of the year, and the only movement is in special sorts, consumption of which is again increasing. Bar iron business remains slow, although rather more dealings are reported in common bars.

In steels, basic billet business is showing some improvement, and wire rods are in better request. Structural steel requirements are fairly good, and a more active demand exists for small steel bars. Stainless steel sheets are a strong feature, and the call for strip is reviving.

The iron and steel scrap market is showing more life, and in view of the decision to postpone a decision on prices, which were stabilised to the end of September, it is thought probable that these may now remain unchanged until the end of the year. Meanwhile, there is a more encouraging demand for heavy iron-free basic steel scrap at from 65s. to 67s. 6d. per ton. Other prices are unchanged.

Compared with July, the output of steel ingots and castings in the Sheffield district in August shows an increase of 15,400 tons to 109,500 tons. Heavily increased requirements of special steels for national defence work have necessitated more electric furnaces being put into commission, and most of the heavy engineering sections of local industry are fully employed.

*

Middlesbrough.—Whilst the market continues with a firm undertone, potential buyers are influenced by the international situation. Consumers are reported to be using up their stocks of foreign iron and an increase in demand is therefore expected. East Coast hematite is still plentiful, but rather more is being used at producers' own steelworks.

Shipments of pig iron from the Tees up to September 27th amounted to 4,729 tons, compared with 2,371 tons during the same period in August.

Transactions in semi-finished steel are few, for users still have rather more material on hand than they carry normally.

Finished steel plant is actively employed, and in one or two departments output has been slightly increased, but further orders are necessary to keep plant fully occupied.

Foreign ore business is practically negligible, and consumers are severely restricting deliveries under old contracts. Blast furnace coke is in good supply at 27s. 6d. per ton, free on trucks at the ovens, with little business passing owing to the reduced consumption.

*

Glasgow.—It was announced at the end of last week that the New Zealand Government had placed a large order for railway locomotives with the North British Locomotive Company, of Glasgow, the value of which is approximately £400,000. Works in Glasgow and district were closed over the weekend for the autumn holiday. Since the resumption of operations on Tuesday, there has been a heavy demand from all parts of the country for galvanised sheets for municipal authorities' requirements, and manufacturers employed on Government work are also pressing for deliveries of material.

*

Cardiff.—The position in the South Wales iron and steel trade shows no material change. As our weekly table on page 43 shows, there has been a slight improvement in the tinplate industry. In August the output of pig iron in South Wales and Monmouthshire was only 36,600 tons, compared with 65,700 tons in August, 1937, and that of steel ingots and castings 102,300 tons, against 207,800 tons.

Textiles

Cotton (Manchester).—The whole market is dominated by the crisis, but traders are calm and are prepared for any emergency. Spinners have been making larger purchases of raw cotton owing to possible interference with normal trade channels. The fixing of minimum prices in the Alexandria market was an unexpected move, but so far Liverpool has not had cause to take similar action.

There has been very little business in cloth for export. Demand has shrunk, and even where business has been offering, negotiations have been difficult owing to the war risk insurance rates. On the other hand, there has been a larger turnover for the home trade, especially in fabrics suitable for A.R.P. and other emergency purposes.

*

Wool (Bradford).—The fifth series of Colonial wool sales ended yesterday, after an improvement in prices caused by fears of an outbreak of war. The biggest supply of wool available has been in New Zealand crossbred staples, and the rise in the prices has been the most marked, amounting to 2d. per lb. on many descriptions. There is no class of wool more suitable for khaki purposes than this, and immense

(Continued on page 44)

BRITISH WHOLESALE PRICES

CEREALS AND MEAT	Sept. 21, 1938		Sept. 28, 1938	
	s. d.	s. d.	s. d.	s. d.
GRAIN, etc.—				
Wheat—				
No. 2, N. Man. 496 lb.	30 3	Nom.		
Eng. Gaz. av., per cwt.	4 11	4 11		
Liv. Oct., per cental	5 2	5 11		
Flour, per 280 lb.—				
Straights, d/d London	26 6	28 6		
Manitoba, ex store	Nom.	Nom.		
Barley, Eng. Gaz. av. per cwt.	9 9	9 9		
Oats, " "	6 9	6 5		
Maize, La Plata, landed, 480 lb.	26 9	Nom.		
Rice, No. 2 Burma, per cwt.	8 10½	9 0		
MEAT—				
Beef, per 8 lb.—				
English long sides	4 0	4 0		
Argentine chilled hinds	4 3	4 0		
Mutton, per 8 lb.—				
English wethers	4 0	4 0		
N.Z. frozen wethers	3 8	3 8		
Lamb, per 8 lb.—				
N.Z. frozen	4 10	4 10		
Pork, English, per 8 lb.	7 4	7 2		
BACON (per cwt.)—				
English	99 0	99 0		
Danish	99 0	99 0		
Dutch	96 0	96 0		
Irish	92 0	92 0		
HAMS (per cwt.)—				
Canadian	98 0	100 0		
United States	92 0	95 0		

OTHER FOODS

BUTTER (per cwt.)—				
Australian	112 0	114 0		
New Zealand	117 0	116 0		
Danish	135 0	135 0		
Danish	136 0	136 0		

CHEESE (per cwt.)—				
Canadian	71 0½	71 0½		
New Zealand	72 0	72 0		
English Cheddars	86 0	86 0		
Dutch	57 0	64 0		
Dutch	61 0	64 0		

COCOA (per cwt.)—				
Accra, g.f.	24 6	24 6		
Trinidad	36 0	36 0		
Grenada	34 0	34 0		
Grenada	36 0	36 0		

COFFEE (per cwt.)—				
Santos sup. c. & f.	33 0	33 0		
Costa Rica, medium to good	45 0	48 0		
Kenya, medium	50 0	53 0		
EGGS (per 120)—				
English (15-15½ lb.)	19 6	18 6		
Danish (15½ lb.)	14 6	13 9		
Danish (15½ lb.)	14 9	14 0		

FRUIT—				
Oranges, S. African boxes	8 6	8 0		
" Brazilian Peras... boxes	11 9	12 6		
Lemons, Naples	20 0	22 6		
" Sicilian	18 0	22 0		
Apples, Amer. (var.)... barrels	29 0	26 6		
" Californian Gravenstein Boxes	11 9	5 6		
Grapes, Almeria	15 0	15 0		
Grapefruit, S. African	8 0	10 0		
LARD (per cwt.)—				
Irish, finest bladders	50 0	50 0		
U.S.	49 0	49 0		
PEPPER, per lb.—				
Black Lampong (in Bond)	0 25½	0 25½		
" (Duty paid)	0 3½	0 3½		
White Muntok (in Bond)	0 3½	0 3½		
" (Duty paid)	0 4½	0 4½		
POTATOES (per cwt.)—				
English King Edward	5 0	5 0		
Centrifugal, 96, prpt. shipm.	5 6½	5 10½		
c.f.f. U.K./Cont.				
Refined London—				
Yellow Crystals	19 1½	19 3		
Cubes	23 4½	23 6		
Cubes	23 10½	24 0		

SUGAR (per cwt.)—cont.				
Crushed	21 7½	21 9		
Granulated	19 6	20 6		
Home Grown	19 7½	19 9		
TEA* (Auction Average) (per lb.)—				
N. India	15 73	15 77		
S. India	13 15	13 42		
Ceylon	16 34	16 54		
Java	13 52	14 36		
Sumatra	10 80	10 78		
Africa	15 41	15 74		
Total	15 41	15 74		
TOBACCO (per lb.)—				
Virginia stemmed and unstemmed, common to fine	0 8	0 8		
Rhodesian stemmed and unstemmed	0 9	0 9		
Nyasaland stemmed and unstemmed	0 7	0 7		
East Indian	0 4	0 4		
Stemmed	0 7	0 7		
Unstemmed	1 6	1 6		

TEXTILES

COTTON (per lb.)—				
Raw, Mid-American	4 74	4 80		
" Sakellari, F.G.F.	7 91	8 39		
" Giza, F.G.F.	7 56	8 04		
Yarns, 32's Twist	9 14	9 14		
" 40's Twist	10 13	10 13		
" 60's Twist (Egyptian)	17 14	17 14		
Cloth, 32 in. Printers, 116 yds.	16 5	16 5		
" 16x16, 32's & 50's	22 10	22 10		
" 19x19, 32's & 40's	9 8	9 8		
" 38 in. ditto, 38 yds.	8 8	8 8		
" 18x16, 10 lb.	8 8	8 8		
" 39 in. ditto, 37½ yds.	8 8	8 8		
" 16x15, 8½ lb.	8 8	8 8		
FLAX (per ton)—				
Livonian ZK	65 0	68 0		
Pernau HD	66 0	68 0		
Slanetz Medium, 1st sort	90 0	90 0		
HEMP (per ton)—				
Native 1st mks., c.f.f. H.A.R.B.	70 0	70 0		
Aug.-Sept.	19 0/0	19 0/0		
Dance 2/3 c.f.f. Dundee, Oct.-Nov.	19 0/0	19 0/0		
SISAL (per ton)—				
African, Sept.-Nov.	14 10	18 0		
SILK (per lb.)—				
Canton	7 3	7 3		
Japan	8 0	8 0		
Italian, raw, fr. Milan	7 3	7 3		
WOOL (per lb.)—				
English, Southdown, greasy	12½	13½		
" Lincoln hog, washed	11	11		
Queensland, sed. super combg.	12½	13		
N.S.W. greasy, super combg.	11	12½		
N.Z., greasy, half-bred 50-56	10	10		
Top—				
Merinos 70's average	27	28		
64's	25	26½		
Crossbred 48's	16	16½		
" 46's	15½	16		

MINERALS

COAL (per ton)—				
Welsh, best Admiralty	22 6	22 6		
Durham, best gas, L.O.B. Tyne	18 10½	18 10½		
Sheffield, best house, at pits	22 0	22 0		
IRON AND STEEL (per ton)—				
Pig Cleveland No. 3, d/d.	109 0	109 0		
Bars, Middlesbrough	265 0	265 0		
Steel rails, heavy	202 6	202 6		
Timplates	21 6	21 6		
NON-FERROUS METALS (per ton)—				
Copper—				
Standard cash	42 10/0	43 3/9		
Three months	42 11/3	43 5/0		
Three months	42 13/9	43 0/0		
Three months	42 15/0	43 2/6		
Tin—				
Standard cash	195 5/0	195 15/0		
Three months	196 0/0	196 10/0		
Three months	196 5/0	196 15/0		
Lead, soft foreign—				
Cash	15 17/6	15 10/0		
English, pig	15 18/9	15 11/3		
Spot, G.O.B.—				
Spot	14 6/3	14 6/3		
Aluminium, ingots and bars	94 0/0	94 0/0		
" rolling billets	102 0/0	102 0/0		
Nickel, home and export	185 0/0	185 0/0		
Antimony, Chinese	50 0/0	56 0/0		
Wolfram, Chinese	59 0	61 0		
Platinum, refined	8 0/0	8 0/0		
Quicksilver	13 18/0	13 18/0		

GOLD, per fine ounce	s. d.	s. d.	s. d.
144 0	147 0		
SILVER (per ounce)—			
Cash	1 7½	1 6½	

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—				
4-ton loads and upwards	42s.	per ton		

CHEMICALS—				
Acid, citric, per lb., less 5% ...	1 0½	1 0½		
" Nitric	0 2	0 2		
" Oxalic, net	0 5	0 5		
" Tartaric, English, less 5%	1 1½	1 1½		
Alcohol, Plain Ethyl	12 0	12 0		
Ammonia, carb.	20/0/0	20/0/0		
Sulphate	21/0/0	21/0/0		
Arsenic, lump	35/0/0	35/0/0		
Borax, gran.	13 6	13 6		
" powder	15 0	15 0		
Nitrate of soda	8 0	8 0		
Potash, Chlorate, net	0 4½	0 4½		
" Sulphate	10 0	10 0		
Soda Bicarb.	11 0	11 0		
Crystals	5 0	5 0		
Sulphate of Copper	18 5/0	18 5/0		
COPRA (per ton)—				
S.I.D. Straits, c.f.f.	10 15/0	10 13/9		
HIDES (per lb.)—				
Wet salted, Australian	0 4½	0 4½		
West Indian	0 3	0 3		
Cape	0 4½	0 4½		
Dry and Drysalted Cape	0 6¼	0 6¼		
Market Hides, Manchester—				
Best heavy ox and heifer	0 4½	0 4½		
Best cow	0 4½	0 4½		
Best calf	0 5	0 5		
INDIGO (per lb.)—				
Bengal, gd. red-vio. to fine	5 0	5 0		
LEATHER (per lb.)—				
Sole Bends, 8/14 lb.	1 0	1 0		
Bark Tanned Sole	2 0	2 0		
Shoulders from DS Hides	0 6	0 6		
" Eng. or WS do.	0 7½	0 7½		
Bellies from DS do.	0 4½	0 4½		
" Eng. or WS do.	0 8½	0 8½		
Dressing Hides	1 0	1 0		
Ro. Eng. Calf, 20/35 lb. per doz.	4 6	4 6		
PETROLEUM PRODUCTS (per gall.)—				
Motor Spirit No. 1, London	1 6	1 6		
Petroleum, Amer. std. brl. Lond.	0 10	0 10		
Fuel oil, in bulk, for contracts	0 3½†	0 3½†		
ex. instal. Thames—				
Furnace	0 4½†	0 4½†		
Diesel	0 4½†	0 4½†		
ROSIN (per ton)—				
American	11 5/0	13 15/0		
RUBBER (per lb.)—				
St. ribbed smoked sheet	0 8½	0 7½		
Fine hard Para	0 7¼	0 7¼		
SHELLAC (per cwt.)—				
TN Orange	39 0	39 0		
TALLOW (per cwt.)—				
London town	17 6	17 6		
TIMBER—				
Swedish u/s 3x8	21 0/0	22 0/0		
" 2½x7	20 10/0	21 10/0		
" 2x4	18 0/0	19 0/0		
Canadian Spruce, Dls.	22 10/0	23 0/0		
Pitchpine	13 10/0	13 10/0		
Rio Deals	35 0/0	35 0/0		
Teak	25 0/0	25 0/0		
Honduras Mahogany logs	0 12/0	0 12/0		
English Oak Planks	0 6/0	0 6/0		
English Ash Planks	0 7/0	0 7/0		
VEGETABLE OILS (per ton net)—				
Linseed, naked	21 12/6	24 1/0		
Rape, refined	31 15/0	33 5/0		
Cotton-seed, crude	18 0/0	20 0/0		
Coconut, crude	15 7/6	15 7/6		
Palm	13 12/6	13 1/0		
Oil Cakes, Linseed, Eng.	8 15/0	9 2/0		
Oil Seeds, Linseed—				
La Plata, Sept.	11 0/0	11 0/0		
Calcutta	12 2/6	12 0/0		
Turpentine	32 3	3 ½		

* Weeks ended Sept. 15th. and Sept. 22nd.

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

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended	Jan.-August		
	Sept. 10, 1938	Sept. 17, 1938	1937	1938
Northumberland	284.7	286.5	9,431.8	8,979.0
Durham	632.2	620.0	21,901.6	21,594.6
Yorkshire	486.1	789.7	29,667.1	28,190.3
Lancs, Cheshire and N. Wales	315.8	324.7	11,718.3	11,563.0
Derby, Notts & Leicester	513.3	579.7	22,174.8	21,883.5
Staffs, Worcs, Salop & Warwick	363.0	384.2	13,351.3	13,275.3
South Wales & Monmouth	684.3	739.6	24,987.0	24,620.6
Other English districts*	118.0	117.0	3,615.4	3,650.9
Scotland	587.6	575.5	21,200.4	20,280.8
Total	3,985.0	4,416.9	158,047.7	154,038.0

(Continued from page 41)

quantities will be needed in case of war. Merinos also closed firmer than at the opening. All sections of the trade operated freely, including the Continent.

The risk of war has had a beneficial effect upon consuming centres. While no important orders have been placed for woollen or worsted cloths, the Government is bound to give out important khaki orders in the event of war. Home trade requirements have not greatly increased during the past few weeks, and not much headway has been made in the placing of new business for next spring. Most wholesale and retail clothiers are still distributing mainly from stock, and until surplus goods are in the hands of the actual consumer there will not be any marked increase in activity at the mills. Fashions are still running largely upon cheap woollens rather than good worsted cloths.

Since Monday considerable sales have taken place in Bradford of both raw wool and tops, many topmakers now having withdrawn their quotations.

THE COMMODITY MARKETS

DURING the week ended last Wednesday the commodity markets were influenced by the risk of war, by the consequent depreciation of the pound in terms of the dollar and by the increase in the cost of insurance for sea transport. The tendency of the prices of many commodities essential in war was therefore upwards, but the rise was naturally less marked in the United States than in this country.

Wheat prices rose sharply with every increase in the risk of war, and fell on the announcement on Wednesday that a Four-Power conference was to be held on Thursday. Sugar was also marked up, but the rise in the prices of cotton and non-ferrous metals was not very marked. Lead was actually somewhat cheaper on Wednesday than a week earlier. In the case of rubber minimum prices were fixed.

Moody's index of the prices of staple commodities in the United States rose only slightly, the figure for Wednesday being 143.6 (December 31, 1931=100), against 143.3 a week earlier. A month ago the index stood at 143.6 and a year ago at 187.6.

Metals

Copper.—During the week copper prices improved by £1 3s. 9d. per ton and closed on Wednesday at £43 3s. 9d. per ton. The improvement was largely due to purchases in anticipation of a war, and the intrinsic position of the copper market had little influence on dealings. Until the political situation becomes clearer, no forecast on the outlook for copper prices is possible. In the United States the demand has again eased, partly in reaction to European news.

Tin.—After a temporary relapse, the price of tin recovered to £195 15s. per ton, and closed on Wednesday with a net gain of 10s. on the week. The turnover of tin has increased this week, but the demand by United States consumers is still disappointingly small.

It is believed that United States tin-plate mills will start to prepare their production programme for the next season within the next few weeks, so that an increase in American purchases before very long is quite conceivable.

Lead and Spelter.—The price of spelter closed on Wednesday at £14 6s. 3d. per ton, and thus showed no change on the week. Lead, exceptionally, declined during the past week, to close on Wednesday at £15 10s. per ton, a net loss of 7s. 6d. per ton. The lack of any further news about the restriction schemes for these two metals has apparently induced speculators, who had bought substantial quantities of lead and spelter in recent weeks, to liquidate part of their holdings.

Grains

GRAIN prices have fluctuated during the last week in sympathy with the international situation. Wheat prices rose at the end of last week, eased late on Monday, resumed their rise on Tuesday and Wednesday, but relapsed again late on Wednesday when the Four Power Conference was announced. On Wednesday, the price of Manitoba was generally about 2s. 6d. per quarter higher than on the previous Wednesday, but by Thursday evening this gain had been reduced to about 1s. 6d. per quarter. The impossibility of obtaining stable rates for war insurance has also added to the difficulties of the markets, and led to the appearance of a large premium for maize in very near positions. Offers of forward maize were small during the week, and such as there were came from the Argentine. Similar developments occurred in the barley markets, and, in spite of last week's report that sales of Russian barley had ended for the season, Russian barley was the only type offered; parcels afloat have realised up to 18s. 6d. per quarter.

Other Foods

Provisions.—On Monday, it was announced that the London Provision Exchange had recommended that prices for bacon, hams, butter, cheese, lard, margarine and cooking fats should be stabilised at their existing level for a period of 14 days. This ruling steadied the market, and trade has continued on a firm basis during the week. Home killed meat sold slowly at Smithfield, but there has been a fair demand for frozen and chilled meat. Contrary to the usual seasonal trend, eggs declined in price during the week, owing to temporarily increased supplies.

Colonial Produce.—Sugar prices were advanced by 1½d. per lb. on Monday; trading in futures has been made difficult by rising rates for war risks insurance. The cheaper teas sold well at the week's auctions, but demand for other types was hesitant. Costa Rica and Kenya coffees were marked up in price early this week.

Fruit and Vegetables.—Heavy supplies of English potatoes were cleared slowly, but prices were generally maintained at the Borough. Trade in other vegetables and in all fruits has been very slow during the week, and prices have generally been reduced.

Miscellaneous Commodities

Oilseeds and Oils.—Business in these markets has been severely curtailed, and on some days prices were only nominal. The difficulties over war risks insurance was a factor assisting in a general rise in prices, particularly for near positions. Compared with a week ago, vegetable oils on Wednesday were £1 to £2 per ton dearer; the price of linseed rose by £5 per ton, with forward positions at a discount. Refined cotton oil ex Hull rose in price by £2 per ton.

Rubber.—Rubber prices fell slowly at the end of last week as the European tension increased, and the decline was hastened on Monday and Tuesday; compared with the previous Wednesday, the buyers' price for spot had declined by 7½d. per lb. by Tuesday mid-day. The market recovered a little on Tuesday afternoon, but the decline in prices was resumed on Wednesday morning, until the Committee of the Rubber Trade Association announced a minimum price for spot or forward delivery of 7½d. per lb. Dealings in forward rubber have been rendered very difficult by the rise in war risks insurance, and by the prospect of war.

Furs.—At the fur sales held in London last week, offerings totalled approximately 50,000 silver fox skins and between 250,000 and 300,000 Persian lamb skins. Although these furs are now the most popular types, only half of the silver fox skins were sold, and the prices realised showed a decline of 10 per cent. on the preceding sale, held in May, 1938. All offerings of Persian lambs found ready buyers, but prices declined by 5 to 10 per cent. compared with the last sale in July. Nearly all the silver fox was bought by London merchants, while the bulk of the demand for Persian lambs came from Leipzig, Paris and New York, London taking only smaller lots. In view of these lower prices, the prospects for the general London sales, scheduled to begin at the end of October, is regarded with a certain note of pessimism, even if peace should be maintained.

Cotton Prices and War Measures.—The directors of the Alexandria Cotton Exchange, acting in concert with the Egyptian Government representatives, decided on Wednesday to institute a minimum price for Egyptian cotton futures in Alexandria. This was done owing to a fear of a fall in prices on account of large hedge selling orders. The minimum rates will be fixed from day to day. No similar move has been made by the Liverpool Cotton Exchange, and so far the question of either instituting minimum prices or closing the Exchange has not been considered. The directors, however, have discussed the question of insuring stocks of cotton in Liverpool, and a committee has been set up to attempt to formulate a scheme on a mutual pooling basis. It is understood that this step has been taken because it is impossible to obtain cover through the usual channels. It is expected that a scheme will be completed shortly.

COMPANY MEETINGS

E. W. TARRY AND COMPANY, LIMITED

RESUMPTION OF ORDINARY DIVIDENDS

The annual general meeting of E. W. Tarry and Company, Limited, was held, on the 23rd ultimo, at Southern House, London, Sir J. Fortescue Flannery, Bt., D.L. (the chairman) presiding.

The Chairman, in moving the adoption of the report and accounts, said that the improvement in business mentioned at the last two meetings had continued during the year under review. All the branches showed an increase of business over the previous year.

The gross profit for the year was £141,732, an improvement of £16,635. There had been a very satisfactory rise in turnover. The net profit amounted to £44,698, and represented an improvement of £6,310 on the figures for 1937. They recommended the payment of a dividend of 6 per cent. on the ordinary shares. He was happy to welcome the ordinary shareholders into the dividend stage again, and he trusted that that resumption of ordinary dividend would become from now on a regular payment in future years. Since they had commenced to discharge their obligations to the preference shareholders on January 1, 1935, they had seen the fortunes of the company steadily improve, and to-day they had a substantial general reserve.

It was difficult to forecast the prospects of the current year. There had been a falling-off in British overseas commerce during recent months, and that decrease was reflected in the South African trade. While Europe was disturbed and trade hampered and curtailed, there was bound to be some repercussion felt even in distant South Africa. There was, however, the reassuring fact that the Union of South Africa owed its prosperity mainly to the gold industry, and there did not appear to be any likelihood of a decline in output in the immediate future. In all states of trade, Tarry's organisation would be found ready to supply consumers in South Africa with goods that were fully up to date, and would continue to carry the assurance that whatever goods and machinery Tarry's sold were the best and most improved of their kind.

The report was unanimously adopted.

PARNALL AIRCRAFT, LIMITED

CONTINUED EXPANSION AND DEVELOPMENT

The third ordinary general meeting of Parnall Aircraft, Limited, was held, on the 28th ultimo, in London, Sir Louis Vaughan, K.C.B., K.B.E., D.S.O. (the chairman), presiding.

The Chairman, in moving the adoption of the report and accounts, said that the profit for the year amounted to £89,287, compared with £26,782 in the previous year, an increase of £62,505. It would not be in the public interest to give full details of their contracts. He could only say that with regard to turrets they had orders from the Air Ministry which would keep them busy for the next two or three years at least, in spite of an increasing scale of production. They also continued to build air frames, components, etc., for certain aircraft manufacturers, and their existing contracts alone would keep this section of their organisation busy for some considerable time.

They were up to schedule with their production programme and, in some cases, in advance of that schedule.

They had established at Yate a school for training R.A.F. personnel in the use and maintenance of their turret installations.

Folland Aircraft, Ltd.—Net profit for year to June 30, 1938, £16,483, against a net loss of £37,327. The directors have written down the value of the Sikorsky licences, drawings, etc., by £6,999 to the nominal figure of £1 and after writing off the balance of loss at June 30, 1937, £9,478 goes forward.

West Witwatersrand Areas, Ltd.—It is announced that borehole No. E2B on farm Driefontein No. 118, after traversing a thickness of 670 ft. of Ventersdorp lava, intersected the Ventersdorp Contact Reef at a depth of 3,512 ft., averaging 34.1 dwt. over a true width of 19 in.

Kirklees, Ltd.—Trading profit for year to June 30, 1938, £62,967, against £85,475 for preceding year. To depreciation £10,000 as before. Ordinary dividend reduced from

6 to 2½ per cent. To reserve £8,625, against £10,000. Carry forward reduced from £10,067 to £3,274.

Fine Cotton Spinners' Scheme.—Official opposition to the financial reconstruction was inaugurated by the formation of an opposition committee at a meeting of stockholders on September 23rd. The scheme was dealt with in *The Economist* of September 10, 1938, page 508.

Whitehall Court, Ltd.—Trading profit for year to June 30, 1938, £31,325, against £40,783. Ordinary dividend reduced from 7½ to 2½ per cent. Carry forward reduced from £6,923 to £2,685.

Serck Radiators, Ltd.—Preliminary figures for year ended July 30, 1938, show profit £54,683 (against £49,500). The

Pending a settlement of their patents and inventions claim against the Air Ministry, they had applied for a further interim payment, but ultimately the matter might have to be settled by arbitration.

Last year he suggested that it might be necessary to increase the capital, in order to finance their rapidly expanding production. The facilities granted by their bankers and the progress payments arranged with the Air Ministry have enabled them to avoid that necessity and, although they were faced with a similar situation, but of greater magnitude, during the next financial year, they anticipated being able to deal with the estimated programme on the same basis as during the past year.

He felt bound to point out, however, that the delay of His Majesty's Government in settling their claim without the provision of any further interim payment was a handicap to the company in financing the Air Ministry's production programme.

The structure had been built on a sure and solid foundation. They claimed to occupy the leading position in the world in aircraft armament and were an indispensable unit in the Defence Force of this country.

The report was adopted and a dividend of 7½ per cent., less tax, approved.

ALLIED INDUSTRIAL SERVICES, LIMITED

CONTINUED PROSPERITY

The fourth annual meeting of Allied Industrial Services, Limited, was held, on the 29th ultimo, at Netherwood Chambers, Bradford.

Mr W. H. Rhodes, who presided, said:—Your directors are able to report an increase in the company's business and profits, which this year, after providing for depreciation, directors' fees and other charges, amount to £159,901 2s. You will notice that, following the changes made last year in the form of the accounts, the balance sheet now incorporates comparative figures for last year, thereby enabling the accounts of the company to be more easily compared from year to year.

As I have already stated, the profit for the year under review amounts to £159,901 2s., and after taking into consideration the balance of profit and loss account carried forward from last year, namely, £19,292 5s. 2d., the sum of £179,193 7s. 2d. is available for allocation. The report now before you sets out the proposed allocations thereof, which will leave a balance of £17,193 7s. 2d. to be carried forward.

It is my custom at our annual meeting to touch briefly on the trading prospects of your company for the current year. So far, since the commencement of the present financial year, business has been satisfactory, and, provided trading conditions generally do not deteriorate, we may hope for a continuance of the company's prosperity. Since I wrote that sentence some days ago international affairs, as we all realise, have assumed an exceedingly grave aspect. We all hope that the conference at Munich to-day will lead to a just and satisfactory solution.

I should like to voice the appreciation of your board for the loyal and painstaking services rendered to the company by our managers, staff and workpeople during the past year.

The report and accounts were unanimously adopted.

The following resolution was also put to the meeting and duly passed:—"That the preference dividends for the two half-years to 30th June, 1938, and the interim ordinary dividend, already paid, be confirmed, and that a final dividend of 37½ per cent. (actual) for the year ended 30th June, 1938, making 60 per cent. for the year, together with a cash bonus of 10 per cent. (both less tax) be and is hereby declared payable on the 30th September, 1938, to the ordinary shareholders of the company."

directors recommend the payment on the increased capital of 3s. per £1 stock, and cash bonus of 1s. per £1 stock, absorbing £29,000, against £25,312. To general reserve £25,000 (against £20,000 and £4,000 obsolescence reserve). Carry forward £9,207 against £8,524 brought in.

North Broken Hill.—Net profit after depreciation, taxation and royalties £475,152. Annual report and statement of accounts (which has been audited) will be issued later.

Bristol Aeroplane Company.—Sir Kingsley Wood has announced a further extension of the Rodney Works at Bristol, at a cost of £120,000. The extension is to manufacture exhaust rings for Bristol Engines.

CURRENT STATISTICS

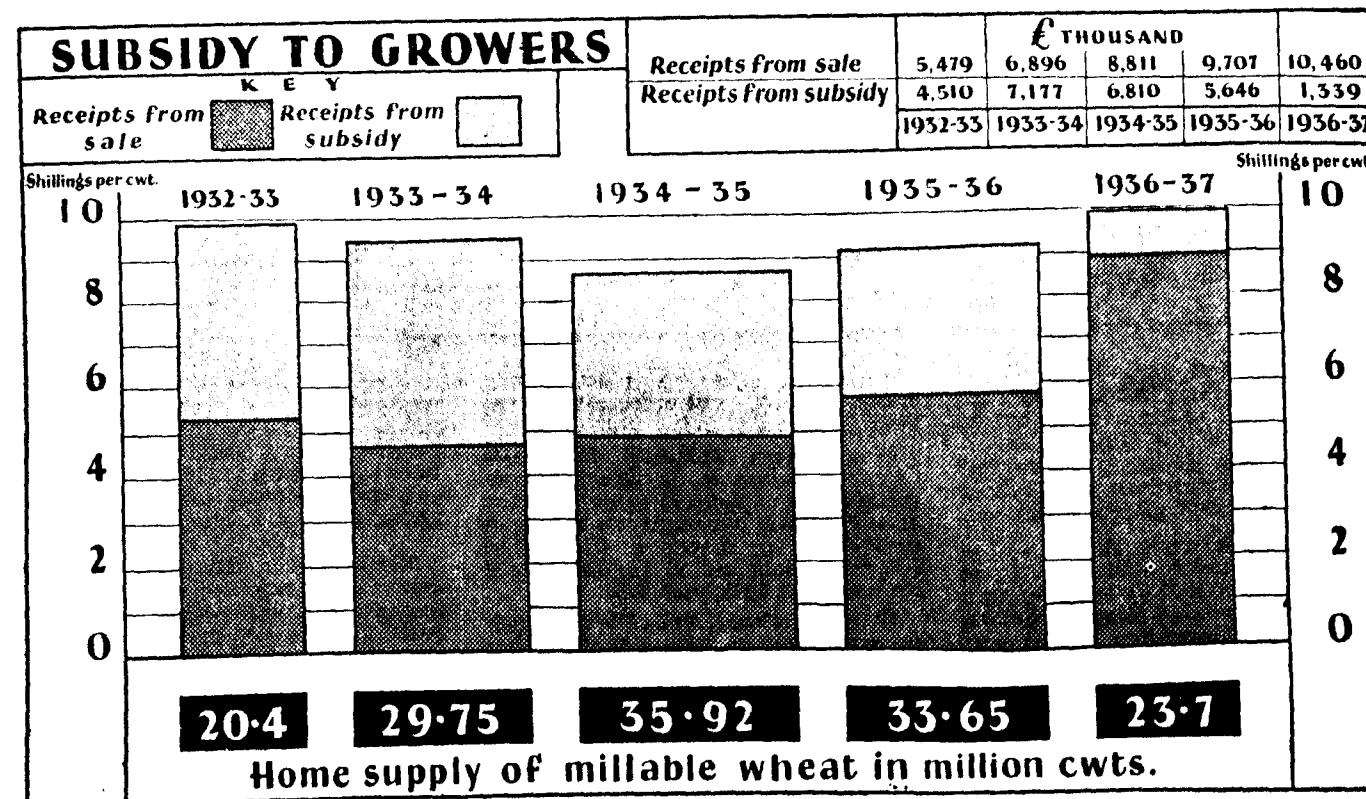
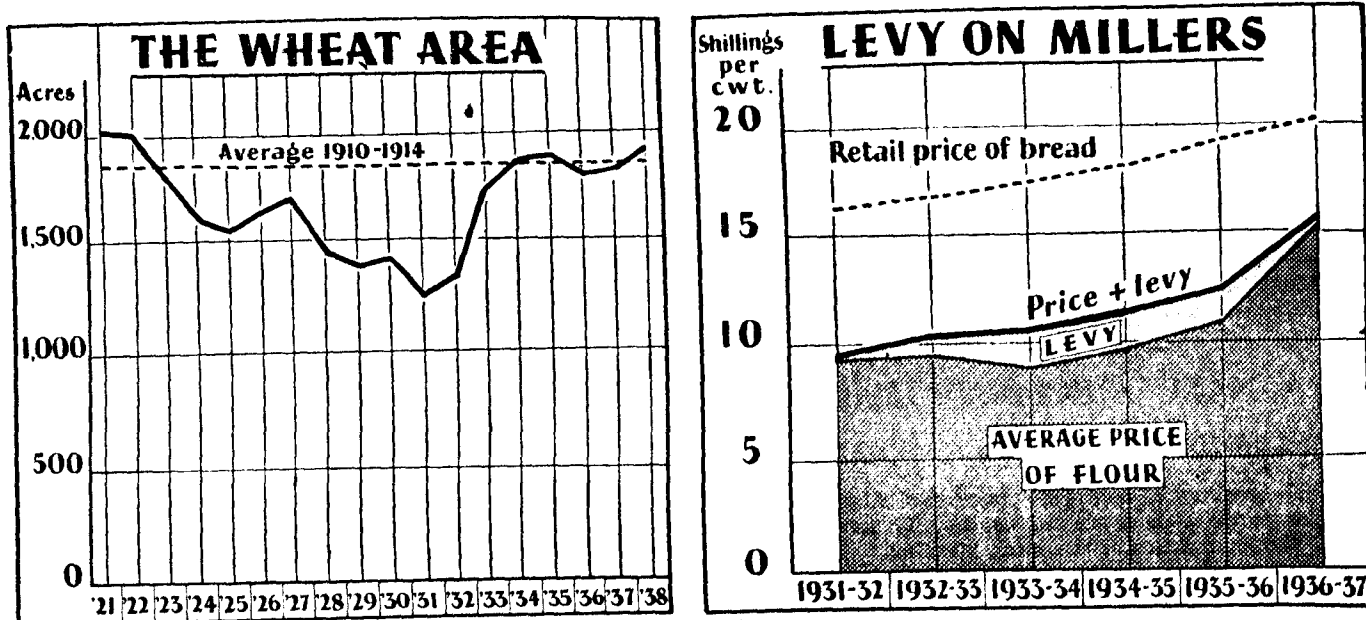
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

The Wheat Subsidy

The object of the Wheat Act, 1932, was to extend the United Kingdom wheat acreage to the pre-war average of 1,861,000 acres, by a system of subsidy calculated to raise the growers' receipts to 10s. per cwt.; but when the home supply exceeds 27 million cwt., the rate of subsidy is proportionately reduced. The funds for the subsidy are obtained by a tax on flour collected from millers and importers. Source: Report of the Wheat Commissioners upon the administration of the Wheat Act, 1932, from June 1, 1932, to July 31, 1937.



Finance

GOVERNMENT RETURNS

For the week ended September 24, 1938, total ordinary revenue was £10,151,000, against ordinary expenditure of £11,974,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £92,268,000, against a deficit of £92,268,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Sept. 25, 1937	April 1, 1938, to Sept. 24, 1938	Week ended Sept. 25, 1937	Week ended Sept. 24, 1938
ORDINARY REVENUE					
Inc. Tax ...	£341,150	52,347	52,860	1,110	1,480
Sur-tax ...	62,000	6,620	8,170	40	190
Estate, etc., ...	88,000	45,790	36,140	1,890	1,020
Duties, etc., ...	24,000	9,670	9,490	110	500
Stamps ...	20,000	...	6,490	...	460
N.D.C. ...	...	...	...	...	...
Other In Rev. Duties	1,250	140	530	...	...
Total I. Rev.	536,400	114,567	113,680	3,150	3,650
Customs ...	227,950	108,455	108,422	4,637	5,342
Excise ...	116,150	54,500	54,600	1,500	2,800
Total Cust. and Excise	344,100	162,955	163,022	6,137	8,142
Motor Duties ...	36,000	8,609	8,504	...	...
P.O. (Net Receipt) ...	8,670	6,300	4,609	Dr1850	Dr2150
P.O. Fund ...	2,400	...	...	...	...
Crown Lds. Rec. from Sun. Loans	1,330	640	630	...	...
Misc. Rec.	5,250	3,405	3,925	...	...
Total Ordinary Revenue	944,650	300,316	297,853	7,442	10,151
SELF-BAL. REVENUE					
Post Office and Broadcasting ...	80,442	33,900	35,710	3,200	3,400
Total ...	1,025,092	334,216	333,563	10,642	13,551

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Sept. 25, 1937	April 1, 1938, to Sept. 24, 1938	Week ended Sept. 25, 1937	Week ended Sept. 24, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	106,632	106,785	274	105
Payments to N. Ireland	8,900	3,416	3,692	346	394
Other Cons. Fund Serv.	5,239	1,575	1,330	53	54
Total ...	244,139	111,624	111,808	673	553
Supply Serv.	170,240	281,299	338,247	10,083	11,421
Total Ord. Expend.	944,650	392,923	450,054	10,756	11,974
SELF-BAL. EXPEND.					
P.O. and Broadcasting Votes	80,442	33,900	35,710	3,200	3,400
Total ...	1,025,092	426,823	485,764	13,956	15,374

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during Passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After reducing Exchequer balances by £400,702 to £2,562,274, the other operations for the week (as shown below, but excluding £240,000 issued to sinking funds), raised the gross National Debt by £1,662,000 to about £8,296 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills ...	49	N. Ad. Shipping ...	35
Public Dept. Adv. 1,560		P.O. & Tel. (Mon.)	
Nat. Sav. Certs. 450		Acts ...	400
3% Nat. Def. Loan 1954-58 ...	38		
	2,097		435

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to September 17, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	450,054	Ordinary Rev.	297,853
Increase in bal.	198	Eire receipts*	7,000
		Gross. borr. 150,411	
		Less	
		Sinkg. Fds. 5,012	
		Net borrowing ...	145,399
	450,252		450,252

* Receipts under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Sept. 25	573.0	295.9	36.2	55.7	984.9	332.1
Dec. 31	889.7*	39.4	...	...	933.4	350.4
1938						
June 18	585.0	303.4	40.1	...	928.5	343.5
" 25	583.0	305.7	44.7	...	933.4	350.4
" 30	851.0*	42.4	41.5	...	934.9	...
July 9	573.0	298.3	43.1	...	914.5	341.4
" 16	568.0	302.3	40.7	...	911.1	343.0
" 23	568.0	304.1	37.2	...	909.4	341.3
" 30	565.0	309.1	46.6	...	920.7	355.7
Aug. 6	560.0	320.1	44.2	...	924.3	364.3
" 13	555.0	303.4	44.1	...	902.5	347.5
" 20	555.0	296.2	41.9	...	893.1	338.1
" 27	555.0	294.0	45.7	...	894.7	339.7
Sept. 3	550.0	316.9	44.1	...	911.0	361.0
" 10	545.0	324.2	46.0	...	915.1	370.2
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3

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

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Sept. 24	50.0	79.0	50.0	s. d.	53
Dec. 31	50.0	80.5	50.0	10 10.83	47
1938					
June 17	50.0	80.5	48.0	11 5.68	69
" 24	45.0	66.7	45.0	10 9.18	57
July 1	45.0	84.8	45.0	10 5.33	40
" 8	45.0	85.2	45.0	10 5.43	40
" 15	45.0	90.7	45.0	10 5.21	37
" 22	45.0	88.3	42.0	10 5.03	32
" 29	40.0	82.4	40.0	10 1.90	58
Aug. 5	35.0	78.6	35.0	10 1.80	40
" 12	30.0	76.8	30.0	10 1.50	30
" 19	35.0	82.2	35.0	10 1.51	32
" 26	40.0	87.6	40.0	10 1.53	36
Sept. 2	45.0	74.6	45.0	10 5.87	37
" 9	45.0	63.1	42.0	11 11.02	60
" 16	40.0	55.8	37.0	18 10.75	66
" 23	40.0	58.2	40.0	19 7.07	62

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On September 23rd, applications at £99 15s. 1d. per cent. for bills to be paid for on any day of the following week were accepted as to about 62 per cent. of the amount applied for. Applications at higher prices were accepted in full. £40.0 millions of Treasury bills are being offered on September 30th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
36 weeks to:—		
Sept. 11, 1937† ...	22,462,593	16,846,945
Sept. 10, 1938 ...	22,746,831	17,060,123
Week to:—		
Sept. 11, 1937 ...	506,714	380,035
Sept. 3, 1938 ...	562,718	422,039
Sept. 10, 1938* ...	571,746	428,804

* Net Exchequer receipts, week ended Sept. 3, 1938, Dr. £100,000, week ended Sept. 10, 1938, £450,000. † After adjustments to June 19.

BANK OF ENGLAND RETURNS

SEPTEMBER 28, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt ...	11,015,100
In circula. 500,921,407		Other Govt. Securities ...	188,436,779
In Bkng. De partment ...	25,492,866	Other Secs. ...	538,051
		Silver Coin ...	10,070
		Amt. of Fid. Issue ...	200,000,000
		Gold Coin & Bullion ...	326,414,273
	526,414,273		526,414,273

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital 14,553,000		Govt. Secs. ...	112,751,164
Rest ... 3,696,443		Other Secs. ...	7,305,595
Public Depts.* 11,447,321		Discs. etc. ...	22,828,184
Other Depts. ...		Securities ...	30,133,779
Bankers ... 99,922,782		Notes ...	25,492,866
Other ... 40,210,376		Gold & Silver Coin ...	1,452,113
	140,133,158		169,829,922

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Amt. Sept. 28, 1938	Last Week / Last Year
COMBINED LIABILITIES		
Note circulation ...	500,921	+ 21,697 + 12,451
Deposits: Public ...	11,447	+ 6,984 + 10,358
Bankers ...	99,923	+ 938 + 4,801
Others ...	40,210	+ 787 + 3,032
Total outside liabilities	652,502	+ 14,562 + 9,925
Capital and rest ...	18,249	+ 7 + 39
COMBINED ASSETS		
Govt. debt and securities	312,203	+ 15,245 + 6,679
Discounts and advances	7,306	+ 1,215 + 1,115
Other securities ...	23,366	+ 1,837 + 2,293
Silver coin in issue dept.	10	+ 2 + 0
Gold coin and bullion ...	327,866	+ 57 + 202
Reserves		
Res. of notes & coin in banking department ...	26,945	- 21,754 - 12,653
Proportion of reserve to outside liabilities—		
(a) Bankg. dept. only ("proportion")	17.7%	- 12.9% - 8.0%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.2%	- 0.2% - 0.9%

COMPARATIVE ANALYSIS

	1938				
	Sept. 29	Sept. 7	Sept. 14	Sept. 21	Sept. 28*
Issue Dept.:					
Notes in circ.	488.5	480.1	478.6	479.2	500.9
Notes in bankg. dept. ...	37.9	46.3	47.8	47.2	25.5
Govt. debt and securities ...	199.7	199.7	199.4	199.3	199.4
Other secas. ...	0.3	0.2	0.5	0.6	0.5
Gold ...	326.4	326.4	326.4	326.4	326.4
Deposits:					
Public ...	21.8	32.2	21.5	18.4	11.5
Bankers ...	95.1	91.3	99.6	100.9	99.9
Others ...	37.2	34.8	36.4	39.4	40.2
Total ...	154.1	158.3	157.5	158.7	151.6
Bkg. Dept. Secs.:					
Government ...	105.8	101.3	98.5	97.6	112.8
Discounts, etc. ...	6.2	5.4	5.9	6.1	7.3
Other ...	20.8	22.1	22.1	24.6	22.8
Total ...	132.8	128.8	126.5	128.3	142.9
Banking dept. reserve ...	39.6	47.7	49.3	48.7	12.7
"Proportion" %	25.7	30.1	31.2	30.6	17.7
Reserve ratio†	51.1	51.4	51.5	51.4	50.2

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in issue department, £10,070; capital, £14,553,000; rest, £3,696,443.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28th last. The latest return of the Banque de l'Inde appeared in *The Economist* of August 20th; of the Bank of International Settlements, Denmark, of September 10th; Bulgaria, Estonia, Finland, Greece, of September 17th; Australia, Canada, Danzig, Hungary, India, Japan, New Zealand, Portugal and Federal Reserve Reporting Members, of Sept. 24th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Sept. 30, 1937	Sept. 1, 1938	Sept. 22, 1938	Sept. 29, 1938
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	9,127	10,632	10,720	10,863
Total cash reserves	9,454	11,026	11,112	11,255
Total bills discounted	216	386	383	383
Total bills in open mkt.	3	1	1	1
Total bills on hand	27	8	9	10
Industrial advances	21	16	16	16
Total U.S. Govt. secs.	2,526	2,564	2,564	2,564
Total bills and secs.	2,573	2,588	2,588	2,589
Total resources	12,775	14,261	14,229	14,524
LIABILITIES				
F.R. notes in actual circulation	4,246	4,169	4,201	4,219
Aggregate of excess mkt. bank res. over regts.	1,060	2,940	2,740	2,890
Deposits — Member-bank reserve account	7,033	8,179	8,014	8,197
Govt. deposits	140	720	917	864
Total deposits	7,542	9,212	9,272	9,399
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,775	14,261	14,229	14,524
Ratio of total res. to deposit and F.R. note liabs. combined	80.2%	82.4%	82.5%	82.6%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,734	13,135	13,588	13,714
Treasury and Nat. Bk. currency	2,596	2,730	2,735	2,738
LIABILITIES				
Money in circulation	6,520	6,503	6,552	6,574
Treasury cash and deposits with F.R. Bks.	3,715	3,200	3,750	3,680

NEW YORK FEDERAL RESERVE BANK

Million \$'s	Sept. 30, 1937	Sept. 1, 1938	Sept. 22, 1938	Sept. 29, 1938
ASSETS				
Gold	55,805	55,808	55,808	55,808
Advances on gold coin	10,305	8,786	12,360	13,926
Bills: Bought abroad	793	726	726	726
Advances on securities	3,806	3,545	3,878	3,823
Thirty-day advances	543	331	1,061	583
Loans to State without interest: (a) general (b) provisional	3,200	3,200	3,200	3,200
Negotiable bonds	25,999	40,134	40,134	44,634
Sinking Fund Dept.	5,637	5,570	5,570	5,570
Other assets	4,117	4,188	4,619	4,129
LIABILITIES				
Notes in circulation	88,645	99,065	108,186	109,568
Deposits: Public	2,335	2,891	2,838	2,951
Private	17,069	17,602	16,617	17,143
Other liabilities	3,255	2,731	2,713	2,738
Gold reserve to sight liabilities	51.6%	46.7%	43.7%	43.0%

BANK OF FRANCE

Million francs	Sept. 23, 1937	Aug. 25, 1938	Sept. 15, 1938	Sept. 22, 1938
ASSETS				
Gold	55,805	55,808	55,808	55,808
Advances on gold coin	10,305	8,786	12,360	13,926
Bills: Bought abroad	793	726	726	726
Advances on securities	3,806	3,545	3,878	3,823
Thirty-day advances	543	331	1,061	583
Loans to State without interest: (a) general (b) provisional	3,200	3,200	3,200	3,200
Negotiable bonds	25,999	40,134	40,134	44,634
Sinking Fund Dept.	5,637	5,570	5,570	5,570
Other assets	4,117	4,188	4,619	4,129
LIABILITIES				
Notes in circulation	88,645	99,065	108,186	109,568
Deposits: Public	2,335	2,891	2,838	2,951
Private	17,069	17,602	16,617	17,143
Other liabilities	3,255	2,731	2,713	2,738

BANK OF JAPAN

Million yen	Sept. 23, 1937	Aug. 25, 1938	Sept. 15, 1938	Sept. 22, 1938
ASSETS				
Gold	55,805	55,808	55,808	55,808
Advances on gold coin	10,305	8,786	12,360	13,926
Bills: Bought abroad	793	726	726	726
Advances on securities	3,806	3,545	3,878	3,823
Thirty-day advances	543	331	1,061	583
Loans to State without interest: (a) general (b) provisional	3,200	3,200	3,200	3,200
Negotiable bonds	25,999	40,134	40,134	44,634
Sinking Fund Dept.	5,637	5,570	5,570	5,570
Other assets	4,117	4,188	4,619	4,129
LIABILITIES				
Notes in circulation	88,645	99,065	108,186	109,568
Deposits: Public	2,335	2,891	2,838	2,951
Private	17,069	17,602	16,617	17,143
Other liabilities	3,255	2,731	2,713	2,738

NATIONAL BANK OF BELGIUM

Million belgas	Sept. 1, 1937	Aug. 15, 1938	Sept. 1, 1938	Sept. 22, 1938
ASSETS				
Gold	3,085	3,101	3,095	3,103
Silver and other coins	46	46	46	50
Foreign exchange, etc.	927	957	977	987
Bills and securities	590	538	589	616
Advances	56	47	74	58
LIABILITIES				
Notes in circulation	4,297	4,320	4,464	4,501
Deposits: Govt.	31	31	31	11
Other	289	323	215	209

REICHSBANK

Million Reichsmarks	Sept. 23, 1937	Aug. 25, 1938	Sept. 15, 1938	Sept. 22, 1938
ASSETS				
Gold	70.0	70.8	70.8	70.8
Of which depstd. abroad	20.1	10.6	10.6	10.6
Res. in foreign currencies	5.9	5.9	5.5	5.7
Bills of exchange and cheques	476.1	579.0	632.8	654.7
Silver and other coins	209.3	207.1	151.9	157.6
Advances	29.3	27.9	41.9	23.7
Investments	397.7	847.5	847.7	847.8
Other assets	762.8	1140.4	1104.4	1051.0
LIABILITIES				
Reserves	493.0	514.4	514.4	514.4
Notes in circulation	466.7	914.3	3,666.6	6,746.4
Other daily maturing obligations	651.7	977.3	932.2	949.5
Other liabilities	275.7	304.8	318.4	343.9
Cover of note circulatn.	1.62%	1.25%	1.14%	1.14%

CENTRAL BANK OF ARGENTINA

Million paper pesos	Aug. 15, 1937	July 31, 1938	July 15, 1938	Aug. 15, 1938
ASSETS				
Gold at home	1,224	1,224	1,224	1,224
Gold abroad & foreign exchange	299	106	100	99
Non-int.-bearing Govt. bonds	119	119	119	119
Treasury bonds	398	397	397	397
LIABILITIES				
Notes	1,181	1,085	1,084	1,077
Government deposits	129	129	126	111
Bank deposits	373	308	320	339
Certs. of participation in Treasury bonds	364	317	308	306
Gold and for. exch. to note and sight liabs.	90.2%	87.3%	86.4%	86.4%

SOUTH AFRICAN RESERVE BANK

Million £'s	Sept. 24, 1937	Aug. 16, 1938	Sept. 23, 1938	Sept. 23, 1938
ASSETS				
Gold coin and bullion	22.94	24.55	26.10	26.72
Bills discounted:				
Home	0.02	0.03	0.03	0.03
Foreign	6.39	7.28	7.37	7.19
Investments	10.55	11.55	12.76	12.68
Other assets	15.24	16.46	16.16	15.90
LIABILITIES				
Notes in circulation	2.50	2.06	2.46	2.35
Deposits: Government	18.37	23.93	24.00	24.12
Bankers'	58.7%	54.9%	58.2%	58.8%
Cash reserves to liabilities to public	58.7%	54.9%	58.2%	58.8%

NATIONAL BANK OF CZECHOSLOVAKIA

Million Cz. kr.	Sept. 23, 1937	Aug. 15, 1938	Sept. 23, 1938	Sept. 23, 1938
ASSETS				
Gold	2,572	2,653	2,653	2,653
Balance abroad and foreign currencies	381	212	112	124
Discounts and advances	2,161	3,500	6,004	5,709
State notes debt	2,014	2,005	2,004	...
LIABILITIES				
Bank notes in circulatn.	5,736	7,387	9,608	7,301
Deposits	642	503	605	1,027

NATIONAL BANK OF EGYPT

Million £'s	Aug. 31, 1937	June 30, 1938	July 31, 1938	Aug. 31, 1938
Banking Department:				
LIABILITIES				
Capital	2.92	2.92	2.92	2.92
Reserves	2.92	2.92	2.92	2.92
Government deposits	7.87	6.90	5.97	5.09
Other deposits	18.26	16.51	15.86	15.71
Other accounts	4.34	4.62	4.60	4.80
ASSETS				
Cash: Notes	1.57	1.42	1.31	1.28
Gold, silver, etc.	0.69	0.81	0.81	0.83
Money at call, etc.	1.08	0.24	0.22	0.12
Investments	24.30	22.87	21.47	21.05
Advances	3.22	4.10	4.20	5.00
Bills	0.82	1.24	1.40	0.69
Other accounts	4.65	3.19	2.87	2.48
Note Issue Department:				
LIABILITIES				
Notes issued	20.60	20.60	19.80	19.30
ASSETS				
Gold	6.24	6.24	6.24	6.24
Brit. Treas. bills & bonds	5.14	5.14	4.34	3.84
British War Loan at par	7.72	7.72	7.72	7.72
Egyptian Govt. secs. at market price	1.50	1.50	1.50	1.50

BANK OF JAVA

Million florins	Sept. 25, 1937	Aug. 27, 1938	Sept. 24, 1938	Sept. 24, 1938
ASSETS				
Gold and silver	132.26	138.10	137.50	138.21
Discounts, advances & other investments	83.06	73.31	75.20	75.06
Foreign bills	4.83	3.24	2.75	2.05
Other assets	71.21	53.95	60.47	60.94
LIABILITIES				
Notes in circulation	195.18	187.23	192.05	188.43
Deposits and bills	82.56	68.40	70.67	74.59

NATIONAL BANK OF JUGOSLAVIA

Million dinar	Sept. 22, 1937	Aug. 22, 1938	Sept. 15, 1938	Sept. 22, 1938
ASSETS				
Cash reserve:				
Gold at home and abroad	1,694	1,843	1,846	1,849
Other foreign exchange	726	366	420	423
Discounts and advances	1,576	1,777	1,653	1,695
Government advances	2,252	2,242	2,242	2,243
LIABILITIES				
Notes in circulation	5,738	6,059	6,327	6,452
Sight liabilities	2,420	2,410	2,295	2,245

BANK OF LATVIA

Million lats	Sept. 13, 1937	Aug. 15, 1938	Sept. 15, 1938	Sept. 22, 1938
ASSETS				
Gold coin and bullion	77.48	77.60	77.60	77.60
Silver coin	14.78	14.08	13.74	13.67
Foreign currency	42.40	37.98	37.57	38.13
Treas. notes and change	7.67	9.58	7.18	7.34
Short-term bills	49.22	50.02	50.36	50.11
Loans against securities	73.12	77.01	79.26	81.43
LIABILITIES				
Notes in circulation	50.32	59.14	62.09	62.61
Deposits & currnt. accs.	139.14	145.13	139.75	141.54
Government accounts	60.13	55.00	56.34	56.01

BANK OF LITHUANIA.—Million litas

	Sept. 15, 1937	Aug. 15, 1938	Aug. 31, 1938	Sept. 15, 1938
ASSETS				
Gold	76.67	79.17	77.71	74.92
Silver and other coins	11.09	13.40	13.42	13.06
Foreign currency	2.55	0.80	1.55	3.54
Discounts: (a) Home (b) Foreign	83.53	79.11	80.21	84.69
Advances	16.39	21.46	21.43	21.35
LIABILITIES				
Bank notes in circulatn.	111.16	121.36	123.75	127.41
Current accounts	53.71	60.45	53.15	55.71
Deposits	23.57	9.94	11.52	8.52

NETHERLANDS BANK

Million florins	Sept. 27, 1937	Aug. 29, 1938	Sept. 26, 1938	Sept. 26, 1938
ASSETS				
Gold	1265.97	1480.50	1481.00	1481.00
Silver	18.5	20.9	16.8	15.4
Home bills, etc.	10.7	9.7	9.4	12.0
Govt. securities	5.1	5.0	4.1	4.1
Loans and advances in current account	181.6	295.9	288.1	289.8
LIABILITIES				
Notes in circulation	831.5	939.2	1005.3	1053.1
Foreign bills	78.6	167.0	165.2	159.3
Deposits: (a) Govt. (b) Other	588.5	723.5	647.9	608.1

BANK OF NORWAY

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch.	Sept. 22, 1938	Sept. 23, 1938	Sept. 24, 1938	Sept. 25, 1938	Sept. 26, 1938	Sept. 27, 1938	Sept. 28, 1938
London:—	Old Par	4-8065	4-8027 ¹ / ₂	4-782 ¹ / ₂	4-772 ¹ / ₂	4-757 ¹ / ₂	4-721 ¹ / ₂	4-721 ¹ / ₂
60 days ...	New Par	4-8665	4-817 ¹ / ₂	4-797 ¹ / ₂	4-783 ¹ / ₂	4-754 ¹ / ₂	4-727 ¹ / ₂	4-73
Cables ...	...	8-2397	4-817 ¹ / ₂	4-797 ¹ / ₂	4-783 ¹ / ₂	4-754 ¹ / ₂	4-727 ¹ / ₂	4-73
Demands ...	...	6-63	2-694	2-683	2-68	2-661	2-634	2-654
Paris, Fr. ...	...	23-53	16-874	16-88	16-892	16-932	16-932	17-00
Brussels, Bel. ...	...	32-67	22-663	22-592	22-48	22-432	22-42	22-68
Switz'l'd. Fr. ...	...	8-91	5-264	5-264	5-264	5-264	5-264	5-264
Italy, Lira ...	...	40-33	40-00	39-95	39-95	39-90	39-70	39-96
Berlin, Mk. ...	...	23-82	...	...	...	...	...	...
Vienna, Sch. ...	...	32-67	...	...	...	...	...	...
Madrid, Pt. ...	...	68-06	53-963	53-74	53-61	53-37 ¹ / ₂	53-69	54-05
Amst'd'm Gldr ...	...	21-491 ¹ / ₂	21-40	21-36	21-24	21-13	21-15	...
Cop'n'g'n, Kr. ...	...	24-20	24-10	24-04	23-91	23-76	23-78	...
Oslo, Kr. ...	...	21-821 ¹ / ₂	21-721 ¹ / ₂	21-67	21-53	21-38 ¹ / ₂	21-40	...
St'h'lm, Kr. ...	...	145-37	...	...	...	...	...	...
Athens, Dr. ...	...	1-29	0-884	0-884	0-88	0-874	0-861	...
M'treal, Can. \$...	...	169-31	99-460	99-250	99-180	98-250	97-930	...
Yokohama, Yen ...	...	84-40	28-10	27-98	27-92	27-80	27-60	...
Shanghai, \$...	...	...	17-55	17-40	17-80	17-70	17-65	...
B. Aires, Peso ...	...	...	29-86	29-74	29-67	29-51	29-43	...
Rio, Ms. \$...	...	11-96	5-90	5-90	5-90	5-90	5-90	...

Usance: T.T. * Dollars per £1. † Official

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rhodesia	100 5 0	100 10 3	100 18 6	101 6 9	101 15 0
S. Africa	100 17 6	101 2 9	101 11 0	101 19 3	102 7 6

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:—	£ s. d.	£ s. d.
Rhodesia	99 15 0	99 15 0
South Africa	100 2 6	100 2 6

AUSTRALIA AND NEW ZEALAND

	London on Australia and New Zealand*				Australia and New Zealand on London*			
	Buying		Selling		Buying		Selling	
	Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand
T.T.	...	...	125	124	125	124	125 ¹ / ₂	124 ¹ / ₂
Sight	(+)	(+)	125 ¹ / ₂	124 ¹ / ₂	124 ¹ / ₂	123 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂
30 days	126 ¹ / ₂	125 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂	124 ¹ / ₂	123 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂
60 days	127 ¹ / ₂	126 ¹ / ₂	...	...	124 ¹ / ₂	123 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂
90 days	127 ¹ / ₂	126 ¹ / ₂	...	...	124 ¹ / ₂	123 ¹ / ₂	125 ¹ / ₂	124 ¹ / ₂

* All rates (Australian and New Zealand) now based on £100—London.
† Intermediate rates will be calculated on the basis of 2s. 6d. for every seven days.IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended September 29, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD			GOLD		
British S. Africa ...	£ 191,721	£ ...	Eire	£ 993,280	£ ...
British India	...	55,120	Finland	24,590	...
Australia	455,882	...	Netherlands	164,202	169,637
Netherlands	952,688	9,723	France	12,614	30,227
Belgium	3,902,023	...	Switzerland	3,086,239	33,250
Switzerland	76,199	81,317	Morocco	...	27,960
Venezuela	31,456	...	United States	16,708,079	22,790
Total*	5,669,380	165,981	Total*	21,022,669	321,283
SILVER			SILVER		
British S. Africa ...	5,652	...	Aden and Deps. ...	...	10,357
Fiji	...	3,156	Norway	...	817
Belgium	11,114	...	Netherlands	1,100	...
France	16,607	...	France	876	...
Saudi Arabia	...	21,900	Hungary	4,465	...
Japan	518,820	...	United States	59,388	...
Argentina	7,300	...	Canada	1,065	...
Total*	561,367	27,914	Total*	69,121	10,916

* Including other countries.

CENTRAL AND SOUTH AMERICA

THE BANK OF LONDON AND SOUTH AMERICA, LTD., issue the following details relative to quotations for certain of the South and Central American exchanges. All these exchanges, with the exception of Bolivia and Paraguay, are related to the United States dollar, and the approximate sterling rates may be obtained by applying the dollar-sterling exchange rate.

Bolivia.*	Sight selling rate on London was 141-40 bolivianos per £ (nominal) on August 31, 1938.
Colombia.*	Sight selling rate on New York was 176-00 pesos per 100 U.S. dollars on September 3, 1938. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 14-65 sucres per U.S. dollar on September 2, 1938.
Guatemala.	Sight selling rate on New York is maintained at one quetzal per U.S. dollar, but a commission of 1 per cent. is charged by the Central Bank for the sale of drafts.
Nicaragua.*	Sight selling rate on New York for payment of imports was fixed by the National Bank at 5-52½ cordobas per U.S. dollar (including 10 per cent. tax and ½ per cent. commission) on September 6, 1938.
Paraguay.	Exchange is quoted on Buenos Aires; the sight selling rate was 70-50 Paraguayan pesos per Argentine "free" paper peso on August 20, 1938.
El Salvador.	Sight selling rate on New York was 2-50½ colonos per U.S. dollar on September 7, 1938.
Venezuela.	Sight selling rate on New York has been maintained at 3-19 bolivares per U.S. dollar since April 27, 1937.

* Exchange controls are operative in these countries.

OVERSEAS BANK RATES

	Changed	From	To		Changed	From	To			
			%				%			
Albania	Apr. 1,	'37	6 $\frac{1}{2}$	6	Oslo	Jan. 5,	'38	4	3 $\frac{1}{2}$	
Amsterdam	Dec. 2,	'36	2	2	Paris	Sept. 27,	'38	2	3	
Antwerp	Jan. 4,	'37	7	6	Prague	Jan. 1,	'36	3	3 $\frac{1}{2}$	
Batavia	Jan. 14,	'37	4	3	Pretoria	May 15,	'33	4	3 $\frac{1}{2}$	
Belgrade	Feb. 1,	'35	6 $\frac{1}{2}$	5	Tallinn	Oct. 1,	'35	4	4 $\frac{1}{2}$	
Berlin	Sept. 22,	'32	5	4	Riga	Nov. 1,	'36	5 $\frac{1}{2}$	5 $\frac{1}{2}$	
Brussels	May 30,	'38	4	3	Rio de Janeiro	May 31,	'35	5 $\frac{1}{2}$	5 $\frac{1}{2}$	
Bucharest	May 5,	'38	4	3 $\frac{1}{2}$	Rome	May 18,	'36	5	4 $\frac{1}{2}$	
Budapest	Aug. 28,	'35	4	3	Sofia	Aug. 15,	'37	6	6	
Calcutta	Nov. 28,	'35	3	3 $\frac{1}{2}$	Stockholm	Dec. 1,	'33	3	2 $\frac{1}{2}$	
Copenhagen	Nov. 19,	'36	3	4	Swiss Bank	places	Nov. 25,	'36	2	1 $\frac{1}{2}$
Danzig	Jan. 2,	'37	5	4	Tokio	Mar. 11,	'38	3-285	3-46	
Helsingfors	Dec. 3,	'34	4	4	Vienna	July 10,	'35	4	3 $\frac{1}{2}$	
Kovno	July 1,	'37	5	5	Warsaw	Dec. 18,	'37	5	4 $\frac{1}{2}$	
Lisbon	Aug. 11,	'37	4	4	Wellington	Mar. 2,	'36	3	2 $\frac{1}{2}$	
New York Fed. Reserve	Aug. 26,	'37	1	1 $\frac{1}{2}$	Irish	June 30,	'32	3	3	
Madrid	July 15,	'35	5	5 $\frac{1}{2}$						
Montreal	Mar. 11,	'35	...	2 $\frac{1}{2}$						

Central Bank of Chile.—Discount rate for member banks, 4½%; discount rate for the public, 6%. (a) 5% applied to banks and credit institutions. (b) 5½% applied to private persons and firms.

Associated Provincial Picture Houses, Ltd.—Profits for year to May 31, 1938, £111,889, compared with £123,165 for previous year. To depreciation, £26,000, as before. To tax, etc., £20,353 (£12,404). Ordinary dividend maintained at 6 per cent. To general reserve, £15,000, as before. Carry forward increased from £89,475 to £90,511. An additional item is amounts due from subsidiary company, £26,116.

Grosvenor House (Park Lane).—Trading profit for year to June 30, 1938, £97,572, against £134,109 for preceding year. Taxation, £10,000, as before. Preference dividend £30,000, as before. No dividend is to be paid on the ordinary shares against 5 per cent., absorbing £25,000 a year ago. Carry forward, £33,807, after transferring £10,000 to general reserve.

(TWILFIT) profits are fairly close to the previous year's figures. ASPRO, LTD., net profits have been reduced from £292,320 to £253,261, and the ordinary dividend from 32½ per cent. to 25 per cent. BRITISH PISTON RING have also been unable to maintain their earnings, and profits have been reduced from £59,659 to £47,912, entailing a reduction in the ordinary dividend from 25 per cent. to 20 per cent.

Commercial Bank of Australia, Ltd.—Net profit year to June 30, 1938, £262,384 against £247,435 for previous year. Dividend 7½, against 6½ per cent. for year. To bank premises, £30,000 against £25,000. Carry-forward increased from £103,337 to £109,361. Deposits have risen from £29,294,000 to £30,053,000.

SHORTER COMMENTS

Company Results of the Week.—A substantial setback in earnings is reported by GROSVENOR HOUSE (PARK LANE) for the year to June 30th. Net profits amount to £54,601 against £88,252, and the directors have decided not to pay an ordinary dividend. Some instances of significantly lower earnings appear in the rubber group. BANTAM (JAVA), in particular, reports that profits have been reduced from £28,997 to £13,291, and the distribution has been reduced from 15 per cent. to 9 per cent. YORK STREET FLAX SPINNING net profits show a substantial setback from £71,069 to £35,331, but both J. HEPWORTH AND SONS, and LEETHEMS

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Sept. 25 (L'000)						Aggregate Gross Receipts 38 weeks (L'000)					
	Passenger	Merchandise	Coal & Coke	Other Goods	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Other Goods	Total Goods	Total Receipts
L. M. & S.—	537	521	262	783	1,320	20,397	18583	9,605	28,188	48,585	48,585	48,585
1937	548	440	248	688	1,236	20,431	17025	9,361	26,386	46,817	46,817	46,817
1938	344	355	253	608	952	13,315	12778	9,289	22,077	35,392	35,392	35,392
Great Western—	346	320	239	559	905	13,219	11880	8,836	20,716	33,935	33,935	33,935
1937	223	208	107	315	533	8,670	7,531	4,215	11,748	20,416	20,416	20,416
1938	223	189	105	294	517	8,588	6,977	4,032	11,009	19,597	19,597	19,597
Southern—	325	69	31	100	425	12,884	2,389	1,151	3,540	16,424	16,424	16,424
1937	329	63	31	94	423	12,815	2,287	1,131	3,418	16,233	16,233	16,233
1938	1429	1153	633	1806	3,235	55,266	41281	24,270	65,551	120,817	120,817	120,817
1937	1446	1012	623	1635	3,081	55,053	38169	23,360	61,529	116,582	116,582	116,582

(a) Week ended Sept. 24.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937—				
12 weeks to Sept. 25, 1938 ...	- 988	- 819	- 501	- 86
Weekly Figures				
Av. weekly decrease, 2nd half 1938	- 82-33	- 68-25	- 41-75	- 7-16
Latest week compared with 1937 ...	- 84	- 47	- 21	- 2
Latest week compared with average 1927-30 ...	- 213	- 178	- 100	- 50

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Sept. 23 (L'000)			Aggregate Gross Receipts 38 weeks (L'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	2-3	0-4	2-7	104-4	18-5	122-9
1937	2-3	0-5	2-8	100-8	16-4	117-2
1938	11-4	8-9	21-3	436-4	359-5	795-9
Great Northern—	11-4	9-9	21-3	432-0	336-0	768-0
1937	37-5	41-6	79-1	1438-1	1536-2	2974-3
1938	37-0	44-6	81-6	1437-0	1488-1	2925-1

SUEZ CANAL RECEIPTS

(For headings, see Overseas Traffic table.)

Transit Receipts ...	37	Sept. 20	314,100	5,300	7,001,400	939,300
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† 10 days.

CAPITAL MARKET INACTIVITY

(See Leading Article on page 5)

PRINCIPAL ISSUES DURING THE PAST QUARTER

Month Issued	Description of Issues	Nominal Amount	Issue Price	Price, Sept. 28, 1938
1938	Public Offers	£		
July	Mid. Counties Elec. 3½% Deb. 1952-62	(a) 1,750,000	par	95
July	Bournemouth Corp. 3½% Stk. 1958-62	(b) 1,000,000	98½	94½
July	British Oxygen 5% Cum. 2nd Pref. £1	1,000,000	22 6	21 6
July	Covent Garden Props. 4% First Debs....	1,000,000	99	91
July	Ipswich Corp. 3½% Stk. 1964	(c) 1,000,000	98½	94½
July	Beecham Maclean Holdings 5% Cum. Pref. £1	1,496,500	par	18 11/2
July	Bowater-Lloyd Newfoundland 4½% Guar. Deb.	1,250,000	98	88
July	Montague Burton 5% Deb. 1940-60 ...	1,000,000	par	par
July	Amalgamated Press 4% 2nd Deb.	1,000,000	99	95 1/2
July	African Explosives, etc., 3½% £1 Cum.			
	Pref.	1,500,000	21-	22 9
July	Stoke-on-Trent Corp. 3¼% Stk. 1938-63	(d) 1,500,000	98½	94½
Sept.	Beecham's Pills 2 6 Def.	300,000	7 6	7 6
	To Shareholders only			
July	Stewarts and Lloyds 5% Cum. 3rd Pref.	300,000	par	22 6
August	Trepca Mines 5/- Ord.	420,948	par	4 6
	By Permission to Deal			
July	Hoover, Ltd., 5/- Ord.	800,000	119 3	18 9
July	Edmundson's Electricity Ord. Stk. £1 ...	2,250,000	127 6	25-
July	Stanton Ironworks 316,559 Ord. £1.....	316,559	138 9	38 9
July	Nth. Metropolitan Power £1 Ord.	376,705	148 9	45-

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Prefce. Amount	Ordinary Amount	Rate	Carried to Reserve, Depreciation, etc.		Net Profit	Dividend
		£	£	£	£	£	%	£	£	£	%
Breweries											
Tennant Brothers	June 30	15,036	55,675	70,711	6,135	37,356	12½	10,000	17,220	55,932	12½
Financial, Land, etc.											
Grosvenor House (Park Lane)	June 30	34,251	54,601	88,852	30,000	...	...	25,045	33,807	88,252	5
Rio Negro (Argentina) Land	June 30	12,237	5,803	18,040	...	8,000	3	...	9,040	17,748	4
Whitehall Court	June 30	6,923	8,042	14,965	1,780	5,000	2½	5,500	2,685	19,648	7½
Iron, Coal and Steel											
Blackburn (Thomas) & Sons	June 30	981	(c)28,184	29,165	3,352	6,598	7	16,393	2,822	(d)18,466	5
Blakeborough (J.) & Sons	June 30	12,412	46,285	58,697	3,968	12,724	15	25,420	16,585	24,421	10
Hale and Hale (Tipton)	June 30	5,502	22,061	27,563	4,056	5,438	7½	4,798	13,271	19,194	10
New Monckton Collieries	June 30	25,010	10,607	35,617	3,761	8,628	4	...	23,228	22,244	4½
Ward (Thos.) W.	June 30	74,874	235,095	319,969	43,594	105,721	12½e	71,601	99,053	292,359	10
Motor Cycle and Aviation											
Folland Aircraft	June 30	Dr. 5	16,483	16,478	...	...	...	6,999	9,479	Dr. 25,404	Nil
Lucas (Joseph)	Aug. 7	69,385	319,626	389,011	10,215	213,215	15	85,000	80,581	348,798	15
Rubber											
Bantardawa	June 30	279	4,176	4,455	...	2,165	4-16	1,000	1,290	6,953	5
Bantam (Java)	June 30	7,404	13,291	20,695	...	13,500	...	Dr. 8,000	15,195	28,997	15
Bernam-Perak	June 30	2,576	4,206	6,782	...	4,250	7½	811	1,721	9,261	12½
Bukit Selangor	Mar. 31	7,473	11,363	18,836	...	6,993	3	...	11,843	12,958	5
Buntar	June 30	758	10,745	11,503	...	7,125	6½	3,000	1,378	11,446	7-29½
Chembong Malay	Mar. 31	9,465	12,115	21,580	...	8,537	2½	1,721	11,322	15,756	4½
Kulim	June 30	1,606	17,645	19,251	1,227	8,861	6	6,500	22,773	12,537	12
Langkapera (Sumatra)	June 30	6,296	6,948	13,244	150	6,686	7½	Dr. 1,900	8,308	12,537	10
Layang	June 30	14,572	7,401	21,973	...	6,525	4	...	15,448	12,496	6
Sittang Valley	June 30	1,335	5,637	6,972	...	4,066	5	1,550	1,356	15,028	10
Tea											
Ceylon & Indian Planters	June 30	3,243	14,264	17,507	1,500	8,250	12½	4,551	3,206	11,945	10
Textiles											
Hepworth (J.) and Son	July 31	30,003	86,156	116,159	41,000	23,562	5	18,000	33,597	85,247	5
Kirklees	June 30	10,067	18,082	28,149	...	6,250	2½	18,625	3,274	34,384	6
Leethams (Twilfit)	June 30	7,985	42,208	50,193	14,062	16,875	9	11,224	8,032	46,871	9
York Street Flax Spinning	June 30	5,131	35,331	40,462	11,062	...	...	12,500	16,900	71,069	Nil
Other Companies											
Allen and Hanburys	June 30	34,400	56,134	90,534	31,500	15,000	15	9,000	35,034	56,049	15
Aspro, Ltd.	June 30	10,959	253,261	264,220	20,283	91,875	25	140,231	11,831	292,320	32½
Associated Prov. Picture	May 31	89,475	91,536	181,011	7,500	42,000	6	41,000	90,511	110,760	6½
British Piston Ring	July 31	33,193	47,912	81,105	4,000	30,000	20	15,000	32,105	59,659	25
Grattan Warehouses	June 30	36,246	122,260	158,506	9,128	54,999	30	55,495	38,884	116,266	25
Hutchinson & Co.	Dec. 31	24,096	Dr. 3,663	20,433	...	...	...	...	20,433	25,098	2½
Hutchinson Printing Trust	Dec. 31	15,217	27,408	42,625	22,500	...	...	365	19,760	37,746	Nil
International Diatomite	June 30	613	9,017	9,630	...	6,675	6	2,000	955	(f)9,651	8
Lawes Chemical Company	June 30	2,221	12,435	14,656	2,686	7,558	6	2,606	1,806	12,223	6
Press Caps	July 2	4,193	Dr. 40,924	Dr. 36,731	162	...	...	Dr. 21,524	Dr. 15,369	24,561	4
Ranks, Ltd.	July 2	162,578	626,555	789,133	186,138	418,805	17	...	184,190	667,853	18½
Sun Electrical Company	Apr. 30	4,792	21,030	25,822	9,375	4,665	5	6,586	5,196	17,720	5
United Canners	May 31	5,201	3,279	8,480	...	...	...	3,015	5,465	9,344	5
Total Profits, 1938, in £'000s:	No. of Cos.										
To September 24	1,792	66,788	243,014	309,802	40,112	128,721	...	67,855	73,114	219,642	...
To October 1	1,831	67,576	245,343	312,919	40,582	129,920	...	68,429	73,988	222,361	...

(c) Thirteen months. (d) Eleven months. (e) Includes a special Diamond Jubilee bonus of 2½ per cent. (f) Ten months.
† Free of income tax. (k) Absorbed £417,029.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS	%	%	%	%	Brit. Steel Cons.	%	%	%	%	U.S. and S.A. Invest.	%	%	%	%
Bank of England	6	...	Oct. 5	6	British Thermat	6½*	...	...	10	Veneta	2½*	...	...	2½*
Canadian of Com.	2	...	Nov. 1	2	Canadian Gen. Invest.	12½*	...	Oct. 15	12½*	Venner Time Switches	5*	...	Nov. 1	10
TEA & RUBBER					Capital Securities Trst.	4½*	...	Sept. 30	...	Wallis Tin Stamping	12½*	...	Oct. 13	10*
Bantardawa Rubber	4-16	...	Oct. 15	5	Caribonum Trust	1*	...	Oct. 15	1*	Wearmouth Coal	5*	...	Oct. 11	15*
Bernam Perak Rbr.	3½	...	Oct. 7	12½	Control Systems	4*	...	Oct. 1	4*	West and Moultons	6½*	...	Oct. 15	6½*
Hoscote Rubber	3	...	...	10	Cheshire United Salt	4½*	...	...	3					
Karmen Rubber	5	...	...	10	Elec. Finance, etc.	5*	...	...	5*					
K.M.S. Rubber	5½	...	Oct. 27	11	Erinoid	Nil†	...	...	8					
Kulim Rubber	6	...	Oct. 29	7½	Evans & Owen	2½*	...	...	4					
Lanka Planters	2½*	...	Oct. 4	2½*	Frith (W. G.)	4*	...	Oct. 6	11*					
Malayalam Plantations	6½	...	...	10	Goldworthy (T.)	9	...	Sept. 30	10					
Sungei Salak Rbr.	3*	...	Oct. 6	5*	Hill (Philip), etc.	12½*	...	...	12½*					
Sungei Tukong Rbr.	3	...	Oct. 14	6	Hopkinsons	2½*	...	...	2½*					
Sungkap Para Rubber	9	...	Oct. 15	12	Ind. Rbr. Gutta Percha	6	...	Sept. 30	6					
Velikelle Tea	2½*	...	Oct. 4	2½*	Do. do.	3*	...	Sept. 30	3*					
Yataderia Rubber	2*	...	...	2*	Kitchen and Wade	12½*	...	...	12½*					
MINING					Lamont (James H.)	7½*	...	Oct. 11	7½*					
Globe & Phoenix Gold	±30*	...	Oct. 31	430*	Lamson Faragon	2½*	...	...	2½*					
Mufulla Copper	2/9 p.s.	...	Sept. 29	Nil*	Lawes Chemical	4½*	...	...	6					
Selukwe Gold	4*	...	...	...	Lon. Uttd. Laundries	12½*	...	...	7					
INDUSTRIALS					Lucas (Joseph)	12½*	...	Nov. 1	15					
Arnott and Harrison	12½	...	Sept. 30	7½*	Marconi Wireless	3½*	...	Sept. 30	2½*					
Associated Cement	47½*	...	...	...	New Brick (Newhey)	17½*	...	...	17½*					
Brit. Gen. Fixed Trst.	11-6d	...	Oct. 15	...	Rhondda Transport	4*	...	...	Nil*					
(B)	4-2d	...	Oct. 15	...	Rio Negro Land	3	...	...	4					
(C)	4-2d	...	...	...	Round Oak Steel	3½*	...	...	6					
Brit. Indus. Fixed Trst.	14-8d	...	Sept. 29	±5-6d	Serck Radiators	(a)20	...	...	22					
(1st Portfolio)	7½*	...	Sept. 30	7½*	Smith's Stamping	10	...	Oct. 28	10					
Brit. Port. Cement	7½*	...	...	...	Southbrook Potteries	3*	...	Oct. 22	3*					
					Tele. & Gen. Est.	4*	...	...	4*					
					United Cattle Products	4*	...	...	4*					

(a) Paid on larger capital. † Free of Income Tax

BARRY AND STAINES LINOLEUM.—Profits for half year to July 31, 1938, are adequate to enable the usual interim dividend to be paid; but the board, in view of the very grave crisis, is awaiting further developments before making any declaration. Last year an interim dividend of 5 per cent. was paid.

CITY OFFICES.—Interim dividend declaration postponed in view of the international situation. Last year an interim payment of 5 per cent. was made.

LUCAS (JOSEPH), LTD.—Final dividend on ordinary shares 12½ per cent., making 15 per cent. for year as before.

ASSOCIATED PORTLAND CEMENT.—Interim dividend maintained at 7½ per cent. on ordinary shares on a capital of £4,000,000.

BRITISH PORTLAND CEMENT.—Interim dividend maintained at 7½ per cent.

MARCONI'S WIRELESS TELEGRAPH.—Interim dividend on ordinary shares 3½ against 2½ per cent.

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Czechoslovak Government when it originally accepted it, contemplated such a hurried, imperfect and inequitable transfer of territory within ten short days. Indeed, there is evidence that nothing of the sort was in mind even on the day before the Agreements were signed. The Munich terms are less than the Godesberg memorandum; but they are considerably more drastic than was generally understood by the Anglo-French plan.

How are we to judge this Munich Agreement—the price of peace? There is some element in it of warning to the aggressors. Germany was climbing down in those last few days. There is no doubt that the mobilisation of the British Fleet, together with the firm declaration that in the case of war France would go to the assistance of Czechoslovakia and “Great Britain and Russia will certainly stand by France,” created consternation in the highest quarters in Berlin. There are very many people who join with Mr Duff Cooper in deploring that these decisive steps were not made earlier, and that more advantage was not taken of them when at last they were made. But there is a lesson for Herr Hitler in the fact, on which the Nazi extremists never counted, that the British and French peoples looked war in the eyes with less flinching than the Germans and the Italians.

But if the events of those last few days have some comforting lessons, they are entirely overridden by the *débâcle* of the past month as a whole. The final settlement is better than looked likely three days earlier. But it is so much worse than the ideas that were in men's minds a month ago that the contrast is barely credible. Herr Hitler did not secure a 100 per cent. victory; he had to knock something off the price of peace at the last moment. But he did secure the immediate realisation of demands that were too ambitious for public confession as recently as the Nuremberg Conference, and he secured them in circumstances of triumph for himself and of ignominy for his defeated foe such as are usually associated only with the end of a bitterly contested war. He has dismembered Czechoslovakia and secured the resignation of President Benes, whose only crime was to be a patriot. If we look back to the position as it stood not three days before Munich, but three weeks, there cannot be any doubt that peace has been purchased at the price of the overwhelming defeat of the international principles to which Britain and France have hitherto consistently pinned their faith. The lesson of the last three weeks is that potential aggressors will get what they want, whether it is just or unjust, if they bully, bluff, agitate, prevaricate and threaten, and that small States will be far safer if they make terms with the dictators than if they rely on the justice of their cause and the sympathy of world opinion. The lesson will not be lost in Germany or in Italy, in Poland or in Yugoslavia.

What, then are the implications for the future of the Peace of Munich? It has been jubilantly proclaimed in Italy and Germany that the system of Versailles is shattered. So it is; but what is more ominous is that the system of the League of Nations, the system that attempted to regulate international relations by law and justice and reason, is also shattered. We are back to the most naked variety of power politics. And Germany enters on the new era strengthened both materially and morally. The democratic powers, who bestrode the world in 1918, are now quite definitely on the defensive. They can no longer defend the world they created; they can only hope to defend themselves. The price we have paid for peace is clear enough. But how much peace have we got in return? The hopes of peace seem to rest on two pillars—one is Herr Hitler's declaration, reported by Mr Chamberlain, that he has no more territorial ambitions in Europe; the other is the document signed last Friday by the Fuehrer and the Prime Minister in which Germany and Great Britain pledge themselves to solve their future difficulties by discussion. Herr Hitler's record of cynically violated pledges does not en-

courage us to place much faith in either assurance. He will behave himself, we may be sure, for just as long as it suits his book. Nevertheless, there are some reasons for believing that peace *will* suit his book for some little time to come. There seems to have been a crisis in the Nazi regime between Godesberg and Munich. The extremists, the Ribbentrops, the Himmlers, the Goebbels, were blamed for leading the Fuehrer into a position from which he had to retreat, and, for the moment at least, more moderate counsellors are in favour. Secondly, there is the overwhelming evidence that war would have been bitterly unpopular in Germany. Thirdly, after Mr Chamberlain's flights it will be impossible for a long time to come to convince the German people that Britain and France are aggressive powers. Finally, there is the fact that, with the fall of the Bohemian bastion, there are no points of resistance to Germany between the Rhine and the Russian frontier that are likely to lead to war. An attempt to secure colonies by force of arms would involve a direct attack on Great Britain, for which the Nazis are not ready. Not one of these is a reason for believing that the Nazis will keep the peace indefinitely. But they do argue that there will be a breathing space of more than a month or two.

There is, however, the other end of the Axis to be considered. Hitherto a success for Germany, with Italian support, has always been followed by a fresh demand from Signor Mussolini. But here again there is some ground for modified hope. War as Germany's ally would have been so unpopular in Italy that the mobilisation had to be carried out in secret. Signs are not lacking that Signor Mussolini had a very bad fright. He was chained to Germany by the fact that he has never succeeded in making his peace with London and Paris. Having been so nearly dragged over the precipice by his chains, he shows signs of hastening to loosen them. The test, of course, will be Spain; and so many hopes have been added in the past that it would be foolish to count any chickens before they are hatched. Yet it may be that this obstinate problem is moving towards a solution.

In the sudden calm that follows the whirlwind few would be so foolhardy as to venture a definite prediction. But there are grounds for believing that Mr Harold Nicolson was as far off the mark in speaking of “peace only for six months” as was the Prime Minister in speaking of “peace in our time.” To say this is, perhaps, to risk appearing unduly optimistic. But there is nothing optimistic in a forecast that sees only a breathing space before the return of crisis, whether that breathing space be six months or two years. For in either case we are dependent on the whim of the dictators, and there is neither optimism nor security in the guess that it will be two years rather than six months before their whim leads them once more to hunt in couples on our preserves. The only thing left to us ourselves to do is to take what measures we can to deflect their whims into peaceful channels by increasing the risks, to them, of engaging in universal war. We are in a far weaker position to do that to-day than even a month ago, and if we are still to do it we shall have to submit ourselves to some measure of the discipline for which we have hitherto pitied the dictator States.

For this is the cruel dilemma in which we have placed ourselves. One of our choices is merely to mourn that “the world is given over to the cruel sons of Cain.” Or, if we still hold that liberty and democracy are worth preserving, we shall have to make a great and sustained effort which may itself infringe on liberty and democracy. If the latter is our choice and we British people will shoulder the burden which is the corollary of our faith, we may yet bring about a state of equipoise in the world. Only in such a condition can reason and the instinctive desire of mankind for freedom and peace revive in the totalitarian States and provide the antidote to those poisons which are threatening to destroy the harmony and happiness of the civilised world.

Czechoslovakia's Losses

THERE is general recognition, in the Western countries at least, that we owe our peace to the sacrifices made by Czechoslovakia. Some of her losses are apparent to every beholder—the slicing-off of large territories, the constriction of the country to an almost indefensible shape, the abandonment of natural and artificial defences. The crushing blow to the pride of a brave people, who suddenly find themselves left friendless in a carrion circle of their enemies, is also easy for the ordinary man in the French or British street to understand and appreciate. The economic losses—the sacrifices not merely in accumulated wealth but also in earning power for the future—are more difficult to convey in a convenient phrase. But the discovery that Czechoslovakia has urgent need of immediate help has been almost welcome to many an overloaded British conscience, for it has provided a means of showing concrete sympathy with a people whose conduct in the last few weeks has won them all but universal praise. It was announced in the House of Commons on Monday that, in response to a request from Prague for a loan, or assistance in obtaining a loan, of £30 millions, the British Government had requested the Bank of England to make an immediate advance of £10 millions, without prejudice to what might later be decided about a loan. It is reported that “advance” in this case means “gift.” We trust that this is so. The last war, towards its end, was costing £7,000,000 a day, and it does not seem an extravagant valuation of the worth to us of Czechoslovakia's sacrifice to assess it at thirty-six hours' peace. In addition to this official advance, a very generous response has been evoked by various private appeals for funds to assist refugees in Czechoslovakia, and the Lord Mayor of London has taken steps to start a national fund for the same purpose.

These gifts have been made out of general sympathy. Their origin lies in the gratitude of the British people rather than in any estimate of the precise needs of Czechoslovakia. Any such estimate is, indeed, extremely difficult to make. For one thing, many of the details of the transfer of territory are undecided. The International Commission at Berlin did not reach a decision on the limits of the territory to be occupied forthwith by German troops until Wednesday of this week. The plebiscite areas have not been delimited, nor will their final fate be known until the vote has been taken. The Commission has set up an economic sub-committee, but nothing is yet known of its decisions. It would be only fair if the Reich were to pay compensation for the public property it is acquiring from the Czechoslovak state and to assume liability for a proportion of the Czechoslovak national debt. In point of fact, neither concession is likely to be made; on the contrary, Czechoslovakia may be presented with a bill for alleged damage suffered by the Sudeten Germans since 1918. Again, what is to be done about Czech currency in the transferred areas? Is the Czechoslovak National Bank expected to redeem it all in foreign exchange?

But even if these and similar unsettled questions were immediately decided, it would still be very difficult to put a figure upon Czechoslovakia's immediate needs. All that can now be done is to enumerate some of the problems, all of them costing money, with which the state will be faced. The most urgent and tragic of these is, of course, the care of refugees. In spite of the provision in the Munich Agreement for a six months' period during which Czechs and others left on the German side of the new frontiers may opt for Czech nationality, Prague has been flooded with Czechs, Jews and German Democrats, nearly all of them without means. If there are to be exchanges of popu-

lation, this problem will be increased in magnitude. It is probable that hundreds of thousands of people will have to be supported for many months—some of them for years. Secondly, the Government will have to undertake heavy expenditures to reorganise the defences of the country. The new frontiers will be harder than the old to defend, and it is unlikely that Czechoslovakia will have such faith in the guarantees of her independence that she will be willing to neglect her own strength. It has been reported that the defences now surrendered to Germany cost £80 millions to construct. At least as much more will have to be found. The system of communications will have to be reorganised. The present main line between Prague and Brno goes through a German-speaking district, while the main line to North Slovakia and Ruthenia passes through the Teschen area now ceded to Poland. Many miles of new roads and railways will have to be built. Money is urgently required to maintain the stability of the currency, which has naturally been under attack in these last few weeks. It is understood that the whole of the British Government's £10 millions was needed for this purpose—though its use in the exchange market would, of course, provide an equivalent amount of Czech currency for the Government's internal needs. Finally, in this list of immediate needs, help may be needed for the banks of the country. The Czech banks have both assets and liabilities in the Sudeten areas, and while the liabilities will doubtless be enforced, the assets may prove to be unrealisable or incapable of transfer out of Germany.

These are some of the purposes for which assistance is needed immediately. But they by no means complete the tale of Czechoslovakia's losses. Many of her best industries will be lost to Germany and Poland. The extent of these losses can be estimated from the following figures, which are based on the official Census of 1930. In compiling these figures, we have assumed that all areas which, according to the Czech official figures, have a majority of Germans will go to the Reich, together with a few border-line areas in the districts of Reichenberg (Liberec) and Eger (Cheb), and that the Teschen area will go to Poland. The figures show the number of workers in these districts in the different industries and the proportion they bore to the total for the whole Republic. It must be emphasised that the districts to be ceded are almost certainly larger than those here included, and the proportions are therefore minima:—

	Workers in German and Polish areas	Proportion of total Per Cent.
Mines, etc.	58,240	48.1
Glass	39,226	61.8
Metals	93,783	24.0
Chemicals	14,373	34.6
Textiles	190,660	52.1
Paper	17,273	41.8
Woodwork	43,058	23.4
Musical instruments	5,992	79.0
Toys	1,911	68.1
Foodstuffs	62,103	25.4
Clothes and shoes	70,943	24.2
Other industries	164,959	27.6
Total industry.....	762,521	33.3

These are appalling losses to a country that is largely dependent upon its industry; and they are only slightly mitigated by the fact that the newer and more efficient factories are generally in the Czech areas.

The Czechoslovak balance of payments has hitherto been both sound and simple. Merchandise exports made up 82 per cent. of the total credit items, and merchandise imports

77 per cent. of the total debit items in the 1936 estimate. In most years, exports have exceeded imports by between one and two milliard crowns, and this surplus is needed to make the invisible payments, e.g. for interest on the debt. Much the largest items in the export list are textiles and metal products, which together made up 45 per cent. of the total in 1937. But at least half of the textile industry and at least a quarter of the metal industry are now to be ceded. If the percentages in the above table are applied to the relevant items in the export total for 1937, it would seem that total exports of almost Kc. 12,000 millions in that year would have been reduced by at least Kc. 4,000 millions without the Sudeten areas.

The effect on imports is more difficult to estimate. The Czechoslovak balance of payments will not now have to bear the cost of imports of raw materials for the ceded industries. In textiles alone, this will be a relief of nearly 1½ milliards. Food imports will also presumably be reduced. But on the other hand the Czech areas will now have to find foreign exchange for many of the goods they

previously obtained from the factories and mines of the German and Polish areas. Trade between the Czech and the German areas, hitherto so closely integrated, will now become increasingly one-sided, since the Czechs must have many of the Sudeten products to live, while German autarky will limit Czech exports to the ceded lands. On balance, the Czechs will be fortunate if their imports are reduced by half of the reduction in their exports. There will be a gap in the balance of payments, apart from capital movements, of at least two milliard crowns.

Thus, on every hand the Prague Government will be pressed to find funds. At the same time, its revenue will be grievously impaired by the departure of about a quarter of its taxable citizens and the inevitable shrinkage of Customs revenue. What all the demands will add up to before the country can complete the painful adjustment to its new rôle it is impossible to estimate. All that can be said with certainty is that the British Government's £10 millions will only cover a small corner of the needs. Our consciences cannot be so cheaply discharged.

The Universal Provider

AS an avocation, shopping is familiar to the humblest of us. As an industry, retail trade is a mystery. Well over half a million shops of all sorts and sizes serve us with our needs. The annual turnover of retail traders is something in the neighbourhood of £2,500 millions; and every year over £200 millions are paid out by shopkeepers in wages alone.

Yet the history of shops and shopping has never been fully told. And there is a sad lack of precise facts about the economics of retail trading. As is perhaps inevitable, we know most about those gargantua, the department stores, the very large establishments with multifarious departments, selling an infinite variety of articles. But in our familiarity with the department store, we may forget that it is a conscious invention—and a recent one at that. When the shop proper grew out of the booth or the stall, when it took to itself glass windows and wooden shutters, the stallkeepers-turned-shopkeepers still relied upon their "connection," upon a limited number of regular customers. They made little display of their wares; and in 1800 the largest shop in London employed only 16 assistants.

In the nineteenth century factories and mass production catered for larger markets and called for bigger shops to bridge the gap between producer and consumer. Machinery and steam caused a flood of cheap cottons to pour into drapers' shops. Railways brought shoppers to town. Gas-lighting illuminated the streets and shop windows. Omnibuses carried customers to new shopping centres. The national income grew, and the new conditions called for something much larger and more bustling than the little local shops with their fixed clientele.

Actually, it was the department store which constituted the first fundamental change in retail distribution during the Industrial Age, and it was the draper son of a Yorkshire corn factor who reaped the first fruits of the new idea. Mr R. S. Lambert, who caught up the whole spirit of the Railway Age in his biography of another Yorkshireman, George Hudson, has now told the tale of nineteenth-century shopping in the story of William Whiteley, of Bayswater fame.*

When Whiteley came to London, eighty-three years ago, London's shops were perceptibly changing. Well-to-do people were still moving westward, and the new West

* "The Universal Provider." By R. S. Lambert. Harraps. 277 pages. 10s. 6d.

Enders of Bayswater and Kensington were shopping in Oxford Street and Regent Street, in place of Poultry, Cheapside and St. Paul's Churchyard. There were garish shops for the poor in Aldgate and Whitechapel and elegant establishments on Ludgate Hill. The residents of Bloomsbury were served with linens, woollens, silks and carpets by Shoolbred's in Tottenham Court Road and with furniture by Maple's and Heal's. But the growing centres of shopping were further afield. Peter Robinson, haberdasher, Marshall and Snelgrove, drapers, and the 75-year-old drapery of Debenham and Pooley were established in Oxford Street. In Regent Street, the biggest and best-known shop was Swan and Edgar's, silk mercers, linen drapers and hosiers. The Queen Anne firm of Fortnum and Mason's did business in Piccadilly; and Harvey's drapery was already in Knightsbridge.

The young Yorkshire draper set out to excel all these. Several had added department to department within the limited range of drapery goods, but Whiteley aimed higher. As he learned the London trade with various firms, he conceived a new kind of shop, to sell everything his customers might want, to go further even than Stewart's store in New York, where 2,000 employees sold all sorts of dry (i.e. manufactured) goods. At last, in 1863, Whiteley turned west to Bayswater to set up his own shop. There new and stately mansions in aristocratic terraces and well-kept squares were springing up, and Whiteley chose Westbourne Grove, where the rich and poor parts of the new West End met.

On March 11, 1863, the morrow of the Prince of Wales's wedding, Whiteley opened with three employees to sell ribbons, laces and fancy goods. Within a year he was employing fifteen assistants. In four years he had seventeen departments, with annual sales of over £43,000 and a net profit of more than £4,000. Thereafter, year by year, he laid shop to shop. Dressmaking, outfitting, costumes, tailoring, boots, hats and furnishings—thus Whiteley expanded his business. In 1872, he deliberately set out to be, in his own words, a Universal Provider. He opened a house agency, a refreshment room and a cleaning and dyeing service, and by 1874 employed over 1,500 men and women and served 4,000 customers daily. By 1876 his net profits were larger than his whole turnover ten years earlier.

Whiteley embarked in the 'seventies upon the sale of

furniture, china and glass, ironmongery, building, house decoration and hairdressing. In 1878 deposit and current accounts in the bank he now provided for his customers—and for his own capital needs—amounted to £32,000. And the enraged protests of the small shopkeepers of Westbourne Grove were swollen tenfold by the outcries of butchers and greengrocers when Whiteley's began to sell provisions. The dream was coming true; Whiteley provided everything; he had an export department, a theatre-ticket agency, a poultry-farm, a market garden, and a free delivery service in London and the suburbs. He was bitterly unpopular, and very successful. His workers were no better off than shop assistants elsewhere; they worked nine to eleven hours a day in heat and under iron discipline; and they dwelt and slept in crowded and unhealthy quarters. But they were certainly no worse off than their fellows, and Whiteley's Kildare clubs were the precursors of welfare schemes in modern retail trade.

Five times between 1882 and 1887 fire raged in Westbourne Grove, at enormous cost to Whiteley, but the Universal Provider was undeterred. By now, however, London was catching him up. He was still the great publicist, with his laundry, his strawberry fields, his bus service, and his gigantic catering enterprises. He housed and fed King Cetewayo; supplied an elephant on demand and a second-hand coffin to order. But Harrods, the Civil Service and the Army and Navy Stores were soon hot on the trail of his many enterprises, and a still newer form of retail trade, the multiple shop, exemplified by Lipton's, the Home and Colonial Stores and Lyons', was putting in its first appearance. It was Whiteley, however, who had pointed the way to the great omniscient stores of today. In 1906 the firm's properties covered 250 acres, employed 6,000 persons, included 159 departments as well as factories, works and depots. The turnover had reached the goal of £1,000,000 a year.

A department store depends for its success on attracting more and more members of the public to its doors, on creating a shopping centre. Here Whiteley, as Mr Lambert's shrewd and vivid survey shows so well, was supremely successful. He made shopping attractive. He gave his business a striking and convenient building. He convinced his customers that they would find their requirements behind

his counters. And he made Westbourne Grove, patronised by royalty itself, the rival even of Regent Street.

Within his doors, too, Whiteley faced all the problems of finance, organisation and administration which still confront the store. Adding department to department meant more buyers and more managers, all specialists, and the task of central co-ordination was correspondingly involved. He experienced, too, the costliness of his methods; to carry every article in stock that might possibly be wanted; to give credit terms; and, above all, to deliver goods free in ever-widening areas; all these services were highly expensive. Long before Whiteley suffered a violent end in 1906 his prices had ceased to be the lowest in town. He was catering for the lazy and luxurious shopper, no longer for all and sundry. But he had discovered and worked out the economics of large store organisation. He had learned to spread buying and accountancy costs, overheads and management charges over a wider and wider field of expanding sales and quickly moving goods. He showed how easy it was to induce a customer making one purchase to make a dozen others—if the goods were there to buy.

There are perhaps a thousand department stores to-day with an aggregate annual turnover of something like £150 millions, including a dozen or so in the class, heralded by the Universal Provider, with an annual turnover of £1,000,000 or more each. But £150 millions is only a small fraction of the £2,500 millions turned over by shopkeepers every year. Even if multiple shops, chain stores and co-operatives are added to the department stores, they still make up only about one-third of the total turnover; the specialist shop, the butcher, the baker and the candlestick maker, the grocer and the greengrocer, and the small general shop remain. The average number of employees per shop in this country is only 2.4, and the average daily turnover per shop is under £10. The small traders of Westbourne Grove have not, in the long run, lost their battle with the Universal Provider. Only a small part of the tale of retail trade is told in Oxford Street, Regent Street and Knightsbridge; and a very high proportion of shops are still of the smallest possible size. Whiteley's aim was to give the customer what he wanted. To all seeming he still wants a great many very small shops close at hand and easy to get at.

Labour in New Zealand

DESPITE its tradition of progressive politics, New Zealand has only had one Labour Government since the war. On Saturday next, that one Labour Government will attempt to secure from the electorate a renewal of the large Parliamentary majority it has enjoyed for the past three years. Mr Savage and his Cabinet assumed office late in 1935. They could hardly have chosen a more favourable moment. New Zealand, more than most countries, depends for its prosperity or depression upon the state of the export trades; and throughout the whole of the last three years the export trades have been rapidly reviving. The country's farm produce exports—the foundation of its wealth—were almost half as large again in the 1937-38 season as in 1934-35. In line with this increase, unemployment has fallen to one-fifth of its former figure (though changes in the methods of calculation have had something to do with the improvement), and the aggregate of private incomes has jumped from an estimate of £103 millions in 1934-35 to £150 millions in 1936-37. New Zealand has been prosperous under Labour rule; and it is not the habit of electorates to distinguish too carefully between good fortune and good management.

The Government has carried out a crowded and ambitious programme of reform measures. Its first con-

certed efforts were directed towards radically altering the monetary system of the country. The Reserve Bank was completely nationalised and given extensive powers to control the other trading banks by regulating the reserve ratios they must hold with it, to supervise the exchanges and control them should the need arise, and to make very large advances to the Government. The aim of the Bank was also redefined as that of aiding and implementing the financial policy of the Government in power.

At the election of 1935 there had been much propaganda on Social Credit lines; and subsequently Mr Savage has periodically talked of "using the public credit" and "bursting the bonds of orthodox finance." All that this appears to have implied is a moderate use of Reserve Bank funds, particularly for housing and for the financing of the scheme of guaranteed prices for agricultural products. Throughout, the Bank has shown a proportion of reserve to notes and demand liabilities of about 70 per cent., and in their annual report for 1938 the directors record that "with the exception of the Primary Products Marketing Department overdrafts, all advances made by the Bank to the Government were repaid by the end of the financial year." Some alarm, nevertheless, has been engendered by the Government's financial policy or (perhaps more strongly)

by the tone of the talk that has accompanied it. There has been some small seepage of capital, and as a result of this and the flood of imports brought in by increased wages and expanded public works, the London funds of the Bank have shown a falling tendency. From May, 1937, to May, 1938, the exchange reserve of the Bank fell from £21 millions to £17.8 millions and the net overseas funds of the banks from £37.4 millions to £28.1 millions. That this should have happened during a period of almost maximum exports is a matter for serious concern.

Satisfied with its control over the financial mechanism, the Government turned to its social and economic policy. This has advanced on four main fronts: pensions and social services have been expanded; wages have been raised; farmers have been guaranteed a satisfactory return for their produce; and an attempt has been made to invigorate and regulate production by extensive public works and a more complicated system of State supervision and control.

As something of a climax to three years of dramatic legislation and continuous expansion of pensions and social services, an attempt was made in the last session of Parliament to co-ordinate these hitherto random and unrelated activities and mould them into a coherent charter of social security—a charter of security against sickness, unemployment and most of the economic ills that man is heir to. The Social Security Act, which is to come into operation in April next, provides among its other benefits for a general free medical service, for a free maternity service, and for a pension of 30s. (subject to a means test) for all over sixty. Provision is also made for the gradual introduction of universal superannuation. It is a piece of legislation bold in imagination and boundless in possibility: it is a measure that is also big in cost. Mr Nash, the Finance Minister, relying to some extent on a rising national income in future years, calculates that he can meet the cost by imposing on every individual a registration fee of 5s. per annum in the case of women and 5s. per quarter in the case of men over twenty, and by raising the present employment promotion tax of 8d. in the £1 on all wages and incomes to 1s. But there are many who think that Mr Nash will be very fortunate if his decidedly optimistic estimates are realised.

The Government's wage policy was pursued through that Antipodean invention, the Arbitration Court. The Court was instructed to fix a minimum basic wage on the basis of a loosely-defined standard of needs—£3 16s. a week was the minimum fixed—and to apply the forty-hour week wherever practicable. The Arbitration Court has lately shown a tendency to return its responsibility to the Government. It has declared that the inability of an industry to pay higher wages is no reason for not granting an increase and that it is the Government's job to keep the industry alive. As a result of the policy of increasing labour costs, from 1935 to 1937 the index of weekly wage rates rose by 21 per cent. (and by March, 1938, it had risen by 23.9 per cent.), and labour costs were further increased by the reduction in hours. At first these gains were concentrated on industrial labour, but later farm workers received a fully equal increase. Naturally, prices were also driven up, but owing to many factors, including the favourable swing in the terms of trade and the close supervision established over prices by the Department of Industries and Commerce, they have not risen proportionately with wages. Wholesale prices of internally produced goods rose by about 11 per cent. between 1935 and 1937—and the cost of living even less. But for an exporting country, it is the rise in costs of production rather than in domestic prices that is of fundamental importance. In her period of prosperity, New Zealand has been able to afford such a radical increase in costs. But the real test of the policy—as, indeed, of all the Savage Government's devices—will come when exports are declining.

Important support at the election had come from the

small farmer, who was, of all people, most grievously hit by the depression, and who has, by reason of his central position, always dominated New Zealand politics. His reward was the system of State purchase of export produce at a fixed or "guaranteed" price. The crucial point in any scheme of guaranteed prices is, of course, the nature of the price fixed. In New Zealand no clear decision has been reached whether the price to be fixed is to be merely the average to which actual export prices will conform over a long period (which would be at least theoretically practicable) or a price that would ensure the farmer an adequate return for his work, irrespective of the prices obtainable in the world market (which, however desirable, is almost certainly impossible of realisation).

The scheme has only been applied to dairy produce as yet, though price control has also been extended to the internal market. Two seasons have been completed, in the first of which there was a net deficit of £272,000 and in the second a surplus of £113,000. The price for the coming season has just been announced: so far the price has been raised slightly for each succeeding season, and at the end of last season there was a special distribution of some of the surplus that had accrued. These trends, together with the fact that, despite two high price years, there should be a net deficit, however small, suggest that the measure will readily develop into a form of subsidy financed by a Reserve Bank overdraft.

As was to be expected from an avowedly Socialist administration, there has been some extension of State control over industry. But it has not been excessive, and Mr Savage's attitude has been moderate: "The State is not entitled to interfere in any business from which the people—who constitute the market—are getting reasonable service . . . the Government will naturally inherit enough trouble without trying to run all the affairs of trade and industry." The State monopoly of transport has been increased by extending the control of the railways over certain road transport services: the Reserve Bank and the broadcasting services have been nationalised, as has also the small and inefficient iron and steel industry, which has been endowed with a loan of £5,000,000 and a vigorous programme of expansion. A big change has also been made by the creation of the Bureau of Industry to foster industrial development and promote efficiency. Apart from prices, over which there is continuous supervision, control can be exercised, in the interests of efficiency, over the establishment of new and the amalgamation of old units in any trade. Many producers' control boards and similar semi-monopolist institutions have been set up, the degree of State control being larger the greater the possibility of exploiting the local market. Typical of this extended bureaucratic control is the Pharmacy Plan, by which control is exercised, under a Director of Pharmacy, over the numbers of retail chemists and the prices charged for dispensing; the retailers are also provided with the advantages of a large-scale buying organisation.

This whole economic policy has obviously involved a heavy increase in expenditure, particularly as it has been accompanied by a vigorous public works and housing campaign. Both Mr Savage and Mr Nash have denounced the idea that public works should only be used to offset depression, and regard them rather as a normal feature of State activity. Last year some £17 millions was spent in this way and another £20 millions is budgeted for the coming year, of which £14 millions is to be provided by a local loan. These are very large sums for a country with only one-thirtieth the population of the United Kingdom. Expenditure from the Consolidated Fund, which had hovered about £24 millions from 1928 to 1935, rose to £25.9 millions in 1936, to £30.7 millions in 1937 and to £35.2 millions in 1938. The Budget estimate for 1938-39 anticipates a level of expenditure very similar to that of the preceding year. Taxation returns have risen nobly to bear

this burden, from £25.5 millions in 1936 to £36.8 millions in 1938, enabling Mr Nash to show a series of small surpluses, though he has borrowed locally for public works purposes and has a Reserve Bank overdraft for the guaranteed price. This expansion in revenue has required no great change in the actual rates of taxation: but it has dispelled any hope of a return to the lower pre-depression standard of taxation. There is much criticism of this failure to reduce taxation, even though the proportion of the national income taken in taxation is probably lower in New Zealand than in many other countries.

In its financial policy, as elsewhere, however, the Government has only been able to carry its policy through to success because of the prosperity of the last three years.

The Final Documents

The following is the text of the White Paper issued on October 3rd, giving further documents in continuation of the White Paper reprinted in full in The Economist last week.

No. 1.

Personal Message sent by the Prime Minister to the Reichschancellor on September 28, 1938

AFTER reading your letter I feel certain that you can get all essentials without war and without delay.

I am ready to come to Berlin myself at once to discuss arrangements for transfer with you and representatives of Czech Government, together with representatives of France and Italy if you desire.

I feel convinced we could reach agreement in a week. However much you distrust Prague Government's intentions, you cannot doubt power of British and French Governments to see that promises are carried out fairly and fully and forthwith. As you know I have stated publicly that we are prepared to undertake that they shall be so carried out.

I cannot believe that you will take responsibility of starting a world war which may end civilisation for the sake of a few days' delay in settling this long-standing problem.

No. 2

Personal Message sent by the Prime Minister to Signor Mussolini on September 28, 1938

I HAVE to-day addressed last appeal to Herr Hitler to abstain from force to settle Sudeten problem, which I feel sure can be settled by a short discussion and will give him the essential territory, population and protection for both Sudetens and Czechs during transfer. I have offered myself to go at once to Berlin to discuss arrangements with German and Czech representatives and, if the Chancellor desires, representatives also of Italy and France.

I trust your Excellency will inform German Chancellor that you are willing to be represented and urge him to agree to my proposal which will keep all our peoples out of war. I have already guaranteed that Czech promises shall be carried out and feel confident full agreement could be reached in a week.

No. 3

Extract from Statement made by the Prime Minister to the House of Commons on September 28 announcing the Reichschancellor's reply to the Message which he had sent to him that morning.

"I HAVE something further to say to the House yet. I have now been informed by Herr Hitler that he invites me

GERMAN AREAS IN CZECHOSLOVAKIA



to meet him at Munich to-morrow morning. He has also invited Signor Mussolini and M. Daladier. Signor Mussolini has accepted, and I have no doubt M. Daladier will also accept. I need not say what my answer will be."

No. 4

AGREEMENT CONCLUDED AT MUNICH ON SEPTEMBER 29, 1938

GERMANY, the United Kingdom, France and Italy, taking into consideration the agreement, which has been already reached in principle for the cession to Germany of the Sudeten German territory, have agreed on the following terms and conditions governing the said cession and the measures consequent thereon, and by this agreement they each hold themselves responsible for the steps necessary to secure its fulfilment:—

1. The evacuation will begin on the 1st October.
2. The United Kingdom, France and Italy agree that the evacuation of the territory shall be completed by the 10th October, without any existing installations having been destroyed and that the Czechoslovak Government will be held responsible for carrying out the evacuation without damage to the said installations.
3. The conditions governing the evacuation will be laid down in detail by an international commission composed of representatives of Germany, the United Kingdom, France, Italy and Czechoslovakia.
4. The occupation by stages of the predominantly German territory by German troops will begin on the 1st October. The four territories marked on the attached map (1) will be occupied by German troops in the following order: the territory marked No. I on the 1st and 2nd of October, the territory marked No. II on the 2nd and 3rd of October, the territory marked No. III on the 3rd, 4th and 5th of October, the territory marked No. IV on the 6th and 7th of October. The remaining territory of preponderantly German character will be ascertained by the aforesaid international commission forthwith and be occupied by German troops by the 10th of October.
5. The international commission referred to in paragraph 3 will determine the territories in which a plebiscite is to be held. These territories will be occupied by international bodies until the plebiscite has been completed. The same commission will fix the conditions in which the plebiscite is to be held, taking as a basis the conditions of the Saar plebiscite. The commission will also fix a date, not later than the end of November, on which the plebiscite will be held.
6. The final determination of the frontiers will be carried out by the international commission. This commission will also be entitled to recommend to the four Powers, Germany, the United Kingdom, France and Italy, in certain exceptional cases minor modifications in the strictly ethnographical determination of the zones which are to be transferred without plebiscite.
7. There will be a right of option into and out of transferred territories, the option to be exercised within six months from the date of this agreement. A German-Czechoslovak commission shall determine the details of the option, consider ways of facilitating the transfer of population and settle questions of principle arising out of the said transfer.
8. The Czechoslovak Government will within a period of four weeks from the date of this agreement release from their military and police forces any Sudeten Germans who may wish to be released, and the Czechoslovak Government will within the same period release Sudeten German prisoners who are serving terms of imprisonment for political offences.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.
EDOUARD DALADIER.
BENITO MUSSOLINI.

Munich,
September 29, 1938.

Annex to the Agreement

His Majesty's Government in the United Kingdom and the French Government have entered into the above agreement on the basis that they stand by the offer, contained in

(1) [The map on the previous page incorporates the information given on a sketch map printed in the White Paper, but is not a reproduction of it.—Ed., Econ.]

paragraph 6 of the Anglo-French proposals of the 19th September, relating to an international guarantee of the new boundaries of the Czechoslovak State against unprovoked aggression.

When the question of the Polish and Hungarian minorities in Czechoslovakia has been settled, Germany and Italy for their part will give a guarantee to Czechoslovakia.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.
EDOUARD DALADIER.
BENITO MUSSOLINI.

Munich,
September 29, 1938.

Declaration

The Heads of the Governments of the four Powers declare that the problems of the Polish and Hungarian minorities in Czechoslovakia, if not settled within three months by agreement between the respective Governments, shall form the subject of another meeting of the Heads of the Governments of the four Powers here present.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.
EDOUARD DALADIER.
BENITO MUSSOLINI.

Munich,
September 29, 1938.

Supplementary Declaration

All questions which may arise out of the transfer of the territory shall be considered as coming within the terms of reference to the international commission.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.
EDOUARD DALADIER.
BENITO MUSSOLINI.

Munich,
September 29, 1938.

Composition of the International Commission

The four Heads of Government here present agree that the international commission provided for in the agreement signed by them to-day, shall consist of the Secretary of State in the German Foreign Office, the British, French and Italian Ambassadors accredited in Berlin, and a representative to be nominated by the Government of Czechoslovakia.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.
EDOUARD DALADIER.
BENITO MUSSOLINI.

Munich,
September 29, 1938.

We also append the text of the declaration signed by Herr Hitler and Mr Chamberlain on September 30th, which is not included in the White Paper:—

We, the German Führer and Chancellor and the British Prime Minister, have had a further meeting to-day and are agreed in recognising that the question of Anglo-German relations is of the first importance for the two countries and for Europe.

We regard the agreement signed last night and the Anglo-German Naval Agreement as symbolic of the desire of our two peoples never to go to war with one another again.

We are resolved that the method of consultation shall be the method adopted to deal with any other questions that may concern our two countries, and we are determined to continue our efforts to remove possible sources of difference and thus to contribute to assure the peace of Europe.

ADOLF HITLER.
NEVILLE CHAMBERLAIN.

Topics of the Week

Dr Benes.—The democratic countries of the world learnt with sorrow and regret on Wednesday afternoon that President Benes had resigned. If this act of renunciation by the man whose courage and poise throughout the crisis have been the admiration of the world had merely been a surrender to the undignified and abusive attacks which Herr Hitler has heaped upon him, the news would have been received with hot resentment. But the resignation means more than this. Dr Benes was one of the three creators of the Czechoslovakia of 1918. He guided the foreign policy of the new state for 17 years after the war; he, more than any other man, brought into being the Little Entente for the purpose of safeguarding the integrity of the new successor states. He was the architect of the alliances with France and Russia. Under his guidance the rôle of Czechoslovakia in the comity of nations at Geneva has become an increasingly more important one in the decades that have passed since the Great War. He symbolises in his person the international system of open diplomacy and discussion which for the time being has been displaced by the method of power politics; he has stood for the independent statehood of Czechoslovakia and the other countries of Central Europe. But the new and truncated Czechoslovakia—if it survives the pains of its re-birth—must come to terms with its big neighbour; it can no longer afford to place its main reliance in alliances and in its membership of the League. Dr Benes's past history—not merely the animosity of Herr Hitler—makes him a stumbling-block to the pursuit of this new policy. He himself is the first to realise this, and it does him honour that without any sense of humiliation or defeat he has promptly taken a step which will lighten the difficulties of his beloved country.

* * *

It is nevertheless a tragedy that events should have compelled the withdrawal from the stage of a man who has so much to contribute towards international peace and is both skilled and wise in the art of harmonising personal and national differences. In many important negotiations—as conciliator in the Anglo-Turkish dispute about Mosul, for example, and in the Disarmament Conference—he has made great contributions to peace. The decision of 1918 which placed the Sudeten Germans under Czechoslovakia has been sharply criticised in these days by many who have not stopped to think how impossible it is to draw boundaries in Europe on a strictly racial basis. Czechs and Germans have lived together in Bohemia for centuries. The fault has been that steps were not taken in time to reconcile the Germans to their new citizenship. For this, Dr Benes cannot be blamed. In 1927 he objected so strongly to the centralisation of the state which was introduced in that year that he refused to sign the decree which brought in the new regime. He has, moreover, worked consistently for economic disarmament between the countries of Danubia and, in particular, for reconciliation with Hungary. It is one of the ironies of history that he personally should pay the price for the dangerous, though intelligible, nationalism of his countrymen. During the years of his Presidency his country, which has been one of the few islands of refuge for German exiles, has been quietly bracing itself to stand against the rising menace of Nazi domination. But Czechoslovakia has given way to no panic dictatorship. Dr Benes himself has symbolised in his person the quiet courage and the democratic traditions of a freedom-loving people. Dr Benes retires from the stage at a comparatively early age, but his place in history is already assured.

* * *

Munich Debated.—For four days this week Parliament was engaged in discussing the Peace of Munich and, although striking departures from normal party lines were evident in several speeches, there was never any doubt in either house that Mr Chamberlain's activities in averting

war would be handsomely approved. At the beginning of the week, indeed, it was widely believed that the deep and intense relief which was being felt in all quarters at our escape from the horrors of hostilities would sweep Parliament and, if an early election was called for, the country in the Government's favour. In the event, however, as the debate proceeded and citizens and representatives alike found time to contemplate more calmly the consequences of what had happened, a strange mixture of sentiments was revealed. Certainly it became clear that the Government would not easily ride back to power in a November election with an augmented number of supporters, simply on a wave of emotion—though the threat of an election might restrain those Conservatives who were contemplating opposition. Indeed, most Members came soon to the view that a snap election, if it did result in Government successes, would be a piece of unscrupulous opportunism. From the very moment on Monday when Mr Duff Cooper spiked several of Mr Chamberlain's triumphal guns by the statement he gave before the Prime Minister's speech of his reasons for resigning from the Admiralty, there could be no doubt that probably a considerable majority of Members combined their relief and gratitude with many misgivings. There have been no more resignations from the Cabinet, though a handful of Ministers who had sided with the First Lord of the Admiralty were known to be searching their consciences, and one, at least, to have almost taken the plunge more than once. And the forthright attacks of Mr Churchill, Mr Eden, Mr Amery, Mr Nicolson, Mr Cartland, Lord Lloyd and others upon the Munich terms and Mr Chamberlain's methods, could not hide, by their weight and eloquence, the fact that scarcely more than a score of the Government's own supporters were ready to translate their uneasiness into overt opposition. None, when it came to a division, was willing to go further than to abstain from voting.

* * *

Yet uneasiness was very widespread. Few Members, and indeed few citizens, could escape the feeling that Czechoslovakia had been harshly and unjustly treated. Few, too, could avoid the reflection that Britain and France had suffered a serious diminution in strength and prestige. The number of Members ready to applaud the advance of Herr Hitler's might in Europe was negligible. Mr Chamberlain's promise of peace in our time soon faded into the background, and Government spokesmen, from the Prime Minister himself to Sir John Simon, laid stress upon the fact that "the drama was not ended," that the state of emergency had not passed, and that re-armament must proceed with greatly renewed vigour. The general sense of the debates in both Houses was thus very far

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SKANDINAVISKA
KREDITAKTIEBOLAGET

from the unbridled optimism of the previous week-end. Distastefully, the best was made of a bad job; Czechoslovakia which had been sacrificed must be thanked and aided; Britain must be strong. Relief won the day, and Mr Chamberlain was so far vindicated in what he had done. But, for the future, he was given *carte blanche* for no more than the mobilisation of all the country's resources against possible perils. On Monday, the Prime Minister seemed to suggest a policy of Four Powers without Russia. On Wednesday, the Chancellor of the Exchequer hastened to repudiate this narrow conception, and to mention the Soviets by name. Parliament was pleased with Mr Chamberlain, but by no means ready to follow him into unknown paths with his new-found dictatorial friends.

* * *

Palestine.—If the size of a country's weekly murder-roll constitutes its claim to space in the news, then Palestine ought to have reached first place on the front page of the daily Press last week; for, all through the crisis, there have been many more deaths by violence in Palestine than in Central Europe. In Palestine, during the three months ended on September 30th, there have been 1,768 known casualties, of which 836 were deaths; and the actual figures must be higher, as there is no accurate return of the full losses of the Arab insurgents in the field. There were 100 casualties in Palestine, more than half of which were deaths, between Thursday of last week and this last Sunday. This startling figure is partly accounted for by a pitched battle between Arab insurgents and British troops which was fought near Ramallah last Saturday. And last Sunday the toll was increased by an Arab massacre of Jews at Tiberias, in which as many as nineteen Jewish lives were taken, including those of three women and ten children. Mr Malcolm MacDonald, who was later in conference with the High Commissioner for Palestine, announced on Wednesday that additional security measures would be taken. Two cavalry regiments and one battalion are proceeding to Palestine from this country, a further three battalions from India, and in Palestine itself the British section of the police is being reinforced by several hundred ex-servicemen. In the Palestine section of the police, duties are being rearranged so as to avoid the contingency of Arabs being pitted against their fellow nationals, by an extended employment of Jews. The Foreign Minister of Iraq conferred with Mr MacDonald on Thursday; and it is thought that the question of Palestine figured in the conversation. But it is no exaggeration to say that the Palestinian situation today is as critical as the European situation was ten days ago. The only ray of light is reflected from the Prime Minister's announcement, in the House of Commons on Monday, that he does not intend to rest from his labours for the healing of Europe's wounds—for the present race-war in Palestine is in truth one of Europe's wounds, in spite of the geographical accident that the scene of this local tragedy happens to lie in Asia. The new factor which,

during these last years, has made the execution of the British mandate for Palestine finally impossible has been the sudden vast increase of the pressure of Jewish immigration in consequence of the wave of anti-Semitism in Germany and other parts of Central Europe. In the next instalment of Mr Chamberlain's work, will he take up with Herr Hitler the urgent question of relaxing the persecution of racial, religious and ideological minorities in the totalitarian States? And when the peacemakers come to the point of redistributing Europe's colonies, will they think of finding a colony for the Jews as well as for the Germans? It is only within this much larger framework of peaceful change in Europe and in Africa that the Jewish pressure on Palestine can be relaxed to a point at which a Jewish-Arab *détente* will become practical politics. There is no time to lose.

* * *

France and the Crisis.—That special powers should be accorded to M. Daladier after and not before the crisis is significant of more than rocky French finances. When the full tale of these days comes to be reckoned up it may after all be found that the decisive factor turned not on the tenor of conversations in Germany or Whitehall, nor on the mobilisation of the British Fleet, but on the lack of unity which was present throughout the negotiations both within the French nation at large and within the French Cabinet. One group wished to negotiate until the last moment had come and the last bargaining counter, if need be, surrendered; the opposing group, like Mr Duff Cooper, was for returning threat by counter-threat. Between these two positive views fluctuated the puzzled understanding of the French nation, ready to fight but very reluctant to believe that fighting was necessary. On the one hand, MM. Daladier, Bonnet and Chautemps, backed by supporters of the Right who included M. Flandin, journalists like M. Maurras, and some of the Radicals; on the other hand, MM. Mandel and Reynaud, with all the organs of the Left and influential politicians like M. Blum, demanding a firm stand. In the event there was no real "united front," of the kind which appeared most emphatically in Great Britain, about what should be done in the last resort: there was, indeed, a vacillation which meant an inevitable weakening in diplomatic strength. As things went, the first group carried the day. Returning from Munich tired and perhaps disheartened, the Prime Minister was greeted with flowers and grateful cheers in the streets of Paris.

* * *

Rejoicings at the peace were never free from doubts tinged with shame at the sacrifices demanded of Czechoslovakia; and counting the cost of what those sacrifices would mean to France herself began as soon as the peace terms became known. Apprehension of the future was heightened by the Chamberlain-Hitler declaration: commentators demanded of their readers the meaning of this strange by-product of the Four Power talks, squaring so clumsily as it did with the Entente Cordiale, and cast gloomy reflections on what many considered France's weakened position. Hot on the heels of these anxious doubts came fresh fears of impending monetary difficulties. And although these difficulties, being temporary, will pass, there is in France a growing realisation that the new situation brings with it new elements which will not pass. The Soviet and Polish alliances have clearly lost much of their force: nobody could be surprised if they were to lose all their force. An Ambassador is being hastened on his way to Rome lest France be left out of the Anglo-Italian talks; and if they are not careful the Quai d'Orsay will soon be dancing to a Roman tune. Barthou's vision of a resolute France stretching out an arm to the wavering nations beyond the Oder and the Danube, and binding them together in mighty defence of the *status quo*, fades before another vision: the vision of men like M. Flandin, of a France bereft of allies and hemmed in by enemies, withdrawn from all her outposts for a final stand upon the Maginot Line. That vision is painful; but only time can erase its possibilities.

Poland Favours Partition.—Since the eighteenth century the Poles have been notorious for their political folly, but in compensation they have enjoyed a reputation for political chivalry. They suffered for their loyalty to their French benefactor Napoleon when fortune turned against him; and for a century they gave their lives on behalf of many lost causes besides their own. As a result of the present Polish Government's handling of affairs during September, 1938, Poland's reputation for political unwisdom will have been (if that is possible) enhanced, while her good name for chivalry will have been undeniably lost. Meanness and pettiness have been the keynotes of Polish conduct; and these unpleasant qualities were shown at their worst in the last act, which followed the Four-Power agreement at Munich. At Munich, in the night of September 29th-30th, it was agreed that, if the question of the Polish and Hungarian minorities in Czechoslovakia had not been settled within three months by agreement between the respective Governments, they should form the subject of a further meeting between the four Heads of Governments of the Great Powers; as a pledge, it was further agreed that the prospective German and Italian guarantees of Czechoslovakia's new frontiers should not be given until after a settlement of the Polish and Hungarian minority questions had been reached. In other words, Poland had a Four-Power guarantee that she and her minority in Czechoslovakia should receive as favourable treatment as Germany and the German minority. Colonel Beck might well have been content to win so great a reward from other statesmen's efforts. Instead, he and his colleagues seem to have had no room for any feeling but one of pique at their not having been invited into the Council Chamber of the Big Four; and, acting on this feeling, they did their worst to upset the peace of Europe again the moment after it had been saved by a hair's breadth. During the same night of the 29th-30th the Polish Government sent Prague an ultimatum, expiring at 2 p.m. on Saturday, demanding the occupation of the Czech part of Teschen on that day and the further occupation of a larger area (including Czechs as well as Poles) by the 10th. For this childish purpose of keeping abreast of Herr Hitler's dates, the Polish Government flouted the protests of the French, British and German Ambassadors on Saturday morning. Prague capitulated perforce; and the Polish Army has marched in. But what is going to be the next chapter in the history of a post-war Polish Republic which, in its national composition, is a replica of Czechoslovakia on a larger scale? In Poland, as in Czechoslovakia, between a quarter and a third of the population does not belong to the ruling nationality—and does not wish to belong to the post-war State. In Poland, as in Czechoslovakia, one of the unwilling subject minorities is German. How long will the Poles have to wait for the Fourth Partition they have now so foolishly encouraged? And where will they then find friends?

* * *

Hungary's Discretion.—Hungary, like Poland, has been assured, in the Four-Power agreement of Munich, that she and her minority shall receive no less favourable terms than those which Germany and her minority have obtained from Czechoslovakia. Unlike Poland, Hungary seems to have made up her mind to wait until she is helped, instead of snatching from the dish before the carver has had time to finish his job. No doubt Hungary has been assisted in her choice of this path of discretion by the attitude of some of her neighbours. Roumania and Yugoslavia are reported to have told her that, if she attacks Czechoslovakia, they will honour their undertakings to Czechoslovakia under the statute of the Little Entente. And Czechoslovakia could accept the military aid of her two South-East European allies without laying herself open to a German charge of Bolshevism which would have been the awkward consequence (as a Czech spokesman has pointed out) of accepting the aid of the Soviet Union, whether against Poland or against Germany herself. It has been arranged between Budapest and Prague that negotiations are to take place, and it is not too much to hope that these will have resulted, long before the Munich term of three months is up, in an amicable agreement on fair

lines. To disentangle from the Slovaks the Magyars now under Czechoslovak rule will present as difficult a geographical problem as the disentangling of the Bohemian and Moravian Germans from the Czechs; and in this case, as in that, a clear cut will require an extensive exchange of populations.

* * *

In the past, Hungarian nationalists have demanded an integral restoration of the territories of the Crown of St. Stephen; and this, *vis-à-vis* Czechoslovakia, would mean a retrocession to Hungary of Slovakia itself, and not merely of Slovakia's Magyar fringe. Now that Herr Hitler has renounced the acquisition of all Bohemia and Moravia (which would have been the practical result of the Godesberg ultimatum), any Hungarian demand for the whole of Slovakia is presumably likewise out of court. As it is, Hungarian demands made known in Prague on Monday and Tuesday asked for immediate negotiations on the transfer of territory. To ensure "a friendly atmosphere" the Hungarian Government suggested that all Magyar political prisoners be freed, that all Magyar soldiers in the Czechoslovakian Army be released, that local civil guards replace the State police, and that a token occupation of two frontier towns be made by the Hungarian Army. Changes in the Prague Government have held up reply to these suggestions. They coincided with fresh Slovak autonomy demands, M. Cermak, the Slovak Minister in the original Sirovy Cabinet, having resigned; but, as if to set off the reported Hungarian demand for all territory south of a line drawn between Bratislava and Uzhorad, which would cut off many Slovaks, the executive of a new Slovak Party formed on Wednesday night denied any intention to secede and declared for co-operation with the Czechs and the Ruthenians. Even if Hungary did still demand Slovakia, we may already hazard the guess that Herr Hitler would be one of the promptest to intervene on Czechoslovakia's behalf. So long as the "rump" of Czechoslovakia survives as a state, Slovakia insulates Hungary and Poland from one another; and Germany will wish to keep these two neighbours of hers insulated for precisely the reason that is making them eager to possess a common frontier. If Hungary joins hands with Poland, Germany's eastward advance is barred; if Slovakia remains in Czechoslovakia, Germany's advance is still open. In the next chapter of the story we may expect to see an entente between Germany and a Czechoslovakia who will no longer possess a subject German minority, while Hungary (with her 400,000 Germans) and Poland (with her 750,000) will begin to feel the German breeze. The Hungarians appear to be seeing ahead rather more clearly than their fellow dupes at Warsaw.

* * *

Russia's Part.—One of the major mysteries of the last few weeks is the rôle of Russia and the place that is reserved for her in the new alignment of Europe. It may

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be useful to recount in brief the story of Soviet diplomacy during the crisis. It comes into the open on September 10th, when M. Litvinov and M. Petrescu-Comnen were said to have included in their Geneva talks the question of the transport of Russian war materials across Bessarabia. Roumania, the rumour went, would allow that passage provided that France and Britain were involved in the war. During Mr Chamberlain's mediatory efforts Soviet comment remained strictly orthodox—indeed, the Soviet attitude throughout has tended to err on the side of self-righteousness. Charges that concessions were being made to appease the aggressors ("trembling before the dictators," as M. Litvinov was to put it) accompanied appeals to the democracies to stand firm; but already by September 17th the Geneva correspondent of *Izvestia* had reported British initiatives for the organisation of a Four-Power Conference which should exclude the U.S.S.R. On September 21st the Soviet Foreign Minister revealed at Geneva that "when asked by the French Government, a few days before the meeting of the League, what was the Soviet attitude in the event of an attack on Czechoslovakia, he replied that the Soviet Government intended to fulfil their obligations and to afford assistance to Czechoslovakia by the ways open to them." This assistance was, of course, dependent on the French, a point which M. Litvinov emphasised two days later, stating that Czechoslovakia had not raised the question of Soviet assistance apart from French intervention.

The only important Anglo-Soviet exchange of views which seems to have taken place in all this time was a meeting between M. Litvinov and Lord De La Warr at Geneva on September 23rd. On the same day the Polish Government received a Soviet note which pointed out in forcible terms that invasion of Czechoslovakia would cancel the Soviet-Polish non-aggression pact; and that this was no idle warning appeared evident from stories which came in of large troop concentrations in the recently reorganised Kiev and White Russian military districts. At any rate, Warsaw took the note in the spirit it was intended, denying that they thought of invading what they picturesquely called "the lands beyond the Olza." In short, the U.S.S.R. could with good reason declare what they now repeat with fervour, that at no time was the Soviet attitude in doubt; and their condemnation of the Munich agreement is as logical as it is natural. The Soviet Government is, of course, in a very pretty position for denouncing the way in which the peace was kept; and they have lost no time in dissociating themselves from the negotiations and from the settlement. But there is no certain indication yet of the line that Russia will pursue in future. Sir John Simon has said that the British Government would welcome a Russian guarantee for the new Czechoslovakia. But whether it will be given is more doubtful. We may hazard the guess that it will require some active solicitation of Moscow by London and Paris to prevent the great power of Russia retreating into isolation—and the further guess that that active solicitation will unfortunately not be forthcoming.

Outlook Uncertain.—It is too soon yet to say how the snatching of peace from what seemed to be the impending conflagration of Europe is likely to affect prospects for industry and trade. Extreme relief has given most markets an appearance of fresh confidence, but the search for sure grounds upon which to base an optimistic forecast is not very fruitfully rewarded. It is extremely probable that, so far from falling on the promise of peace in our time, re-armament expenditure will rise, and the vacuum in industrial demand which would succeed the abatement of munitions orders will be indefinitely postponed. Even so, as the course of events this year has shown, re-armament is not enough to compensate for cyclical slackening in industries not directly affected by Government orders, or even in those, such as iron and steel, whose concern with armaments is direct. Textiles and coal, to take only two examples, are dependent for their prosperity

upon trade with countries overseas. For many months both of these industries have been depressed; and it is far from certain that the Peace of Munich will lead to that assured confidence in the world which alone could serve as the basis of any appreciable expansion in normal trading. It is true that the reconciliation with Signor Mussolini which is rumoured to be on foot might markedly improve prospects for our exports in the Mediterranean. But it is equally true that the acquisition of Sudetenland by Germany and the intensification of the German drive in South-East Europe must in many ways further weaken the position of British exporters in a region where already they are on the defensive. For the moment, economic disarmament is no less unlikely than military.

Thus, immediate political and industrial signs are, to say the least, not favourable. There are many who believe, with Mr Colin Clark, that the upturn in the cycle, certainly in its purely British aspects, is not due before 1939 at the earliest. The September employment returns (discussed in detail on page 85) were not encouraging; and next month's report from the Commissioner for the Special Areas will tell, on balance, a gloomy tale. Yet there is one vitally important factor which should counteract any tendency towards undue pessimism about the economic outlook. Recovery in the United States has not perhaps proceeded so rapidly as some optimists had hoped; but the August indices of industrial output and building activity in that country (reported on page 66) suggest that steady revival is going on, and informed observers are convinced that the upward trend has been continued in September. If this is so—and it is to be remembered that American business, too, is not uninfluenced by political considerations, especially during an election campaign—then the powerful magnet of American demand may galvanise our primary producing customers into new life, and economic activity all over the world, and not least in this country, will benefit accordingly. The hopes of the Old World still rest, as they have done for so many months, upon the New.

Air Raid Precautions Campaign.—The nation-wide campaign to bring the country's precautions against attack from the air up to full strength, which was projected many weeks ago, began on October 3rd according to plan. The Home Secretary did not inaugurate the drive with a speech, as had been intended; the grim lessons of a fortnight's intensive improvisation had made public exhortation scarcely necessary. The Government has made it known that the enrolment and training of volunteers must proceed with all speed; and the distribution of seven million enrolment forms by hand and by post has been begun. Recruitment at this juncture is the more important because the events of the period of crisis revealed very clearly the disadvantages of the hurried organisation of vital precautions in the hands of willing but untrained persons. And, despite the feverish activity of recent days, more than 400,000 volunteers are still needed to make up the million recruits required by the Government before the end of the year. Nor is the outstanding problem one merely of personnel. London was shown short of both men and equipment. It is imperative that types of efficient air-raid shelters should be authoritatively specified; and that the threefold responsibilities of local authorities, business firms and private persons should be clearly defined and made obligatory. It must be unmistakably laid down, too, as a principle of policy, that lack of personal resources or of decent dwellings will not be allowed to prevent the poorer families from securing a measure of protection equal to that obtained by the more well-to-do.

Lessons of the Crisis.—In a bare fortnight, the Government and local authorities have spent a sum variously estimated at between £12 and £20 millions on hastily contrived A.R.P. Civilian defence in this period has cost more even than the expense of mobilising the Fleet, estimated at between £10 and £14 millions, and

very much more than the money spent by the War Office and the Air Ministry on emergency measures. Forty million gas masks, costing £5 millions, have been transported and, for the most part, distributed to citizens. Millions have been spent *ad hoc* and, in general, without tender or estimate, on the digging of trenches, the improvisation of shelters, the purchase of timber and more than a hundred million sandbags, arrangements for fire fighting, the distribution of posters and leaflets and the evacuation of children from vulnerable centres of population. It must be frankly and gratefully admitted that when the actual call came the plans of the Government and the local authorities for protection against high explosives, for evacuation and for the organisation of hospitals and transport were very much further advanced than stated official policy had earlier led critics to believe. But the successful—and costly—improvisations of the days of danger also revealed the great leeway which has still to be made up before a permanent and adequate plan of precautions can be completed.

There has been a good deal of loose thinking among the Government's critics on the question of administration. The charge has frequently been made, for instance, that a service of such national importance as A.R.P., which must be uniformly efficient all over the country, ought not to be placed in local hands. Clearly local authorities have varied widely in their competence, even under the pressure of impending danger; but, equally clearly, A.R.P. must be administered by the authorities which direct education, police, fire and public health, and must be closely fitted to particular local needs. What is needed is not a new centralised system to do for Britain what the iron framework of the Nazi Party has done for German A.R.P., but a comprehensive and detailed statement from the Government of the minimum requirements of every locality, every commercial and industrial institution, every building and every household for protection against all forms of air attack, and the rigid enforcement of these stated standards—by precisely similar means to those by which minimum standards of efficiency are centrally imposed in education and health. The chief weapon of enforcement, grants-in-aid, is already in the Government's hands. The skeleton of a central supervisory department and an inspectorate already exists at the Home Office, and could readily be brought to the required strength and stature. We have seen the perils of delay; there must now be no more of it.

Spain.—Although the insurgents, according to a Government estimate, have suffered on the Ebro front since July 25th between 60,000 and 75,000 casualties, they have won no victories. Talk of a Three-Power Spanish settlement which began to appear this week after the resumption of Anglo-Italian talks in Rome, involving as such a settlement would the withdrawal of Italian troops, may come as a welcome sign to both Burgos and Barcelona after all this unavailing bloodshed. For in that case Spaniards on either side might be more ready to make that settlement which national pride—after two years of civil war a poor, torn thing but still a real force—now forbids. The Government has already made a useful beginning by taking the 15th International Brigade out of the front line after weeks of fighting, a move which is interpreted in Barcelona as the preliminary to final evacuation according to the terms of the Spanish Government's resolution on the withdrawal of its foreign volunteers. Following that resolution the League Council has decided to send to Barcelona an international commission, made up of representatives of the United Kingdom, France and Iran, whose task it will be to hold a watching brief on the progress of withdrawal and to make a report in due course; and to-day Mr Hemming, secretary of the Non-Intervention Committee, sets out upon his long-deferred journey to Burgos for the purpose of explaining the details of the British plan for evacuation. Thus the Spanish Government presents to the world undeniable proof of its desire to get rid of foreign intervention; and the onus now rests on General Franco. The nature of that

burden, being moral, permits of the General's shelving it until the Greek Kalends; but it may possibly be that Signor Mussolini, his thoughts turned towards a pending Anglo-Italian "settlement in the Mediterranean" (whatever that may mean, it surely includes Spain), is prepared to take this opportunity of recalling his "volunteers."

Six Months' Revenue and Expenditure.—The final result of the financial year depends so completely upon the yield of revenue in the fourth quarter that the six months' figures issued on September 30th (printed in full on page 95) provide only a provisional guide. Expenditure should be less subject to variation from quarter to quarter than revenue, though even here there is a tendency for the expenditure of the last quarter to be the largest of the four. There is thus comparatively little comfort to be derived from the fact that neither civil nor defence expenditure has yet reached half of the estimate for the full year. On the other hand, the estimated increase in defence expenditure over the year as a whole was £98.9 millions, and the six months' figures already show an increase of £47.6 millions, or very nearly half the total, so it may be presumed that defence expenditure is up to schedule. The progress of defence expenditure (including money raised by loan) is shown below:—

		DEFENCE EXPENDITURE (£ million)			
		1935-36	1936-37	1937-38	1938-39
First quarter	...	27.5	37.5	46.3	65.8
Second "	...	30.3	41.2	58.3	86.4
Third "	...	37.3	48.0	68.3	...
Fourth "	...	41.8	59.4	89.3	...

It will be noticed that the increase in the second quarter's expenditure, in comparison either with the preceding quarter or with last year, is almost the largest shown in the table. Civil expenditure is not increasing so rapidly. Over the year as a whole it is estimated to increase by £43.4 millions, but only £16.6 millions of this increase has yet appeared. It may be added that the quarterly return shows no very informative signs of heavy expenditure arising out of the international crisis. It is true that the Supply Services cost £31.5 millions between September 18 and 30, 1938, compared with £23.0 millions between September 19 and 30, 1937; but the period was one day longer, and in any case such variations from week to week are not unusual.

On the revenue side, little can be told of the prospects for income tax or surtax yield from the figures of collections to date. The Estate Duties show a substantial fall of £9.4 millions (the estimated fall for the whole year was only £1.0 million), and as this source of income comes in fairly regularly over the year, a short-fall on March 31st is to be expected. Neither Stamps nor Customs and Excise are doing as well as was to be expected. Customs and Excise were together estimated to show an increase of £8.7 millions over the year, but only £1.1 millions of this has yet materialised. In short, nearly all the revenue estimates are beginning to look a little optimistic. Since defence expenditure is unlikely to be curtailed, the Chancellor's chief hope must lie in a limitation of civil expenditure if he is to attain a surplus, even within the peculiar definition of that word to which re-armament has driven us.

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Overseas Correspondence

From Our Special Correspondents

United States

Watching Europe

NEW YORK, September 27.—Enough has been happening on the domestic scene in the past week to have attracted full attention in normal times. Actually, at least in New York, no one has been able to distract his attention from European developments. On September 21st, a tropical hurricane approached the mid-Atlantic coast, but instead of bending out to sea as is the usual course of such storms, it followed the New England shore, leaving over 500 dead and doing millions of dollars' worth of damage to property. The economic aspects of the political campaign have been intensified. The state of Oregon is about to vote on a referendum for a pension scheme of \$100 a month; and the endorsement of the Townsend Plan by a large proportion of candidates for Congress is a reminder that this issue, although it was submerged by the Social Security Act, is still on the political agenda.

Again, the perennial railway crisis is now reaching an acute phase. Under more tranquil circumstances any one of these items—the hurricane, the agitation for pensions, the railway crisis—would have merited full attention. Actually, they have been almost wholly obscured by the great interest in events abroad—though this absorption is perhaps peculiar to New York.

The Federal Reserve Board has published its indices for August, and the preliminary figure of 88 for industrial production is very much in line with expectation. And current evidence indicates that September will show a further increase. The following are the figures for August:—

BUSINESS INDICES				
1923-5 = 100: Adjusted for seasonal				
	Aug., 1937	June, 1938	July, 1938	Aug., 1938*
Industrial Production (Total) ...	117	77	83	88
Manufactures	117	74	82	87
Minerals	113	92	93	93
Construction Contracts (Total)...	62	54	59	70
Residential	40	42	49	53
All other	81	64	68	84
Factory Employment (Total) ...	108.6	76.3	82.9	85.1
Durable goods	108.3	65.2	70.7	72.1
Non-durable goods	108.9	88.1	94.5	97.5
Factory Payrolls (Total).....	108.2	67.2	70.6	76.9
Durable goods	110.5	58.1	58.6	63.6
Non-durable goods	105.7	78.8	84.1	91.8
Freight car loadings	79	58	61	62
Department store sales	93	82	83	83
Department store stocks	78	68	67	67

* Preliminary

The extent of the rise since June has been slightly increased by seasonal adjustment, but the difference is unimportant.

Building Activity

The rise in building contracts is especially marked. The peak of the residential building index in 1937 came in May, when the unadjusted index was 52 and the adjusted index

44. Last month the unadjusted residential building index was 53, which suggests that the actual level of residential building is now higher than at any time in the 1936-37 period of prosperity. "Other building" has shown a 20-point advance since June, but is still below the level of a year ago; and its rapid climb may be attributed to the spending programme.

It is perhaps worth while to trace the relations between production, employment, and payrolls in the course of the cycle. The decline in production in the autumn of 1937 was far more rapid than in employment; and it was not until May and June that the two had come back to approximately the same level. The fall in payrolls was faster and deeper than in either production or employment, but the subsequent upturn has been of nearly the same magnitude: in August, 1938, the indices of manufactures and employment were almost identical with those recorded in August, 1935, but payrolls were some 10 per cent. higher.

Labour Costs and Employment

This brings the discussion into the highly controversial field of labour costs. It would appear that between the base years (1923-25) and a decade later (1935), approximately the same number of persons were required to produce a given quantity of goods, but that the payrolls were much smaller. In August, 1938, again, there was no marked change in the relation between production and industrial employment; but labour costs, per index unit, were now higher than in 1935, though still relatively lower than in 1923-25.

On the whole there is remarkably little evidence that technological unemployment is a major factor in the general problem of employment. Since the abnormal years 1919 and 1920, the relation between the indices of manufactures and employment has been, on the whole, very close. In periods of high productivity, the index of manufactures climbs more rapidly, but there is certainly no clear evidence of any general changes in the relationship between the two indices to support the common belief or assumption that there is a steady demand for labour to be displaced over the entire field of manufacturing activity; there is, of course, a number of conspicuous exceptions.

On the other hand, the relations between population and production give food for thought. In 1919, the population of the United States was approximately 105 millions; now it is 130 millions. The average annual rate of increase during the two decades is close upon 1 per cent., although currently it is only about one-half per cent. Yet, during these 20 years, there is in the course of the index of production no clear evidence of a secular trend similar to the secular trend of population. Production has apparently failed to expand as rapidly as population, and this may give a more plausible explanation of non-cyclical unemployment than the more popular thesis of technological displacement—that is, if we can accept the assumption that the index of manufactures is fairly representative of general economic trends.

The Consequences of Technical Change

The index of factory payrolls has, over the past 20 years, fluctuated more widely than either the index of manufacturing output or the index of employment. Any comparison between these indices must, of course, take into account changes in the cost of living, but we can say that payrolls in 1937 were comparable with, say, 1926 or other years in the middle 'twenties, while the cost of living was lower. And there had been, meanwhile, a substantial and fairly general shortening of the working week.

In general, therefore, the labour cost of a given level of manufacturing activity in 1937 was not higher than in the middle 'twenties, even with the shorter week, and there has been some net gain in the shape of a higher real income. These data are subject to innumerable individual exceptions, but it is possible to argue that technological change has not increased unemployment, but that it has, first, made possible a shortening of the work week and, secondly, raised real weekly wages. These consequences have not been distributed evenly over industry; and it would be dogmatic to assert that the present position has not been reached at the expense of the profit margin.

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RESOURCES

CASH AND DUE FROM BANKS	\$986,341,323.24
BULLION ABROAD AND IN TRANSIT	37,050,975.81
U.S. GOVERNMENT OBLIGATIONS, DIRECT AND FULLY GUARANTEED	661,918,043.40
STATE AND MUNICIPAL SECURITIES	108,747,143.17
OTHER BONDS AND SECURITIES	174,451,571.41
LOANS, DISCOUNTS AND BANKERS' ACCEPTANCES	620,196,819.77
BANKING HOUSES	34,865,058.10
OTHER REAL ESTATE	6,835,051.92
MORTGAGES	11,297,190.31
CUSTOMERS' ACCEPTANCE LIABILITY	22,003,055.08
OTHER ASSETS	6,416,425.19
	<u>\$2,670,122,657.40</u>

LIABILITIES

CAPITAL FUNDS:	
CAPITAL STOCK	\$100,270,000.00
SURPLUS	100,270,000.00
UNDIVIDED PROFITS	31,136,343.12
	<u>\$231,676,343.12</u>
RESERVE FOR CONTINGENCIES	16,867,007.26
RESERVE FOR TAXES, INTEREST, ETC.	1,700,804.22
DEPOSITS	2,376,974,193.01
ACCEPTANCES OUTSTANDING	22,779,871.31
LIABILITY AS ENDORSER ON ACCEPTANCES AND FOREIGN BILLS	12,169,784.94
OTHER LIABILITIES	7,954,653.54
	<u>\$2,670,122,657.40</u>

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France

M. Daladier Supported

PARIS, October 6.—The agreement at Munich strikingly enhanced M. Daladier's authority in the country. Financial experts and many members of Parliament exhorted the Prime Minister to use his new popularity to carry out the vast programme of financial and economic recovery which has been delayed too long. Such a plan would involve the immediate regularisation of the extraordinary expenditure incurred because of the partial mobilisation of the country and only covered by recourse to further advances from the Bank of France.

M. Daladier's statement on the Munich agreement, and his policy of working with London, Berlin and Rome towards the reconstruction of Europe was endorsed by 535 votes to 75. Only the Communists voted against the Government and this division marked the "first official rupture of the Popular Front." Peace, said the Prime Minister, could only be secured by unity, labour and self sacrifice. As a first proof of goodwill he then asked for plenary powers to carry through an immediate programme of financial and economic reforms.

Plenary Powers

Plenary powers were granted, but only by 331 votes to 78, with 200 abstentions. In the end, the Socialists abstained; it was conceded to them that the powers should last only until November 15th instead of December 31st and that the 1939 Budget would be submitted to Parliament as usual, so that the questions of civil servants' wages and old age pensions might be reopened.

Some Socialists had hoped to be brought into the Cabinet on the basis of a programme to control credit and big industry. But M. Daladier and his colleagues declared emphatically against control of the exchanges, against further devaluation, against any compulsory conversion of public funds, and against extra taxes on savings or industrial profits. The stock of the Bank of France will be revalued, which should bring in about 30,000 million francs. Production will be intensified by further modifications of the forty-hour week. The principle of the forty-hour week will be preserved, but (in M. Daladier's words) "social laws can only be safeguarded by the labour and the sacrifices of the whole nation."

The outlook is not clear. M. Daladier has not made any drastic appeal to the people and he has produced no sure and comprehensive programme. Politically, the Popular Front has been broken; but the Stock Exchange and the markets have not been given the great plan of salvation they had hoped for.

Direct taxes yielded 3,707 million francs in the first eight months of the year, or 819 millions more than in the same period of 1937. Indirect taxes in August realised 503 million francs more than a year ago and, in the first eight months of 1938 5,000 millions more than the same period of 1937—though receipts from indirect taxation were still 586 millions below the estimates. These figures are causing the experts to regret the suppression of the turnover tax.

Iron and Steel Output Down

The production of steel was 425,000 tons in August, making an average of 511,000 tons a month for the first eight months of 1938, against 659,000 tons monthly in 1937, 559,000 tons in 1936 and 523,000 tons in 1935. Pig iron production was 421,000 tons, compared with 433,000 tons in July and 644,000 tons in January, making a monthly

average of 503,000 tons, against 660,000 tons monthly in 1937, 519,000 tons in 1936 and 482,000 tons in 1935.

The number of blast furnaces in use was 76, against 74 in July and 101 in January. Exports of metal products increased from 100,000 tons in July to 113,000 tons in August. The quantity of iron ore mined remained practically stationary at 2,541,000 tons, against 2,583,000 tons in July. Exports of ore amounted to 1,311,000 tons in August, against 1,233,000 tons in July and 1,166,000 tons in June.

Coal production in August was 2,867,000 tons, and thus, in spite of paid holidays, output was 195,000 tons higher than in August, 1937. The number of miners employed was 248,000, or 11,300 more than a year ago. Coal consumption in July was 5,567,000 tons and, in August, 4,644,000 tons, which was 577,000 tons and 744,000 tons less, respectively, than in the same months of 1937. Coal imports, with 1,890,000 tons in July and 1,871,000 tons in August, were 27 per cent. below the level of the same months in 1937; and the average price per ton of imported coal was 233 francs against 230 francs in July and 176 francs in August, 1937.

Holland

Suspense Relieved

AMSTERDAM, October 1.—The relief felt in Holland when the recent world suspense suddenly broke could hardly have been surpassed. Heart-felt gratitude is expressed for Mr Chamberlain's achievement in averting the catastrophe of another European war.

Everywhere the tension has been relaxed. On the Stock Exchange gains of 40 per cent. are being recorded; and on the money market discount rates are falling again. Hoarding by the public has ceased. And the projected measures for preliminary mobilisation have not had to be put into effect.

The foreign exchange market also eased. In the afternoon of September 27th the Exchange Equalisation Fund suddenly ceased its purchases of sterling. The result was a sharp reaction in the sterling rate at Amsterdam, and it fell in two days from 8.92½ to 8.51, and then recovered, in another two days, to 8.90. By this policy the Equalisation Fund has again demonstrated clearly that the guilder is independent of sterling and also independent of gold. The Netherlands cannot be regarded as a member of the sterling bloc, either officially or semi-officially.

When the clouds of war were gathering, a number of emergency laws were enacted, including legislation to prohibit the export of certain articles and to ensure essential food supplies. Military action was confined to strengthening the frontier guards and calling up special troops for anti-aircraft work. To meet the cost of these measures the Minister of Defence has asked for a special credit of 100 million guilders.

Recovery and the Balance of Payments

The following table summarises the principal items of Holland's balance of payments in 1937:—

	Credit			Debit		
	1935	1936	1937	1935	1936	1937
Merchandise ...	711	796	1,205	979	1,072	1,607
Services:—						
Interest etc....	199	259	309	56	82	172
Shipping and port traffic..	116	141	228	...	...	...
Tourist traffic	3	4	5	35	38	42
Gold	748	456	928	504	516	1,671
Capital movements	445	878	1,621	587	843	1,392

The figures for 1937 are in marked contrast to those for the preceding year, and reflect the economic recovery which followed the depreciation of the guilder in September, 1936, and the big capital movements which then took place.

In the course of last year 875 million guilders of gold were imported, while gold exports amounted to only 101 millions. If the Netherlands Bank's earmark transactions are taken into account, gold imports exceeded exports by 743 million guilders. Short-term debts due from our banks to foreign countries increased on balance from 387 to 558 million guilders, while floating credits outstanding abroad dropped from 627 to 544 millions. On the other hand, Dutch holdings of foreign securities were further increased.

New Taxes

The political events of the past few days have somewhat diverted attention from the Budget, which was submitted soon after the recent reopening of Parliament. The Budget for 1939 will close with an estimated deficit of 61 million guilders. Ordinary expenditure for defence purposes has been increased by 24½ million guilders in the new Budget, and an additional 73 million guilders has been earmarked for capital expenditure on defence. To meet this deficit a new income and profits tax has been devised, constituting, broadly, a levy of 2 per cent. on rents, interest, wages and profits, to be collected at the source. Profits made by limited companies will incur a further tax of 8 per cent. This new taxation is estimated to yield additional revenue of 90 million guilders.

On the other hand, there will be a revision of taxation to lighten the burden on large families and to prevent industries from being disproportionately taxed. It is estimated that these reductions in taxation, tariffs and excise duties will mean a loss to the Exchequer of 40 million guilders.

More drastic measures for coping with unemployment are to be submitted to Parliament. On September 10th there were no fewer than 304,415 persons out of work. The percentage of unemployment among all workers was 22.2, compared with 23 per cent. a year ago and 30.9 per cent. in 1936.

Spain

(By a Correspondent just returned from Spain; this letter has not passed through either of the Spanish censorships)

National Integrity

PARIS, October 3.—Loyalist Spain does not look favourably upon proposals that the leading European statesmen who have just finished arranging a European peace on the basis of transferring parts of Czechoslovakia to Germany should now turn to settling the problem of Spain. It is felt that any such settlement, even if it did not involve an actual partition of Spanish territory, would certainly be at the expense of "national integrity," in so far as it might concede political and economic influence to Italy and Germany.

The keynote of Government policy was sounded by the Prime Minister, Dr Negrin, in his speech to the Cortes on October 1st, when he said that the only mediation acceptable would be among Spaniards themselves. The Negrin Government insists that any settlement must recognise the continuation of the Republican regime, and that there cannot be two Spains, one Republican and one Fascist. Although General Franco and his chief councillors have repeatedly disclaimed any intention of installing a Fascist Spain, Spaniards are not for a moment misled by such declarations. They know the propensity of the militarists and their kind for using fair words to hide sinister intentions. The Army, which counts heavily, is full of confidence and wholeheartedly against any peace that would pull down the Republican structure. Any Government which proposed it could not last.

Senor Negrin is in a strong position. He is given credit for averting defeat and setting up a strong Government when days looked dark last spring. He and Senor del Vayo, the Foreign Minister, are hailed as the men who frustrated what is regarded in Spain as the handing over of Spain to Italy as the price of Italy's assent to the Anglo-Italian agreement of last April.

Republican Optimism

It is alleged that General Franco's position is weakening and that he is only able to carry on by virtue of continued German and Italian aid. Prisoners report great dissatisfaction with him because of his failure to make good his extravagant boasts and frequent promises that the war would soon end in victory. As a military and political leader he is reputedly discounted. The dissension between the Carlists and the Falangists is growing.

Some prisoners report that the rebels still frequently kill prisoners as soon as captured. This has been alleged to be happening on the Ebro front. Your Correspondent can affirm that prisoners in Republican hands are well treated—all too often to their own surprise.

Military morale is high as the result of the Ebro battle of last July. The rebels are in their third month of counter-attack with a great wealth of foreign material, and still have

made comparatively little headway. In the meantime their plans, it is felt, have been completely upset for the rest of the year. The most important effect of this offensive has been the breaking up of the rebel attack on Valencia, which was in full headway last July. The Loyalists have also been enabled to give more attention to a defence of the Almaden mercury mines, which were also in danger of capture two months ago.

The French border has for several months been closed to the passage of arms and munitions, and the border vigilance is exceedingly strict. Petrol and oil supplies are the principal war commodities now passing, since they are not on the Non-Intervention contraband list. The Government has established its own rather extensive war industry and manages to transport a limited stream of war supplies by sea, notwithstanding repeated air raids. The much-announced, but still illegal, rebel "blockade" of Spanish ports is ineffective except for sporadic raids, and the Loyalist naval units, although little heard of, are performing effective work in conveying supply ships.

The Food Problem

Food distribution has been placed on a well organised basis with rationing, popular restaurants, eating places for children, housing and feeding of refugees, etc. It none the less presents serious difficulties which occupy the urgent attention of the Government. Hoarding and profiteering have been rigorously discouraged. The diversion into private hands of food intended for public rationing, of which there has been much complaint in the past, has been reduced greatly.

The attitude of the peasants is not very satisfactory. Everyone knows that they hoard food with which they refuse to part and that the situation would be much alleviated could the peasants be made to disgorge. The Government has so far been exceedingly tolerant of the peasants, not wishing to arouse their hostility.

Although there is a feeling in the air that something may happen to bring about an acceptable peace before the forthcoming winter is over, Loyalist territory, and particularly Barcelona, is preparing to withstand the rigours of war suffering and resistance on a scale not heretofore known. One indication is the extensive preparations for the housing of refugees and for rationing on a semi-permanent scale. Another is the more highly organised defence, particularly against air raids. Anti-aircraft guns are being multiplied, as well as shelters against raids, and coast defences are being strengthened.

There is a general feeling that the war has entered a favourable phase for the Republic. A parallel is traced between the present situation and the Napoleonic invasion of 1808 to 1813. It is recalled that, by 1811, the French armies, commanded by Napoleon and his best generals, had taken almost all of Spain, including Barcelona. Yet the French were soon making their last hopeless stand at Vittoria before the determined Spanish armies, aided by Wellington. Now they have no Wellington, it is true, but Republican army leaders will proudly tell one that their new disciplined army is their Wellington this time.

The recent proposal of Senor del Vayo, the Foreign Minister, for the withdrawal of foreigners fighting on the Republican side, is a further reflection of this confidence. It will put an end to the eternal bargaining with Italy regarding the withdrawal of volunteers; it will upset the arguments of those who attempt to justify Italian and German invasion on the supposed ground that the Loyalists are sustaining their part of the war with "foreign invasion" in their own favour, and it may be a strong argument to procure the lifting of arms embargoes, since Republican Spain will be able to say that she is fighting in defence of Spanish sovereignty against rebels and foreigners.

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Books and Publications

Investment and Industrialisation

PROFESSOR L. H. JENKS'S book on British capital abroad* was first published in 1927, and then only in the United States. Since that time it has become something of a rarity, but an indispensable adjunct to nineteenth-century studies. The new English edition in the Bedford Series of Economic Handbooks is in consequence doubly welcome.

This is not merely a statistical study of a particular phase of nineteenth-century financial history. It is one of the best books ever written on the dynamics of economic development. Few authorities would disagree with Professor Jenks's statement that "all quantitative statements with regard to the export of capital, past and present, are estimates." Such estimates have, of course, been made by numerous authorities, including such outstanding statisticians as Newmarch, Giffen and Sir George Paish, and the results achieved have been reasonably consistent. Professor Jenks freely recognises this, and himself makes use of all the available statistical studies; but, at the same time, he rightly lays stress upon the unavoidable gaps, and primarily devotes himself to the *process* of investment rather than its amount. His account is "not so much of where the money went, as of how it got there." Professor Jenks's book has long been recognised as a sound and penetrating historical study and, on all counts, it merits the wider public which an English edition will undoubtedly secure.

The story of the migration of capital from this country in the course of last century is both picturesque and illuminating. Governments defeated in war and saddled with indemnities were financed by houses in the City of London who were strong enough to accept the far-reaching political consequences of their enterprise. Newly-created governments in all parts of the world depended for their very existence on the backing of men willing to stake millions on a political hazard; and old states striving to cover political weakness by financial audacity similarly sought British assistance.

A world overseas that was ready to absorb the benefits of the revolution in production and transport which had already transformed Britain needed to be put in touch with contractors in search of employment for their costly capital equipment. Professor Jenks relates how this was done. He shows how industrialisation and the railway spread from frontier to frontier and from shore to shore; and he shirks none of the aspects of a process which was sometimes unsavoury. How France paid for the Napoleonic Wars in loans issued at so heavy a discount that determined bulls (whose operations were covered by the Duke of Wellington with his army of occupation) could make millions overnight; how Greece and the Latin American Republics met their financial needs by loans which made the fortunes of contractors while leaving their citizens with heavy interest burdens; how British contractors built railways for the world without undue regard to their paying prospects; how India was made a

permanent debtor to England; and the bankruptcy of the Near East made to provide a rich harvest for loan-promoting syndicates—all is told clearly, vividly and fairly.

Professor Jenks's judgments are emphatic, but in only two cases are they likely to be regarded as unduly sweeping. These are his assessment of the relative importance for England of abundant money and free trade in the period immediately after 1848, and his wholesale condemnation of the guarantee system under which many Indian public works were carried out. A few specimens of this book imported from the States have long been prized on English scholars' shelves. No library or student of economic history should now be without a copy.

Shorter Notices

A.R.P. By J. B. S. Haldane. Gollancz. 296 pages. 7s. 6d.

In the space of a few brief days the nation has looked upon war and passed on its way unscathed. The lessons Professor Haldane sought to teach in this book, put out on the eve of the crisis, have been learned on the instant under the shadow of hostilities. It is Professor Haldane's view, derived from his scientific knowledge and his acquaintance with aerial bombardment in Spain, that the precautions advised by the British Government before the crisis were inadequate to meet the menace of hostile attack and the danger of panic. The protection provided against gas was reasonably effective; but the safeguards against incendiary bombs and, above all, high explosives were quite insufficient. Professor Haldane calls for trenches, shelters, a large-scale system of tunnels, and wholesale evacuation of women and children. Every park and open space now bears witness to the fact that imminent danger revealed the authorities converted to something like this view. Plans for the evacuation of London emerged fully drafted in the hour of danger. The report of the Anderson Committee was not published in the midst of the excitement, but clearly—to judge from the measures actually taken—its members had gone a long way in their deliberations along Professor Haldane's road. Professor Haldane made a serious mistake in mixing doctrine and not very well-thought-out views about politics with his clear and fair statement of the A.R.P. position. But, so long as A.R.P. remains unhappily of national importance, the service rendered to the community by this book will be evident.

Population. To-day's Question. By G. F. McCleary. Allen and Unwin. 222 pages. 6s.

"This book has been written in the belief that the general reader dislikes statistics and technical terms." Dr McCleary has succeeded remarkably well in telling the whole tale of the population problem in language which is at once everyday and distinguished. The history of population and of population theory since the days of Malthus is succinctly related. The present position when "the birth rate has declined in all the countries of the Western world," is fully examined, with all its social and economic implications. A grave decline in actual numbers in the not distant future can only be averted by an increase in fertility. What can be done about it? Dr McCleary himself has done much to accomplish the first step, which is to make the facts widely known, for this book is a model of intelligible and sympathetic presentation of difficult material. The second step, in Mr Keynes's words, is to frame a considered national policy. Here Dr McCleary is content to call for a thorough study of the problem and of the policies pursued in other countries. The readers of his book will assuredly come to the conclusion that such research and, as soon as possible, some definite programme should become a chief part of public policy.

An Introduction to the Study of Prices. By Sir Walter T. Layton and Geoffrey Crowther. MacMillan. 288 pages. 8s. 6d.

This book was first published twenty-six years ago. In 1935 a second edition brought the argument and the statistical record up to date. The new edition carries the story up to the end of 1937, but no changes have been made in the main body of the work.

THE BUSINESS WORLD

The Government's Exchange Profits

THE cost of last week's war preparations, from the mobilisation of the fleet to the digging of trenches in Hyde Park, is still to be revealed to the taxpayer and the ratepayer, but there is little doubt that it will be more than they will contemplate with any pleasure. One private estimate puts it as high as £30 millions, including £10 millions for the Fleet mobilisation alone, and while it is permissible to hope that these figures are an over-estimate, the sum total of all the various kinds of expenditure must be considerable. Yet while most Government departments were faced with sudden and abnormal expenditure, there is one Government fund which must have made a large profit out of the crisis. This is the Exchange Equalisation Account.

No details have been issued of the magnitude of the Account's operations, and any estimate of the size of the Account's profits is pure guesswork. Yet the technical devices adopted by the Control are fairly well known. First it intervened directly in the foreign exchange market, selling dollars acquired by its own shipments of gold. Alternatively, it sold gold to arbitrageurs in the London bullion market, so long as arbitrage was practicable. At times it bought gold—at a discount—from nervous Continental holders, who were shifting out of gold into dollars. Finally, on September 28th the Control is known to have sold dollars heavily at rates down to \$4.61, and to have bought them back later in the day at around \$4.71. All four types of operation resulted in jobbing profits to the Account.

In any attempt to calculate the profit arising from these transactions it is necessary to begin with the impression, given by the half-yearly statements of the Exchange Equalisation Account's position, that its gold is valued at 140s. per fine ounce. If, then, it sells gold at a higher price, whether it is sold to arbitrageurs or hoarders, the Account makes a profit commensurate to the price margin. Thus a substantial amount of gold was sold by the Control in the London bullion market at prices ranging around 144s. per fine ounce. This is equivalent to a profit of 2.86 per cent.

When the Account intervenes in the foreign exchange market, it has to ship the gold to New York and pay the shipping charges. On the other hand, it gets the full price of \$35 per fine ounce, whereas the London bullion market price is adjusted so as to allow for the cost of shipment; selling in London shows a higher return when the London price is at a premium, a lower when it is at a discount, compared with the "shipping parity." To illustrate this source of profit, the Account last month gave heavy support to sterling at a rate of \$4.80. Sales of gold at this rate of exchange would realise a profit of 3.54 per cent.

At the height of the crisis the Account had to turn a buyer of gold in the London market. This gold was bought at a discount, but as the vendors were simultaneously buying dollars, the Account had to ship the gold to New York in order to support sterling. In this case the net margin of profit would depend upon the discount at which the gold was bought. A 6d. discount on a price of 145s. would produce a profit of 0.35 per cent., while a discount of 1s. equals 0.69 per cent. The profit here is thus less than in the preceding cases.

The purely jobbing profits, derived from in-and-out transactions in dollars, are also not so great as might be

expected. Even if it were right to assume that the Exchange Account did all its transactions at the two extreme rates current on September 28th, the difference between sales of dollars at \$4.61 and repurchases at \$4.71 only equals 2.17 per cent. In actual fact, the Account was selling on that day long before the rate fell to its lowest point, and its average profit margin would have been more like 1 per cent.

In an attempt to evaluate the Exchange Account's total "crisis" profits, two lines of approach can be followed. First, the foreign exchange and bullion market reports can be scrutinised day by day over the period from August 27th to September 28th inclusive. A large amount of guesswork at the magnitude of the various days' transactions is needed, but the result seems vaguely to indicate a profit for that period of the order of £3,000,000. An alternative estimate is possible as a check upon the first. The total gold exports from England to the United States for the five weeks to September 29th add up to £80 millions. If it is assumed that all this gold came out of the Exchange Account, and that the average profit margin, as described above, was 3 per cent., this gives a total profit of £2,400,000, exclusive of the Exchange Account's jobbing profits and also of profits derived from purchases of gold at a discount. Taking these last into account, the former figure of £3,000,000 may not be very wide of the mark.

Under the governing legislation, any profits earned by the Exchange Equalisation Account are retained until the winding-up of the Account, when, together with the Account's original assets, they will be applied to the reduction of the National Debt. In point of fact, practice is not quite the same as theory. These profits at present take the form of sterling, which means that they are invested in Treasury bills. This in turn leads to an equivalent reduction in the volume of Treasury bills issued by tender to the market—that is, in the effective size of the floating debt. It therefore follows that if the law is allowed to take

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* The Migration of British Capital to 1875. By Leland Hamilton Jenks. Jonathan Cape (London). 442 pages. 15s.

its course the Exchange Account's crisis profits will be devoted not to a reduction in the National Debt generally at some remote and indefinite future date, but to a reduction in the floating debt here and now. More important still, it is extremely probable that this reduction will escape the notice of everyone concerned.

An alternative that might be suggested is that special legislation should be passed, appropriating the Exchange Account's crisis profits towards the abnormal expenses incurred by the Government as the result of the crisis. Legislation of this kind would in one sense do no more than bring out into the open the financial reactions which

will actually be going on behind the scenes. It would, however, reveal what is the net cost of the crisis, after allowing for the Exchange Account's profits. In that way it might save the Government from the possible temptation of imposing sufficient new taxation to cover the gross cost of the crisis, while at the same time allowing the Exchange Account's profits to drift away in redemption of the floating debt. It would, in fact, let fresh light into our financial position as affected by the crisis. The Exchange Account's profits may not be large in relation to the total cost of the crisis. But they arose from the crisis, and it would not be improper to appropriate them in aid of its cost.

Oil Shares in Recession

DURING the past fortnight the Stock Exchange has discounted war and tried to capitalise peace. Yet throughout these violent phases armament and "near-armament" shares have moved strictly in step with the rest of the market. To put oil shares in the latter category might be considered a strain on ordinary language, yet oil supplies to-day are one of the leading items of military matériel. And oil shares, consequently, must be considered in any investment programme which seeks to take account of a potential war or a re-armed peace.

At the moment, however, it is the economics rather than the politics of oil which deserve the investor's attention, important though the latter may be. The facts of the world oil situation are tolerably clear. The impact of recession found the industry—in the United States at least—with more than adequate stocks. Indeed, they had continued to grow during the period of recovery, despite a record consumption of refined products. Prices, however, have been less affected during the past year than those of other primary commodities; indeed, the supervision exercised by the world's leading producers outside the United States, coupled with such official American measures as the decision of the Texas Railroad Commission to restrict crude oil production to five days a week, seem to have worked more successfully than the more rigid restriction schemes in force for other commodities.

But even without a collapse of oil prices the facts explain readily enough why "Shell" Transport and Trading ordinary stock has fallen from its high level of 147s. in 1937 to the current level of 90s. 7½d.; and why Apex (Trinidad), to take a junior share in the list, now stands at 28s. 9d., compared with a "high" of 42s. 1½d. last year. The recovery since Wednesday last week has assisted these prices, but they still leave the leading issues discounting reduced earnings for the current year. How great is that reduction likely to be? In terms of individual companies, a specific answer is scarcely possible. Three months have yet to elapse before such leading concerns as Anglo-Iranian, "Shell," and Burmah Oil complete their financial years. Both prices and outputs could move considerably in that time. On the other hand, Trinidad Leaseholds accounts, to June 30th, are due next month, while Apex

(Trinidad) and Trinidad Petroleum Development have also completed their financial years, to September and July respectively.

The timing of recession on the earnings of any particular period is thus important for particular shares and potential dividends. Next, the investor must differentiate between the chief products and markets of the leading companies. There are concerns like Apex (Trinidad) and Trinidad Leaseholds whose revenues depend largely on the British petrol market. Others, like Anglo-Iranian and "Shell," are governed partly by British and partly by world conditions. Again, Burmah Oil and Attock Oil are largely insulated from world movements, since they are principally interested in the Indian kerosene market. To compute the prospects for oil companies generally by reference solely to conditions in the United States, or in the Gulf export markets, would obscure these vital differences. Yet American conditions play an important part in the world oil structure, and they are worth detailed attention.

Judging by crude oil prices, developments in the American oil industry this year do not seem spectacular. It is true that East Texas crude was reduced from \$1.35 to \$1.25 per barrel at the end of August, but Mid-Continent prices have remained absolutely stationary. The threat of excessive crude oil stocks has been removed; the total of 282,457,000 barrels on September 10th was 8½ per cent. lower than for the corresponding date of 1937. The current level, as the *Petroleum Press Service* has recently pointed out, is the lowest since 1923. But the continued accumulation of stocks of refined products reveals a sharp contrast to this achievement. Refineries have continued to operate at an unduly high level, some of them with little regard for profit. The result is that total gasoline stocks in the United States are 4½ per cent. higher, at 68,605,000 barrels, than a year ago, while stocks of heavier derivatives, like gas oil and fuel oil, show an increase of no less than 29 per cent., to 150,468,000 barrels. Meanwhile, gasoline consumption is showing a more than seasonal fall, and an appreciable reduction in heavy oil stocks depends upon a bitter winter or a marked industrial recovery.

The stock situation in the American oil industry, as we have seen, is not the sole determinant of conditions in the

world oil markets. But it has exerted a depressing influence on Gulf export business, which in turn plays a major part in the oil markets of the Western Hemisphere. From the investment angle, "Shell," Venezuelan Oil Concessions, and several Trinidad companies are closely affected by changes in the Gulf markets. During the past twelve months Gulf quotations for motor spirit have fallen from 6.125 cents per gallon to 4.625 cents, and for fuel oil from 90 cents to 60 cents per barrel. A similar price trend has also been evident in the British petrol market. The leading distributors reduced their prices from 1s. 7d. to 1s. 6½d. per gallon in February. There followed an increase of 1d. per gallon after the Budget, due to the increased duty. But in May the standard grades were again reduced by ½d. to 1s. 7d. per gallon. In effect there has been a reduction of something more than a penny per gallon in the return to the distributing companies, for some concession was made to retailers early this year. In part, this fall has been offset by reduced prices for purchased supplies, and by lower tanker freights. In the Gulf/U.K. Continent trade, for instance, rates for clean tankers have fallen from a high level of 32s. 6d. to no more than 12s. per ton during the past twelve months. It is generally assumed that, so far as the distributors are concerned, this freight reduction broadly offsets the reduction in retail motor spirit prices. But this assumption is qualified by the fact that the large integrated concerns—of which "Shell" is the foremost example—operate their own refineries and tanker fleets, and to that extent do not experience the effects of changes in the oil and freight markets in direct form.

Unless the principal consuming countries busy themselves with the further accumulation of strategic supplies, it seems probable that export activity in the oil markets is likely to decline. The accompanying table shows that substantial additions to output have been secured during the current year, particularly by Anglo-Iranian and Venezuelan Oil Concessions (output figures for Burmah Oil and "Shell" are not published). But it may be significant that Trinidad Leaseholds' production and purchases for the two months to August showed a falling tendency. Depression has not struck seriously at the output figures as yet, for they have been assisted by the secular growth in oil consumption. Yet the statistics may be more affected in coming months, unless trade recovery reappears.

These facts provide a rough-and-ready basis for assessing the prospects for individual oil companies. Marketing concerns whose business consists mainly or partly in purchasing and re-selling export gasoline should show comparatively small movements in profits for the current year, for consumption has been well maintained, and profit margins have suffered far less than those of the refiners who purchase outside supplies of crude oil. In this class "Shell" is perhaps outstanding, though, like Anglo-Iranian, it is also affected by world market conditions. Secondly, companies largely concerned in the British petrol market, like Apex (Trinidad) and Trinidad Leaseholds, should have fared reasonably well, although in each case the latest expansion of output has not been so striking as in recent years. Among the companies whose fortunes are dependent at first hand on American crude prices, Anglo-Ecuadorian and Lobitos are of principal British interest. So far as prices are concerned, both should have fared relatively well during the current year. But this is not the only criterion for valuing the shares. Anglo-Ecuadorian has recently concluded a new contract with the Government of Ecuador, on more onerous, though not crippling, terms. Lobitos obtained a useful contribution to its profits, in pre-depression years, from the tanker fleet, and in 1937, again, a substantial profit was realised after providing for depreciation. The fall in tanker earnings this year may be tempered by time charters, but it will not leave Lobitos unaffected. Meanwhile, the company has to make generous provision for obsolescence in connection with the Ellesmere refinery.

It is, perhaps, the companies which sell on the basis of Gulf export prices which stand to feel the more extreme consequences of lower prices. Among these concerns we may distinguish Venezuelan Oil Concessions, United British Oilfields of Trinidad, and Trinidad Petroleum

Development. The latter concern, which has this week announced a dividend of 12 per cent., compared with 7 per cent. for the preceding year, is a special case, for its output has been rapidly expanded during the past year. Its production is sold in turn to United British Oilfields of Trinidad under a contract which cannot be determined until 1941. The latter company's programme includes the doubling of refinery capacity and the exploration of new areas acquired in recent years. The growing importance of Trinidad oil production, indeed, is evident in a 15 per cent. increase in output for the first half of this year, and in increased exports of gasoline, of which 71½ per cent. enter the British market.

These political and economic links have some bearing on the valuation of Trinidad oil shares, compared, say, with Venezuelan issues. Venezuelan Oil Concessions has substantially increased its production since 1936—the new Tia Juana region was responsible for one-fifth of the company's output in 1937, although regular working only commenced in March of that year. The company's policy in future years may be to discover supplies of better-grade crude oil, for the substantial increase in output in recent years has been accompanied by lower quality. Again, the political risk, while not in any sense urgent in character, is of a different order to that which governs Trinidad producers.

What do these discussions imply for current investment policy? They suggest, principally, that holdings of the leading oil equities, although they have lost considerable value reckoned by last year's peaks, scarcely call for disturbance. It may be that Anglo-Iranian has recovered too fast, relatively to "Shell," from this year's lowest prices. And the fact that the latter's gross yield, reckoned on last year's dividend, is approximately equivalent to the return on an average holding of Trinidad oil shares is, perhaps, a further mark in its favour. Shares which offer a yield running into double figures, however, convey a warning of their own to the long-term investor. For that reason Lobitos, Anglo-Ecuadorian, and even Venezuelan Oil Concessions must be regarded as a preserve for the informed operator.

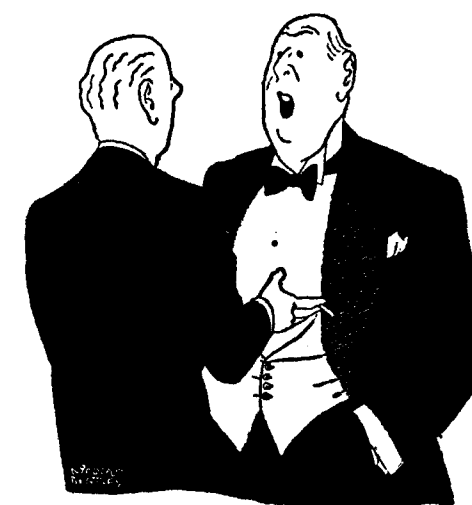
PRODUCTION AND EARNINGS OF LEADING COMPANIES

Company (and Share Denomination)	Relevant Oil Price or Chief Market	Fin. Year ends	Comparative Outputs (tons)			Ordinary Earnings and Dividends Latest Year.		Ordinary Shares			Yield (%) on latest Year's Div.
			No. of Months	Previous Year	Latest Year	Earned %	Paid %	High 1937	Low 1938	Current	
Anglo-Ecuadorian (£1).....	American crude.....	June	12a	255,779	270,763	14.7e	15e	44/7½	13.9	18.6	16.22
Anglo-Iranian (£1).....	Brit. petrol and world markets	Dec.	6	4,749,000	5,267,393	29.1	25	136/3	66/10½	106/10½	4.68
Apex (Trinidad) (5s.).....	British petrol.....	Sept.	11	513,860	526,110	48.3f	45f	42/1½	24.9	28.9	7.86
Attock (£1).....	Indian kerosene.....	Dec.	8	16,678	50,124	1.1	Nil	43/3	25-	43/1½	Nil
Burmah Oil (£1).....	Indian kerosene and benzine	Dec.	...	N.A.	N.A.	40.4g	30g	123/9	75-	92.6	4.37j
Lobitos (£1).....	American crude.....	Dec.	8	224,075	236,839	29.5	15	57/6	25.7½	31.3	9.60
"Shell" Transport (£1).....	World markets (Gulf exports)	Dec.	...	N.A.	N.A.	20.2h	20h	147-	75-	80.7½	4.41i
Trinidad Leaseholds (£1).....	British petrol.....	June	12b	1,415,307b	1,487,841b	39.6h	30h	172-	81/3	105-	5.71
Trinidad Petroleum Div. (£1).....	(See U.B. of Trin.).....	July	1c	20,426	36,079	10.5i	7i	31/9	24-	42-	6.06
Un. Brit. of Trinidad (6s. 8d.)	Gulf exports (fuel oil & gasoline)	Dec.	(d)	175,851	257,023	8.4	8½	17/10½	11.9½	12.6	4.67
Venezuelan Oil Co. (13s. 4d.)...	World markets (Gulf exports)	Dec.	(d)	4,738,832	5,616,418	37.1	22½	68/5¼	17.6	25.7½	11.72

(a) Years to June 30, 1937 and 1938. For two months to August: 1937, 46,135 tons; 1938, 46,725 tons. (b) Output plus purchases for years to June 30, 1937 and 1938. Output and purchases, two months to August: 1937, 264,683 tons; 1938, 236,786 tons. (c) August, 1937 and 1938. Output year to July, 1938, 371,240 tons. (d) 38 weeks. (e) Year to June, 1937. (f) Year to Sept., 1937. Interim of 12½ per cent. declared for 1937-38. (g) On old capital, before 50 per cent. share bonus. Interim of 5 per cent. declared for 1938. (h) Year to June, 1937. Interim of 10 per cent. declared for 1937-38. (i) Year to July, 1937. Dividend for 1937-38, 12 per cent. (j) Yield on 20 per cent. basis. † Tax free. N.A. Not Available.

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Finance and Banking

The Relapse in Discount Rates.—Discount rates have during the past week come down with a run considerably faster than the ascent to the peak reached on Wednesday of last week. On that day the rate for full-dated Treasury bills was around 1½ per cent. By Friday of last week the rate, as measured by the result of the tender for Treasury bills, had fallen to 1¼ per cent.—and even this figure was regarded as surprisingly high in view of the level of rates at which banks had been buying bills on Friday morning. By Thursday of this week the hot bill could be sold at ½ per cent., or at less than half the rate at which it had been tendered for last Friday. For its size and rapidity such a “turn” on bills has never before been experienced by the discount market. The main factor in the decline in the bill rate has, of course, been the removal of the threat of immediate war which last week made the discounting of a bill of exchange a profession of hope and not a rational business operation. But this alone cannot explain the rapidity of the return to those abnormally low rates which have so long been regarded as normal in the discount market. The shock which the market suffered in the three weeks that led up to the culmination of the international crisis and the grievous losses suffered through the forced sales of bills and bonds have left a legacy of caution which should be reflected in the maintenance of discount rates above the rock bottom level of ½ to ⅝ per cent. If these are again becoming the operative rates it is because technical factors in the short-loan position and the keenness in the competition for bills is again driving bill rates down to figures which are part of an artificial rate structure rather than a sober estimate of the risk involved in discounting even the highest type of bill. That risk has been significantly illustrated during the past month. If it is so soon being disregarded, it is because the clearing banks, in their competitive efforts to build up their bill portfolios, which must have been seriously depleted during the previous fortnight, have bid the rate down to their agreed minimum of ½ per cent. The strength of this demand for bills is the more surprising since this week's Bank return shows no return flow of currency after last week's sharp increase in the circulation.

The discount market is therefore being deprived of an opportunity of recouping itself for the substantial losses it has recently suffered by restocking its bill portfolios at moderately attractive rates. As it was, the success achieved at last week's tenders, when the syndicate obtained its bills at a rate of 1¼ per cent., was something in the nature of a miracle, given the fact that one of the clearing banks entered the market on Friday morning as a large buyer of

this year's bills at ¾ per cent. Last Friday, however, the discount market still had the Treasury bill tender largely in its own hands owing to the immobilisation of outside money. That situation has changed greatly this week, and the return of outside money to the market may be discerned in the fact that non-clearing bank loans against bonds are once more available at ¾ per cent.

Currency and the Crisis.—A striking consequence of the crisis has been an increased demand for currency over most of Europe. Last week the British note circulation expanded by £25 millions, mainly because the joint-stock banks were reinforcing their local currency reserves. In reality, this increase in the British note circulation, large though it appeared, was very limited when compared with the experience of other countries. This appears in the following table, in which the chief European countries are grouped together, according to their geographical situation and their political proximity to the crisis. The table also illustrates the immunity of the United States. The period covered is from the last week of August to the particular date for each country which takes most account of the crisis and its effects:—

	End of August	End of Sept.	Intervening Change Amount	%
England (£ mill.)	480	501	+ 21	+ 4.4
France (Fr. mill.)	99,065	124,428	+ 25,363	+ 25.6
Germany (Rm. mill.)	6,868	8,023	+ 1,155	+ 16.8
Hungary (Pengö mill.)	606	645	+ 39	+ 6.5
Jugoslavia (Dinar mill.)	6,246	7,404	+ 1,158	+ 18.8
Belgium (Bel. mill.)	4,223	5,099	+ 876	+ 20.8
Holland (Fl. mill.)	939	1,053	+ 114	+ 12.1
Switzerland (Fr. mill.)	1,554	1,933	+ 379	+ 24.4
Denmark (Kr. mill.)	397	356	— 41	— 10.3
Norway (Kr. mill.)	453	423	— 29	— 6.3
Sweden (Kr. mill.)	971	947	— 24	— 2.5
United States (\$ mill.)	4,145	4,219	+ 74	+ 1.8

The big percentage increases in the French and German note circulations are easy to understand, when the cost of war preparations is taken into account. Hungary escaped relatively lightly, but there was a big demand for Jugoslavian currency. The three “neutral” countries, Holland, Belgium and Switzerland, were also affected by the tenseness of the atmosphere and possibly by the precautionary measures, which they felt bound to take. Complete immunity, in fact, only existed in Scandinavia and the United States. The latest returns for Czechoslovakia and Poland are not yet available. The Czech note circulation was Kr. 8,087 millions at the end of August, rose to Kr. 9,608 millions on September 15th, and then shrunk to Kr. 7,301 millions, mainly because of the disappearance of the Kr. 2,004 millions of “State notes debt.” Up to September 20th, the Polish note circulation had undergone little change. Preparatory and precautionary expenditure for war, and a desire for liquidity common to both the banks and the public are ready explanations of these movements. So far as England is concerned, none of these notes have returned this week, so that normal conditions are yet to be re-established. This is an unexpected phenomenon which will take some explaining. Usually,

after events such as Christmas or August Bank Holiday, which require additional currency, the return flow sets in very quickly. Possibly the fact that the crisis increase is still outstanding is a measure of the extent to which emergency measures, such as the mobilisation of units of the Army, are still on foot. Even then, it is surprising that there has been no reduction since last week in the currency holdings of the unmobilised public. It remains to be seen what happens in other countries, especially in Czechoslovakia where the National Bank has to adjust itself to the new conditions. This, however, is but one facet of the general and pressing problem of the economic reconstruction of Czechoslovakia.

French Finances and the Crisis.—Although the crisis is over, France, like other countries, is now concerned with ways and means of meeting its cost. In consequence, the French Government has carried through both Chambers a Special Powers Bill, giving the Government power to take by decree measures necessary for the immediate restoration of the economic and financial situation of the country. In the course of the debate it was revealed that Government expenditure during September alone came to Frs. 12,800 millions in place of an estimated Frs. 4,225 millions. The Government had had to borrow Frs. 10,490 millions from the Banque de France during the past few weeks, and that left only a margin of Frs. 1,460 millions. In consequence, a new agreement with the Banque de France had had to be made, to permit of further borrowing, but these new powers had not so far been used. The Government declared that it would not resort either to exchange control or to a new devaluation of the franc, but dropped a strong hint that the Banque de France's gold might once more be written up, to bring its basis of valuation into line with the Daladier francs. Such a basis would be approximately 27 milligrammes in place of the present valuation of 43 milligrammes of gold, nine-tenths fine, per franc, and it would write up the Bank's gold from Frs. 55,000 millions to Frs. 88,000 millions, yielding a profit of Frs. 33,000 millions. This would be more than sufficient to cover the cost of the crisis. M. Daladier has agreed that his special powers shall only last until November 15th, instead of December 31st, as first proposed. Prior to M. Daladier's triumph, there had been distinct signs this week of a renewed flight of funds from France, and in spite of official support, the franc broke through the Daladier limit of Frs. 179, with three months francs at one time as cheap as Frs. 8¼ discount. M. Daladier claimed that since he assumed office, Frs. 19,000 millions of French capital had been repatriated, but most of this amount represents last May's big movement. On Thursday morning, following M. Daladier's success, the market was hesitant, but forward francs were firmer, and little Control support was needed in Paris. Later in the day, the market took a considerably more optimistic view of the franc and both spot and forward rates were firmer.

Paris to London to New York.—The revival of the adverse pressure on sterling a few days after the conclusion of the Munich agreement was largely the result of a purely technical circumstance. Although the flight from the franc assumed almost entirely the form of demand for dollars, the French authorities supported the franc by means of selling sterling. This meant that Frenchmen, having bought sterling from the French “control,” had to use it for the purchase of dollars in London. The Exchange Equalisation Account had to support sterling in consequence. Thus, while it received gold from the French authorities, it had to ship gold to New York. On balance, the British authorities were the losers, for the evidence of an adverse pressure on sterling induced many foreign holders of funds in London to switch into dollars, and it gave rise also to a fresh wave of speculation against sterling. When the franc recovered as a result of internal developments in France,

the indirect pressure on sterling also came to an end. The lesson of the experience is none the less worth retaining. Closer co-operation between the London and Paris authorities would remove the technical flaw which quite unnecessarily caused selling pressure on sterling.

South African Gold Losses.—The Governor of the South African Reserve Bank, in his speech at the ordinary general meeting of the bank, held at the end of July, alluded to the bank's gold and exchange losses during the year to March 31, 1938. These amounted to £8,585,000. In explanation, he pointed out that during the last financial year the Union of South Africa's imports had increased by £16 millions over those of the previous year. Exports of merchandise, however, had only increased by £6.5 millions, while the gold output was only £2.2 millions greater. This left South Africa £7.3 millions on the wrong side as compared with the previous year, and so the bank's gold losses were not surprising. He did not complete the picture by describing the actual position in the previous financial year, but went on to remind the observer that the returns of South Africa's gold exports did not distinguish between newly mined gold and withdrawals from the Reserve Bank's holdings. The bank's reserves were still ample, and imports were by July on a smaller scale than those of the year before. In fact, South Africa has shared in the usual impact of the recession on primary producing countries, though her gold production has largely mitigated the shock. The Governor also alluded to the fluctuations in the bank's holdings of British Treasury bills, which last year varied within the limits of £6,876,000 and £2,816,000. This point is not without interest to the London money market.

The Chase National Bank.—The latest quarterly statement of the Chase National Bank discloses the following recent changes:—

	Sept. 30, 1937	June 30, 1938	Sept. 30, 1938
		(\$ millions)	
Deposits	2,128	2,152	2,377
Cash	709	801	986
U.S. Government securities	575	626	662
Loans and discounts	817	654	620

On the whole this statement conforms to the general American banking trend, though it is always necessary to distinguish between the New York City banks, which include the Chase, and those operating elsewhere. There is no doubt that deflation has made some progress over the past year, for the increase in the cash held by the Chase is paralleled by the increase of \$1,594 millions in the total reserves of all reporting member banks. The general demand for credit, however, has so far failed to respond. The Chase National Bank's loans and discounts are substantially lower than a year ago, while those for all reporting member banks have fallen from \$10,041 to \$8,240 millions. The result of this lack of demand for credit is an increase in investments and only a limited expansion in deposits. In both these last respects the Chase has conformed to the general banking trend. This is helpful to the Government, but shows that deflation has not yet carried recovery to the point where the public as a whole are anxious to borrow more.



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MONEY MARKET NOTES

Foreign Exchanges

AFTER rising much too rapidly to \$4.86 a week ago, sterling has sobered down, and on Monday and Tuesday had relapsed to \$4.78½. This new pressure on the pound came chiefly from Paris, where doubts in the ability of the French Government to meet the cost of the emergency without resort either to exchange control or a fresh devaluation led to the beginnings of a fresh flight from the franc. The spot Paris rate, in fact, broke once more through the Daladier limit of Frs. 179, while three months' francs were quoted up to Frs. 9 and one month's up to Frs. 5 discount. Fresh support was needed from the French Controls. M. Daladier's speech, followed by his victory in the Chamber, has so far had a reassuring influence, for the spot Paris rate had by Thursday improved to below Frs. 179, while the two forward rates had rallied to Frs. 4½ and Frs. 1½ discount. This relaxation of the pressure from France also helped sterling, which on Thursday afternoon was quoted at \$4.81½ and \$4.80½. There has been a keen demand this week for three months' belgas, and the discount has narrowed from 30 to 19 cents. Belgian banks are now overstocked with belgas, and so are taking the opportunity of earning a profit through swap operations. The glut of belgas, in fact, is so great that some English dealers have had to give a small premium for the shortest positions covering two or three days ahead. Guilders and Swiss francs have moved in sympathy with the dollar, but there has not been much business in either currency.

The Bank Return

FOR various reasons, the currency withdrawn last week in preparation for a state of emergency has not yet returned from circulation. On the contrary, more currency has been taken to provide for the normal requirements at the end of the quarter. Next week, however, should witness a substantial contraction in the note circulation.

Although the increase of £9.1 millions in the banking department's Government securities caused some surprise in the discount market, where there was a

Issue Dept.:	Oct. 6, 1937	Sept. 21, 1938	Sept. 28, 1938	Oct. 5, 1938
Gold	326.4	326.4	326.4	326.4
Notes in circulation	491.8	479.2	500.9	505.8
Banking Dept.:				
Reserve	36.3	48.7	26.9	22.0
Public Deps.	18.0	18.4	11.4	12.1
Bankers' Deps.	102.1	100.9	99.9	109.7
Other Deps.	36.8	39.4	40.2	37.1
Govt. Secs.	106.5	97.6	112.8	121.9
Discounts & Advances	10.8	6.1	7.3	10.2
Other Secs.	20.9	24.6	22.8	22.5
Proportion	23.1%	30.6%	17.7%	13.8%

tendency to link it up with the advance to Czechoslovakia, it is really due to a much more mundane cause. The half-year's dividends on the 2½ and 3½ per cent. Conversion Loans fell due on October 1st, and when these are added to the Government's emergency expenditure, it is easy to see that some borrowing on Ways and Means proved necessary. These dividend payments equally explain the week's increase in bankers' deposits. The advance to Czechoslovakia could not affect the Bank's holding of Government securities.

The Money Market

NORMAL conditions are rapidly being re-established, and last week's average Treasury bill tender rate of over 1½ per cent. already looks sadly out of date. At the end of last week the banks had begun to buy bills once more, first at ½ and then at ¾ per cent., and by last Thursday they were buying November and December bills at ½ per cent. Bond money is also easier, the ruling rates being ¾ and 1 per cent., with fresh money obtainable at ¾ per cent. There has been no special buying of bills.

Last week's payments for new Treasury bills were concentrated on October 1st, for as January 1st is a Sunday, these bills mature on December 31st.

	Oct. 7, 1937	Sept. 29, 1938	Oct. 6, 1938
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5	1½-5	1½-5
Discount Rates:			
Treasury bills	1½	1½	9½-5
Three months' bank bills	17½-9½	1½	5½-11½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

There was no pressure for funds, however, for the week's maturities also fell mainly on that same Saturday, the reason being that no one paid for bills at the end of June. As the Bank return shows, the heavy Conversion Loan dividends on October 1st have kept money plentiful, even although the emergency currency withdrawn last week still remains in circulation.

The Bullion Market

WITH the termination of the crisis, Continental re-sales of gold have ceased, and instead the Continent has once more turned a buyer. It is easy to suspect a desire to replenish hoards which had been hurriedly realised owing to fears that they might be commandeered on the outbreak of war. The War Risk rate has been reduced from 2s. 6d. to 1s. 3d. per cent., and on this basis the prices at this week's fixings have ranged from par to ¼d. premium. This has made arbitrage possible.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in †	Cash	Two Mths.
Sept. 30, 1938	144 1	d. par	906	1912	1916
Oct. 1	145 1½	½ pm	348	1916	1916
" 3	145 8½	par	991	1912	1916
" 4	145 3½	par	1,015	1916	1912
" 5	144 10	par	646	1916	1916
" 6	144 5	½ pm	989	1916	1914

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing. The New York price of silver remained at 43 cents per ounce - 99½ fine during the week.

In the silver market there has been a continuance of the American trade demand. The firm tendency of the dollar stimulated Indian buying early in the week, and as very little silver was on offer, there was a fairly sharp rise in the price. Silver, in fact, rose temporarily above the New York parity, with the result that the highest price of the week has not been held. Thursday's price was roughly on a par with New York, and the market then seemed very steady. Taking a general view of the week, there has been less Eastern selling. On balance India has been a buyer, as is usual at this time of the year.

Investment

Second Thoughts.—On Friday last week there was scarcely a check to the blaze of buying and the upward rush of prices. The Munich Agreement, followed just at the right moment by the "No more war" declaration by the Prime Minister and Herr Hitler, had its natural consequence in hectic purchasing in every department of the Stock Exchange. This week, however, the story has been different. After the impact of relief, the serious investor has been crystal-gazing into the future. Is it war averted or merely war postponed? Whatever the answer, it is evident that re-armament is to continue at an accelerated pace, and the market looks at this matter, not in terms of political logic, but of hard fiscal fact. Higher taxation and further borrowing are no tonic for the gilt-edged market. The industrial market, working out, on the one hand, the effects of last week's preparations, and, on the other, the prospective consequences of further armament expenditure, seems to be agreed that the Munich Agreement is not calculated to encourage a striking measure of natural economic recovery in the near future, whatever its long-term fruits may be. And throughout the week Parliament has been occupied in debate, while the home political situation has been confused by one actual Cabinet resignation and others threatened, and by the possibility, though finally dispelled, that a General Election might be called in November. A conjuncture of peace, a balanced Budget, and industrial recovery is required to restore investment interest on a wide scale. None of these conditions is assured, and one, at least, is impossible. But for Thursday's improvements, for which Wall Street must be given due credit, markets have, in fact, reverted to the lifeless condition which was evident before the crisis.

The Price Record.—Two threats of war within a fortnight are more than the market welcomes. The effect of the crisis on security values has been tabulated in each of our recent issues. In the following table, the same representative list of securities is given, and the price record is brought up to date from "Black Wednesday" of last week to Friday, followed by this week's second thoughts:—

	High, 1938	Lowest Mark, Sept. 14	Sept. 22	Lowest Mark, Sept. 28	Sept. 30	Oct. 3	Oct. 6	Change this week
Consols 2½% ...	79½	68½	71½	66	74	74½	73½	- 1½
War Loan 3½% ...	103½	96	99½	93	101½	101½	101½	- 1½
Conversion 3% ...	104½	97	99½	93	100½	100½	100½	- 1½
German 4½% ...	46	29½	37	15	42½	42½	41	- 1½
Czech 8% ...	105½	69	47½	23	63	63	56	- 7
Cable & W. Ord.	68½	37	39½	36	40½	42½	45	+ 4½
Courtaulds (£1) ...	48½	28½	29½	26½	29½	30½	29½	- 1½
Gen. Elec. (£1) ...	79½	72½	76½	70½	78½	78½	76½	- 2½
I.C.I. (£1) ...	35½	28½	29½	26½	31½	31½	31½	+ 3d.
Turner & N. (£1) ...	87½	68½	74½	63½	78½	78½	78½	- 7½d.
Vickers (10/-) ...	27½	18½	20½	17½	21½	20½	21½	- 3d.
Anglo-Iranian £1	113½	90½	96½	84½	103½	105½	106½	+ 3½
"Shell" (£1) ...	101½	77½	84½	76½	89½	90½	90½	+ 1½
Un. Sui. Betong £1	59½	50½	48½	42½	56½	56½	57½	+ 1½
Financial News Indices	131.0	123.6*	125.2	120.0*	125.8	125.7	126.0	+ 0.2
Fixed Interest ...	97.2	78.2*	80.6	73.7*	83.5	82.9	82.6	- 0.9
Ord. shares								

* Close.

There are few conclusions of specific investment interest to be drawn from this record. In every section of the market prices have moved as one, for extreme political risks spare no security. Perhaps the only matter for comment, indeed, is the fact that, in the expectation both of war and of re-arming peace, armament shares have tamely followed the general line. If the assumption underlying this movement is that profits will be strictly controlled in either eventuality, it may have some logical background. But if

the suggestions for the mobilisation of industry are carefully examined, it would seem that shares in the export trades might be the more seriously affected.

Wall Street's New "High."—Wall Street has capitalised peace more effectively than London. In terms of the Dow Jones industrial average, the market has advanced from 129.91—the level recorded on Monday of last week—to the new high level for the current year of 148.32 on Wednesday (surpassed in the second hour on Thursday, but not at the close) this week. This advance represents 14 per cent., compared with a recovery of 12 per cent. in British industrial equities, as measured by the *Financial News* index, over the same period. Wall Street, however, has had more than political relief to guide its movements. It is true that the latter accounted for a major part of the rise, and for a turnover comfortably exceeding one million shares during the second half of last week. But on Tuesday, just when the market was losing its impetus, when turnover fell below the million mark and when industrial stocks were slightly reactionary, the President spoke. He expressed his belief that an upturn in industrial and trade activity was in progress, took a cheerful view of the employment situation, and declared that wheat and cotton prices must be raised. And his words were supported by the advance in steel activity (according to *Iron Age*) from 47 per cent. to 49 per cent. of capacity. According to some optimistic calculations, this is within one per cent. of the "break even" point, although the majority of estimates suggest that activity must increase further to between 55 and 60 per cent. before the steel companies are "out of the red." From assessing the war risk a week ago, therefore, the market has sharply recovered to the point at which the verities of Dow theory are again a matter for practical discussion. Even the rail market has improved appreciably during the period, though the present difficulties of the industry do not suggest that the new industrial "high" will be presently confirmed by the rail index.

The Future of Czech Bonds.—Despite the increasing evidence that the new Czechoslovakian State will face serious economic and fiscal strain now that some of its most important industrial areas and sources of revenue have been lost, Czechoslovakian 8 per cent. bonds continue to be valued on appreciably better terms than those of Germany (which, after hard negotiations, agreed to interest reductions in July) and of Hungary, whose interest was scaled down after more equalitarian discussion. Czech 8 per cent. bonds have, in fact, recovered from the "low" of 23 recorded on Wednesday of last week to the present level of 56, after touching 65½ on Monday. The German 4½ per cent. loan, which fell to 15 ten days ago, now stands at 41. Yet it cannot be seriously supposed that the maintenance of full service on the Czech debt will be assured. The ability, and probably the willingness, of the new Government to pay an admittedly high rate of interest on its obligations has been impaired by the Munich Agreement. Presumably the International Commission now sitting in Berlin to give effect to the Agreement will devote attention to this and other economic problems. Hitherto the record of the Czech Government has been unblemished, and it is understood that an appreciable proportion of the outstanding bonds (amounting to £3,930,300 sterling, apart from the American *tranche*) has been repatriated. On the basis of the 1936 estimates of the balance of payments, the service of the State debt involved a gross transfer of 230 million Czech crowns—an amount which was comfortably covered by assigned revenues. But at a time when the pressing economic needs of the Republic have been recognised by the "advance" of £10 millions by



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the British Government, it is obvious that the bondholder must be prepared for sacrifices. And in the absence of any statistical proof to the contrary, it may well happen that these will include a further reaction in the market value of the bonds, apart from any adjustment of interest rates.

Foreign Bond Movements.—Increased political tension during August had only a moderate effect upon foreign bond prices generally. In September, however, when the storm increased to the verge of war, prices were more seriously affected. The index of 107 representative bonds compiled by Municipal and General Securities Company, in fact, fell to a new low level of 66.1, compared with 69.7 at the end of August (average January-June, 1934=100). Movements of the index over the past year are set out below:—

AVERAGE JANUARY-JUNE, 1934=100.

End of Month	Europe	Near & Far East	Egypt	States	Provinces	South and Central America	Complete Index	Un- limited Bonds	De- facted Bonds
1937	(29)	(31)	(4)	(35)	(11)	(46)	(110)	(58)	(54)
September	101.9	87.2	99.5	116.1	111.8	115.0	102.4	95.9	109.7
October	(28)	88.1	98.3	105.1	108.2	105.8	(109)	(54)	(55)
November	99.0	81.6	97.9	82.4	74.2	80.4	98.5	95.3	101.5
December	97.7	81.6	98.6	82.6	75.0	80.7	85.5	88.6	82.5
1938	(27)	(31)	(4)	(35)	(11)	(46)	(110)	(58)	(54)
January	97.9	71.7	97.8	75.5	67.1	73.4	79.3	80.2	78.2
February	96.2	71.7	97.6	75.4	63.8	72.4	79.5	82.7	76.4
March	81.4	71.9	97.2	61.3	49.4	58.2	69.6	74.9	64.8
April	88.9	77.3	98.5	69.8	51.4	61.9	75.1	78.3	72.1
May	88.9	77.3	98.5	69.8	51.4	61.9	75.1	78.3	72.1
June	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
July	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
August	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
September	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
October	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
November	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
December	85.7	74.9	98.5	63.0	47.2	58.8	70.7	78.1	71.8
1939	(27)	(31)	(4)	(35)	(11)	(46)	(110)	(58)	(54)
January	89.0	68.5	98.0	65.9	51.2	62.0	71.1	76.5	67.0
February	90.8	67.7	97.5	65.4	53.4	62.3	71.3	75.7	67.9
March	87.1	72.1	97.3	61.4	50.4	58.6	70.0	75.7	65.7
April	80.4	72.1	97.3	61.4	50.4	58.6	69.7	75.1	65.7
May	88.5	66.2	96.1	57.7	44.4	54.2	66.1	72.3	61.7
June	88.5	66.2	96.1	57.7	44.4	54.2	66.1	72.3	61.7

N.B.—Figures in brackets denote number of bonds included.

Remarkable evidence of the market's relief that war had been averted is to be found in the rise of the European index, which is actually 2 points higher than at the end of August. In every other group, however, substantial falls were recorded, particularly serious for Near and Far Eastern and South American bonds. The suspension of sinking funds on the Chinese 5 per cent. (Crisp) and 4½ per cent. of 1908 loans depressed the former group. During the month the Norwegian 4 per cent. loan of 1911 was redeemed, reducing the number of bonds included in the index from 108 to 107. Revised index figures for August are given to show the effect of this elimination.

Company Notes

London Transport Fails to Pay.—As Thursday evening approached, London Transport "C" stock advanced further to 78, on the evident assumption by some optimistic purchasers that the Board would, in fact, make the required payment of 5½ per cent. for the year to June last. It has decided instead to risk the perils of a receivership action by declaring a final dividend of 2½ per cent., making 4 per cent. for the year, compared with 4½ per cent. for 1936-37 and 4 per cent. for 1935-36. It is now open to holders of not less than 5 per cent. of the £25,698,802 of "C" stock outstanding to apply, if they wish, to the High Court for the appointment of a receiver, on the ground that the Board has failed in respect of each of three consecutive years ending June 30, 1936, to June 30, 1938, to pay interest on the stock at the standard rate of 5½ per cent. We suggested on July 2nd that it would be open to the Board to challenge the implications of this

clause by defaulting on its provisions, if it took the view (as it is statutorily charged to do) that renewal provisions must be adequate, and that they have not been excessive in the past. The "C" stock has always been a hybrid, with mere equity rights in two years, yet armed with the powerful sanctions of a senior debenture in the third. Its future rights may be affected by the Board's challenge, for it seems improbable that, if an application for receivership were successful, it would transform the character of the Board's operations in any significant degree. Any alteration of the stock's rights would arouse controversy, both in public and in Parliament. But the receivership provision which was written into the 1933 Act was virtually bound, sooner or later, to challenge the ability of the Board to provide an adequate service under the general provisions of the Act, and far-sighted investors have for some time realised its limitations as a safeguard.

United Steel Companies' Progress.—The excellent United Steel dividend surprised the market, but the full accounts show that the directors' policy was amply justified. During the year to June 30th, the group's coal output increased by 28 per cent., the output of coke by 15 per cent., pig iron by 6½ per cent., and steel ingots by 4½ per cent. In the year as a whole, profit margins were good, especially for a concern so highly integrated as United Steel, and gross profits increased from £2,075,322 to £2,584,540. After higher allowances for taxation and depreciation, the earnings on the ordinary stock increased from 11.1 per cent. to 11.8 per cent., and the dividend has been stepped up from 8½ per cent. to 10 per cent. This is a boom result, which may not be repeated for some time, but it is an excellent one. The following table shows the course of profits in the last three years, while the chart portrays their rapid growth since 1932:—

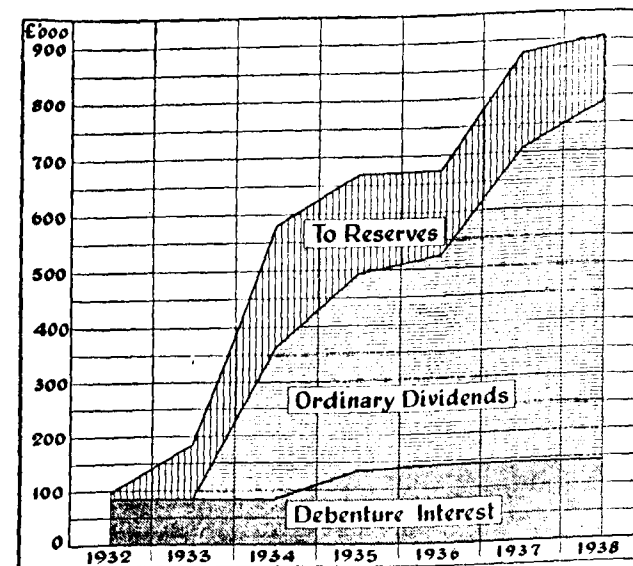
	1936	1937	1938
Gross profit	1,545,278	2,075,322	2,584,540
Directors' fees	5,963	5,218	5,885
Income tax and N.D.C.†	356,122	560,850	847,651
Staff fund	110,000	130,000	150,000
Loan and deb. service	143,566	142,904	142,537
Depreciation	400,000	500,000	675,000
Ordinary stock:—			
Earned	529,627	736,350	763,467
Paid	380,441	565,148	646,198
Earned %	10.4*	11.1†	11.8†
Paid %	7½*	8½†	10†
General reserve	100,000	167,629	100,000
Carry forward	570,491	574,064	591,333

* On £6,616,365 capital ranking for dividend. † On £8,821,820 capital. ‡ Payment of tax, plus transfer to taxation reserve, minus transfer from taxation reserve.

The group's position, at the end of the steel boom, is very strong, although the balance sheet might be clarified, since two-fifths of the assets consist of shares in and advances to subsidiary companies. But the liquid position is evidently good, and a special accountants' valuation of the group's assets, which has been in progress for two years and is based upon the price-level of 1936, shows that the book value of the fixed assets is less than the real value, without applying any of the £2,750,000 central reserve for depreciation and obsolescence. The technical structure of the group, moreover, has been greatly strengthened by the modernisation of the plants. Last year's report included, as an addendum, a detailed survey of the group's business: this year's includes a full discussion of the Appleby-Frodingham Steel Company's position. These works are the largest in the country, and when the extensions are finished they will have a capacity of 900,000 tons of iron and 800,000 tons of steel—64 per cent. more iron and 22 per cent. more steel than the works produced in 1937. On all hands, indeed, the group's position is powerful. But this strength cannot protect its profits from the consequences of trade setback. The report points out that since the March quarter there has

been a general decline of demand, and it is plain that profits for the current year will show an appreciable decline. With its low-gear capitalisation, however, and

UNITED STEEL PROFITS—1932-38



its technical strength, United Steel Companies should suffer less than many other steel equities, and at 25s. 1½d., to yield 8 per cent., the shares should not prove overvalued in the long run.

Austin Motor Profits.—As the Austin Motor year runs to July 31st, the latest accounting period closely corresponds with the decline and fall of the 1936-7 motor boom. The period was marked by an uncomfortable combination of increased costs and dwindling business for the trade as a whole, from which it is clear that Austin Motor did not escape. Gross trading profit, at £1,282,828, is lower than for any year in the past decade, except those at the very bottom of the depression (1931-33), while the net earnings available for dividend (£362,158) are the lowest without even that exception. The following table compares the figures for the past three years, while the chart shows yearly earnings since 1931:—

	1936	1937	1938
Trading profit	1,496,696	1,665,125	1,282,828
Tax and fees	167,000	252,000	176,000
Maintenance	530,828	606,542	449,879
Depreciation	173,795	179,506	223,291
Deb. int. and sinking fund	71,500	71,500	71,500
Prof. and pref. ord. divs.	187,828	185,734	181,656
Ord. shares and "A" ord.:			
Earned	365,745	369,843	180,502
Paid	237,312	233,422	135,385
Earned %	77.1	79.2	40.0
Paid %	50	50	30
Reserve	125,320	207,046	45,000*
Carried forward	373,955	303,330	303,447

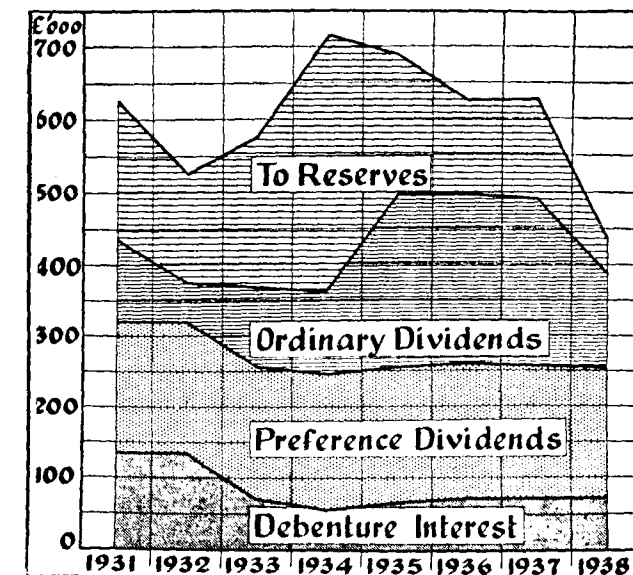
* To contingencies reserve. A further £100,000 was also transferred from general reserve.

The highest gross profit recorded by the company was for the year to July 31, 1937, but the highest net profit (by a considerable margin) was as long ago as 1934, when the earnings for the ordinary shares amounted to £471,686. The explanation is, of course, that maintenance and depreciation charges have sharply increased on the enlarged plant and output.

This year maintenance costs are lower, possibly because less special tool steel (a very expensive item) has been required for the smaller output and because changes in design have been kept at a minimum, thus giving longer life to jigs and dies. But depreciation is higher on the

larger plant. In general, the profit and loss account may be said to reflect a normal "bad patch" for a large motor manufacturer. In other words, the drop in profits is sharp, but, as is usual with the larger motor concerns, it is far from being disastrous. The appearance of a contingencies reserve, to which general reserve contributes

AUSTIN MOTOR PROFITS—1931-38



£100,000, may suggest that the directors consider that the setback is not yet complete; or it may merely reflect the fact that the accounts were published at the end of a week in which any concern might have thought it wise to allow for contingencies. But whatever the course of motor profits may be this year, it is probable that the shadow aircraft factory will have a larger—and

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possibly quite important—contribution to make. That expectation, indeed, may have prompted the directors to cut the prices of some of the 1939 models, which will be seen at Earl's Court next week. The balance sheet is sound, though if the "bad patch" were prolonged and price competition became severe, the £632,000 cash holding might be no more than adequate.

Argentine Railway Disappointments.—The Argentine railway dividends for the year to June last were expected to make depressing news, but they have proved even less palatable than the market anticipated. Central Argentine, which carried two maize crops in 1936-37, followed by a failure last year, was not expected to make any payments on its preference issues, and the announcement to this effect at the end of last week occasioned no surprise. But better things had been expected than the mere payment of 1 per cent. on B.A. Great Southern 5 per cent. first preference stock, and the passing of dividends on both B.A. Western issues. B.A. Southern, indeed, fared relatively well in a difficult year; in terms of the sterling traffics (which, of course, are converted at the official rate), the decline in traffics amounted to less than 1 per cent. The 1 per cent. disbursement on the senior preference issue, however, calls for only £80,000, compared with total distributions for 1936-37 (which were almost fully earned) of £640,000. Similar details are set out for all three lines below:—

Company and Stocks	Dividends, 1936-37		Dividends, 1937-38		Fall in Gross Traffics 1937-38†
	Rate	Cost	Rate	Cost	
B.A. Gr. 5% pref.	Full	400,000	1%	80,000	} 22,354
Southern 6% pref.	3%	240,000	Nil	Nil	
B.A. 5% pref.	Full	15,000	Nil	Nil	} 264,594
Western 4½% pref.	3½%	89,332	Nil	Nil	
Central 4½% pref.	Full	436,307	Nil	Nil	} 1,831,546
Arg. 6% pref.	12%*	600,000	Nil	Nil	

* 2 years to June, 1934. † Converted at official rate.

B.A. Western, on the other hand, experienced a more severe fall in receipts—of the order of 9 per cent. in sterling terms—which was partly attributable, presumably, to bad maize traffics. Since the official rate of exchange has been maintained at \$16.12 to the £, and since the railways are, in fact, remitting so little to their stockholders, it can hardly be supposed that the explanation of these dividend decisions is to be found in extensive exchange losses. It would seem, rather, to be due to higher operating costs, despite the substantial economies which have been realised by B.A. Great Southern and B.A. Western as a result of joint administration. Economies in wages, on the basis of the Presidential Award of 1934, have evidently failed to offset the fall in operating incomes. The holder of B.A. Great Southern first preference stock, which fell from 47½ to 38 on Wednesday, cannot be envied; like other Argentine railway stockholders, he can only hope for good crops and good prices during the current year, and both expectations, at the moment, are premature.

Rover Report.—It was generally believed that the Rover Company had maintained its sales well during the past difficult year (to July 31). The latest results suggest that, although higher costs have left their mark, there was probably little falling off in the company's gross income. Profits, indeed, declined only from £304,968 to £292,339. Like Austin Motors, however, the company has provided larger maintenance and depreciation (£128,391, against £109,567), and, on the higher profit, taxation absorbs £70,000, against £50,000. The net amount earned for dividend, therefore, is down rather sharply from £139,563 to £86,938, the lowest net figure for any year since 1933-34, when the Company began its brilliant recovery. Since dividends in the past have been kept well within earnings, the reduction in the latest distribution is only from 17½ per cent. to 5 per cent., covered by earnings of

19.2 per cent., against 29.8 per cent. for 1936-37. These results must be considered very satisfactory for a specialist manufacturer in a year of falling car sales. Amid the constant ups and downs of the motor trade it is impossible to foresee whether the Rover Company will maintain its relative immunity to depression; the answer depends not only on the company itself but on the comparative progress of its competitors. Complete immunity, at least, would certainly be surprising. But even if the results of 1937-38 are not fully maintained in the current year, the shadow aircraft factory should bring in larger management profits. The directors report favourably both on the reception of their 1939 models and on the output of the shadow factory. In any event, the company enjoys the double advantage of being entirely free of prior charges and even of preference shares, and of having the substantial cash balance (for a specialist manufacturer) of £358,000, with a further £116,559 in gilt-edged securities. Yet, even though the 10s. shares at 17s. 4½d. are little above the lowest level of 1937, and though they yield over 7 per cent., they are in a class which is suited only for specialised investment under present conditions.

Dunlop Rubber Statement.—The market's joy last Friday was somewhat marred by the tone of an interim statement issued by the Dunlop Rubber Company. In it, the board pointed out that the company had maintained its competitive trading position, but that the results for the current year to date showed "a material reduction." It appears that the company has fully earned the interim preference dividends which are payable at the end of the month. The fall in profits is evidently due to unsettled world conditions, reduced plantation output and reduced rubber prices. On this news, the £1 ordinary stock units were marked down sharply to 25s. in the "Street," and have fallen further this week to 24s. 1½d., a level which evidently suggests the market's anticipation that some payment will be made for the current year. It is possible that, given further recovery in the United States, the remaining months of the year may be more favourable for the group. But their benefits are likely to be small; nor is it probable that the European and Eastern interests of the group will show any substantial improvement. On the worst assumptions, the directors' statement would be compatible with a fall in net profits, after tax, from £956,993 recorded for 1937, to £271,875—the net amount required for preference dividends. This may paint an unduly adverse picture of the present position; but it is evident that the present price of the stock still values this year's prospects fairly generously.

Beechams Pills and Eno Proprietaries.—In the brief space of three months Beechams Pills has succeeded in establishing itself as the unchallenged leader of the patent medicine trade. Early in July the directors announced the agreement to acquire the ordinary shares of Macleans, Limited. Within ten days, an issue of £1,500,000 in 5 per cent. redeemable shares had been made by Beecham Maclean Holdings to raise the major part of the finance for the acquisition. Beecham Pills own deferred ordinary capital was increased by a bonus issue in August, and by a cash issue last month which completed the new finance. These important developments had scarcely been completed before this week's announcement that Beechams Pills is now to make an offer to the ordinary shareholders of Eno Proprietaries to exchange their 5s. shares into Beechams Pills 2s. 6d. deferred shares at the rate of eight Eno shares for five Beechams shares. The issued capital of Eno Proprietaries amounts to £2,000,000, of which half is in 5½ per cent. preference shares. On the basis of closing prices on the eve of the announcement, the terms of the exchange appeared to represent a disadvantage for Eno shareholders, for their shares stood at 5s. 7½d., compared with 8s. 7½d. for Beechams Pills. But the terms evidently take into account the progressive character of Beechams' profits during the past seven years, and the somewhat retrogressive trend of Eno Proprietaries' earnings since

1936. Indeed, the latter concern should benefit from the wider spread of interests which is now consolidated under Beechams Pills, while its export interests (which have suffered recently owing to recession in America) should be of value to the new group. It is difficult, however, to estimate the consequences of the merger in terms of profits at this stage. Some competitive products may be eliminated, but brands which have been built up by generous advertising in the past will still require publicity. Problems of advertising and capturing the public's taste will still have to be solved by the group, although it may be possible to effect appreciable administrative savings. For Eno Proprietaries shareholders the chief point in favour of the exchange is the promise of a wider spread of risk in a trade which is notoriously affected by the swing of the consumers' demand.

Fine Spinners' Scheme Rejected.—The mobilisation of opposition to the capital reduction scheme proposed by the board of Fine Cotton Spinners proved successful last week. Its terms incurred widespread criticism—in these columns they were analysed on September 10th—and even while the stockholder was digesting them the news that the spinning agreements had broken down suggested that the directors' estimate of future profits (on the basis of which the scheme was already hard to justify) would not be realised in the immediate future. At last Friday's meetings the ordinary and preferred ordinary stockholders approved the scheme by overwhelming majorities. But preference stockholders in favour of the scheme represented only 64.57 per cent., compared with the necessary 75 per cent. vote of each class, to secure its adoption. The chairman of the company acknowledged this defeat with good grace. Indeed, he invited suggestions from the committee representing the preference stockholders towards an amended scheme. Whether any reorganisation introduced under present conditions could provide fairly and justly for all classes of capital in the

long run, however, seems rather doubtful. Preference, preferred ordinary, and ordinary stockholders have been so long without dividends that a further interval until the outlook in the textile industries is clearer would constitute no great additional hardship.

The Week's Company Profits.—Reports have been received this week from 36 companies for which comparative results for the previous year are available. The total profits of these concerns amount to £4,882,000, compared with £4,497,000 for the preceding year—an increase of 8½ per cent. The cumulative total for 1,867 companies for the year to date shows an advance of over 10 per cent. from £226,858,000 to £250,225,000. This week's results—which are the first for some time to show a net increase over the previous year—are discussed in detail in preceding notes and under the heading "Shorter Comments" on page 84. Our usual table appears on page 100.

Company Meetings of the Week.—Reports of company meetings will be found on page 92 of this issue. Mr Joseph Ward, addressing shareholders of *Thos. W. Ward*, pointed out that the company had celebrated its diamond jubilee with a very successful year. The turnover of the business, including subsidiary and associated companies, had reached a total of nearly £6 millions, representing a tonnage of nearly 1¼ millions. Mr Paul Lindenburg, addressing shareholders of *Industrial Finance and Investment Corporation*, disclosed that the market value of the company's quoted securities was still in excess of book values, despite last week's heavy falls. Mr H. Eric Miller pointed out at the *Bajoe Kidoel Rubber and Produce* meeting that the crop of rubber for the current year was unlikely greatly to exceed 1,200,000 lbs., of which 240,000 lbs. had been booked for sale at just over 10d. per lb.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
OCTOBER 11 OCTOBER 13

THE Stock Exchange this week failed to maintain the vigorous enthusiasm of last week's closing stages. It examined the peace in a calmer light, and decided that it did not dispose of rearmament and its costs. Jobbers found it difficult to achieve a dealing basis, after three hectic weeks, to justify the new conditions. Substantial buying did not appear on Monday, although postbags were swollen with smaller business. Parliament's deliberations and Mr Duff Cooper's resignation affected sentiment. Not until Thursday, when Wall Street's buoyancy, coupled with hopes of a Mediterranean settlement, lightened the tone, was there any real impetus in the market and any improvement in trade.

Public support for *gilt-edged stocks* was disappointing at the outset, and Monday's reactions—particularly significant in the undated list—were followed by further falls on Tuesday, in which Old Consols lost a point, and War Loan ½. Mid-week conditions were firmer for a time, but not until Thursday were positive gains recorded, ranging up to ¼ of a point in Old Consols. In the *foreign bond market* a sharp recovery occurred in Czech issues on Monday, when the £10 millions advance was announced, but as the German occupation proceeded, and the full economic implications of the

Munich agreement became clearer, a steady fall set in. The 8 per cent. bonds, which closed at 65½ on Monday, were no higher than 56 at Thursday's close. German issues lost ground steadily, but the falls were checked on Thursday. Chinese issues suffered by sinking fund defaults on two senior issues, but support was evident for Japanese bonds for the greater part of the week. After an early advance, South American issues relapsed into dullness.

Interest in the *home rail market* continued limited, although price movements, both in prior charge and ordinary stocks, were usually small. The steadier mid-week tone, coupled with the improvement in the traffics (though due to the abnormal factor of evacuation) brought some support, principally for Southern issues. London Transport "C" stock was a firm feature, up to the declaration of the dividend (discussed on page 78). Argentine rail issues were depressed still further by the dividend statements (set out on page 80).

Conditions in the *industrial market* were quiet and rather dull at first, but the market showed a brighter mid-week tendency, and business broadened further on Thursday, though price movements were generally restrained. Steel shares reacted at first, but most issues became firmer in mid-week, when rises of a few pence were common. Carrier Engineering recovered after the publication of the accounts and on a promise of an early interim

dividend. Business in electrical equipment shares was small, but some recovery was reported in Callenders Cable and other leaders in mid-week. Renewed interest was taken in aircraft issues, most of the leaders rising a shilling or more on Wednesday. Motor shares, however, continued subdued. Fears of increased taxation depressed the brewery group, but the leaders, together with the principal tobacco issues, recovered appreciably in mid-week. Shipping shares remained dull, and among the miscellaneous leaders Dunlop continued depressed on the directors' statement. The rather better volume of business on Thursday led to moderate price improvements throughout the list.

After an initial setback, following an abruptly reduced demand, the *oil group* showed greater firmness, to the accompaniment of an improved turnover. Business was mainly directed towards the leaders, but some of the speculative issues also shared in the recovery. A similar general tendency was evident in the rubber share market.

Throughout the *mining markets* the trend for the first two days was easier. Some support was evident for Kaffir dividend payers, but it remained small until business broadened in mid-week. M. Daladier's success in the Chamber quelled speculative operators in Paris, and the Cape market was closed in mid-week. But local demand remained faithful and spread to the developing mines. The Rhodesian copper group

(Continued on page 84)

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938			
Jan. 1 to Oct. 5, inclusive		Jan. 1 to Oct. 5, inclusive		Jan. 1 to Oct. 5, inclusive		Jan. 1 to Oct. 5, inclusive		Jan. 1 to Oct. 5, inclusive		Jan. 1 to Oct. 5, inclusive		Jan. 1 to Oct. 5, inclusive			
High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est		
British Funds															
84 1/2	73 1/2	79 1/2	64	Consols 2 1/2	107 1/2	6	3 1/2	104 1/2	12 1/2	3 1/2	12 1/2	12 1/2	4 1/2		
113 1/2	105 1/2	111 1/2	98	Do. 4 1/2	107 1/2	5	3 1/2	104 1/2	50	5 1/2	5 1/2	5 1/2	3 1/2		
101 1/2	94 1/2	100 1/2	90	Canv. 2 1/2	98 1/2	6	2 1/2	90 1/2	72 1/2	3 1/2	3 1/2	3 1/2	5 1/2		
107 1/2	97 1/2	103 1/2	92	Do. 3 1/2	100 1/2	6	3 1/2	100 1/2	10 1/2	10 1/2	10 1/2	10 1/2	4 1/2		
106 1/2	99 1/2	105 1/2	90	Do. 3 1/2	100 1/2	7	3 1/2	100 1/2	10 1/2	10 1/2	10 1/2	10 1/2	4 1/2		
108 1/2	101 1/2	107 1/2	100	Do. 4 1/2	100 1/2	7	3 1/2	100 1/2	10 1/2	10 1/2	10 1/2	10 1/2	4 1/2		
117 1/2	111 1/2	115 1/2	102	Do. 5 1/2	110 1/2	8	3 1/2	110 1/2	10 1/2	10 1/2	10 1/2	10 1/2	4 1/2		
92 1/2	89 1/2	91 1/2	81	Fund. 2 1/2	86 1/2	5	3 1/2	86 1/2	72 1/2	8 1/2	8 1/2	8 1/2	3 1/2		
96 1/2	89 1/2	97 1/2	88	Fund. 2 1/2	90 1/2	5	3 1/2	90 1/2	5	5 1/2	5 1/2	5 1/2	4 1/2		
101 1/2	92 1/2	99 1/2	90	Fund. 2 1/2	97 1/2	5	3 1/2	97 1/2	11 1/2	4 1/2	4 1/2	4 1/2	4 1/2		
116 1/2	109 1/2	114 1/2	98	Fund. 2 1/2	110 1/2	8	3 1/2	110 1/2	41 1/2	9 1/2	9 1/2	9 1/2	5 1/2		
99 1/2	96 1/2	101 1/2	93	Fund. 2 1/2	98 1/2	5	3 1/2	98 1/2	20 1/2	7 1/2	7 1/2	7 1/2	4 1/2		
114 1/2	107 1/2	112 1/2	100	Fund. 2 1/2	109 1/2	6	3 1/2	109 1/2	420	5 1/2	5 1/2	5 1/2	4 1/2		
105 1/2	99 1/2	103 1/2	90	Fund. 2 1/2	101 1/2	5	3 1/2	101 1/2	10 1/2	8 1/2	8 1/2	8 1/2	4 1/2		
96 1/2	84 1/2	90 1/2	78	Fund. 2 1/2	86 1/2	5	3 1/2	86 1/2	7 1/2	10 1/2	10 1/2	10 1/2	4 1/2		
102 1/2	99 1/2	102 1/2	90	Fund. 2 1/2	97 1/2	5	3 1/2	97 1/2	11 1/2	4 1/2	4 1/2	4 1/2	4 1/2		
72 1/2	62 1/2	68 1/2	55	Fund. 2 1/2	66 1/2	5	3 1/2	66 1/2	10 1/2	4 1/2	4 1/2	4 1/2	4 1/2		
85 1/2	74 1/2	82 1/2	68	Fund. 2 1/2	81 1/2	5	3 1/2	81 1/2	10 1/2	4 1/2	4 1/2	4 1/2	4 1/2		
98 1/2	87 1/2	95 1/2	75	Fund. 2 1/2	92 1/2	5	3 1/2	92 1/2	10 1/2	4 1/2	4 1/2	4 1/2	4 1/2		
119 1/2	112 1/2	117 1/2	110	Fund. 2 1/2	116 1/2	5	3 1/2	116 1/2	10 1/2	4 1/2	4 1/2	4 1/2	4 1/2		
Dom. & Col. Govts.															
109 1/2	105 1/2	108 1/2	97	Canada 4 1/2	101 1/2	3	4 1/2	101 1/2	26 1/2	25 1/2	25 1/2	25 1/2	3 1/2		
105 1/2	101 1/2	104 1/2	97	Canada 4 1/2	101 1/2	3	4 1/2	101 1/2	26 1/2	25 1/2	25 1/2	25 1/2	3 1/2		
118 1/2	114 1/2	115 1/2	109	Nigeria 5 1/2	111 1/2	3	4 1/2	111 1/2	16 1/2	16 1/2	16 1/2	16 1/2	3 1/2		
110 1/2	104 1/2	108 1/2	95	N. Zealand 5 1/2	102 1/2	3	4 1/2	102 1/2	13 1/2	13 1/2	13 1/2	13 1/2	3 1/2		
107 1/2	103 1/2	107 1/2	95	Queens 5 1/2	102 1/2	3	4 1/2	102 1/2	13 1/2	13 1/2	13 1/2	13 1/2	3 1/2		
114 1/2	110 1/2	112 1/2	97	S. Africa 5 1/2	111 1/2	3	4 1/2	111 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
Foreign Governments															
103 1/2	93 1/2	96 1/2	78	Arg. 4 1/2	86 1/2	7	5 1/2	86 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
105 1/2	97 1/2	102 1/2	83	Austria 1910-5	50 1/2	7	5 1/2	50 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
91 1/2	84 1/2	89 1/2	70	Belgium 1910-5	65 1/2	7	5 1/2	65 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
102 1/2	95 1/2	99 1/2	80	Belgium 1910-5	94 1/2	7	5 1/2	94 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
33 1/2	24 1/2	26 1/2	31	Bulgaria 7 1/2	36 1/2	16	4 1/2	36 1/2	7 1/2	7 1/2	7 1/2	7 1/2	3 1/2		
89 1/2	37 1/2	37 1/2	13	Brazil 5 1/2	18 1/2	16	3 1/2	18 1/2	267	230	8 1/2	8 1/2	3 1/2		
28 1/2	15 1/2	19 1/2	14	Chile 5 1/2	16 1/2	11	5 1/2	16 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
95 1/2	51 1/2	60 1/2	40	China 5 1/2	55 1/2	11	2 1/2	55 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
101 1/2	97 1/2	100 1/2	80	China 5 1/2	45 1/2	11	2 1/2	45 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
106 1/2	101 1/2	105 1/2	20	Czechoslovakia 8 1/2	62 1/2	12	18 1/2	62 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
118 1/2	112 1/2	115 1/2	104	Denmark 8 1/2	101 1/2	14	4 1/2	101 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
66 1/2	52 1/2	60 1/2	20	France 4 1/2	51 1/2	29	9 1/2	51 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
49 1/2	35 1/2	36 1/2	15	France 4 1/2	40 1/2	23	11 1/2	40 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
40 1/2	30 1/2	34 1/2	25	Greek 6 1/2	31 1/2	7	15 1/2	31 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
60 1/2	47 1/2	58 1/2	20	Hungary 4 1/2	28 1/2	10	11 1/2	28 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
88 1/2	53 1/2	60 1/2	35	Japan 5 1/2	48 1/2	7 1/2	11 1/2	48 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
94 1/2	57 1/2	64 1/2	38	Japan 5 1/2	40 1/2	23	11 1/2	40 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
61 1/2	40 1/2	50 1/2	35	Peru 7 1/2	45 1/2	15	4 1/2	45 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
83 1/2	56 1/2	75 1/2	54	Poland 7 1/2	65 1/2	8	9 1/2	65 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
20 1/2	13 1/2	15 1/2	10	Roum. 4 1/2	14 1/2	14	10 1/2	14 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
96 1/2	85 1/2	92 1/2	75	U.K. & Arg. 4 1/2	84 1/2	7	3 1/2	84 1/2	10 1/2	10 1/2	10 1/2	10 1/2	3 1/2		
Insurance															
118 1/2	111 1/2	115 1/2	101	Alliance 2 1/2	27 1/2	13	3 1/2	27 1/2	13	3 1/2	3 1/2	3 1/2	3 1/2		
118 1/2	112 1/2	117 1/2	104 1/2	Atlas 2 1/2	14 1/2	14 1/2	4 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	3 1/2		
95 1/2	82 1/2	87 1/2	75	Can. Com. 2 1/2	9 1/2	1	4 1/2	9 1/2	14 1/2	14 1/2	14 1/2	14 1/2	3 1/2		
101 1/2	93 1/2	97 1/2	80	Gen. Acc. 2 1/2	4 1/2	7 1/2	3 1/2	4 1/2	14 1/2	14 1/2	14 1/2	14 1/2	3 1/2		
104 1/2	100 1/2	105 1/2	94 1/2	Gen. Acc. 2 1/2	4 1/2	7 1/2	3 1/2	4 1/2	14 1/2	14 1/2	14 1/2	14 1/2	3 1/2		
Investment Trusts															
115 1/2	110 1/2	112 1/2	97	Ando-Am. Deb.	215	...	...	215	...	...	...	...	3 1/2		
103 1/2	97 1/2	102 1/2	88	Ando-Celtic Ord.	17 1/2	...	...	17 1/2	...	...	...	...	3 1/2		
105 1/2	97 1/2	102 1/2	88	Brit. Assets Trust	8 1/2	...	...	8 1/2	...	...	...	...	3 1/2		
91 1/2	84 1/2	89 1/2	78	Debutent Corp. Stk.	212 1/2	...	...	212 1/2	...	...	...	...	3 1/2		
102 1/2	95 1/2	99 1/2	80	For. Amer. & Del.	120 1/2	...	...	120 1/2	...	...	...	...	3 1/2		
33 1/2	24 1/2	26 1/2	31	Ind. & Gen. Ord.	218	...	...	218	...	...	...	...	3 1/2		
89 1/2	37 1/2	37 1/2	13	Invest. Trust Def.	220	...	...	220	...	...	...	...	3 1/2		
28 1/2	15 1/2	19 1/2	14	Lake View Inv. 10/-	14 1/2	...	...	14 1/2	...	...	...	...	3 1/2		
95 1/2	51 1/2	60 1/2	40	Mercantile Inv.	215	...	...	215	...	...	...	...	3 1/2		
101 1/2	97 1/2	100 1/2	80	Merchants Trust	222 1/2	...	...	222 1/2	...	...	...	...	3 1/2		
106 1/2	101 1/2	105 1/2	20	Scottish Inv. 5/-	4 1/2	...	...	4 1/2	...	...	...	...	3 1/2		
118 1/2	112 1/2	115 1/2	94	Scottish Mort.	178 1/2	...	...	178 1/2	...	...	...	...	3 1/2		
66 1/2	52 1/2	60 1/2	20	Trustees Corp. Ord.	197 1/2	...	...	197 1/2	...	...	...	...	3 1/2		
49 1/2	35 1/2	36 1/2	15	United States Deb.	175 1/2	...	...	175 1/2	...	...	...	...	3 1/2		
40 1/2	30 1/2	34 1/2	25	Financial Trusts & C.	9 1/2	...	...	9 1/2	...	...	...	...	3 1/2		
60 1/2	47 1/2	58 1/2	20	Argentine Land & Co.	25 1/2	...	...	25 1/2	...	...	...	...	3 1/2		
88 1/2	53 1/2	60 1/2	35	Charterhouse Inv. 10/-	18 1/2	...	...	18 1/2	...	...	...	...	3 1/2		
94 1/2	57 1/2	64 1/2	38	C. of Lond. R. P. 10/-	15 1/2	...	...	15 1/2	...	...	...	...	3 1/2		
61 1/2	40 1/2	50 1/2	35	Daily Mail & Gen.	28 1/2	...	...	28 1/2	...	...	...	...	3 1/2		
83 1/2	56 1/2	75 1/2	54	Dairy 20/5 pd.	6 1/2	...	...	6 1/2	...	...	...	...	3 1/2		
20 1/2	13 1/2	15 1/2	10	Forestal Land 10/-	2										

(Continued from page 81)

was well supported on the R.S.T. and Rhokana dividends, and West African gold shares responded well under the lead of Ashanti.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Sept. 30	7,820	6,890	83.5	125.8
Oct. 3	7,365	6,365	82.4	125.7
Oct. 4	6,085	7,090	81.4	125.1
Oct. 5	6,570	8,525	81.8	125.7
Oct. 6	5,855	7,910	82.6	126.0
1938 High...	...	...	97.2	131.0
Low...	...	...	73.7	119.9
Sept. 28	...	...	82.6	126.0

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 151 industrial ordinary shares reveals the sharp recovery in equity prices when the threat of war was averted. On Tuesday last, the index had recovered to 63.2, compared with 58.0 a week earlier, and 63.3 a month earlier. The corresponding average yields are 5.95 per cent. this week, 6.50 per cent. last week, and 5.97 per cent. a month ago. Indices of selected component groups given below show that many sections have regained early September levels.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Sept. 6, 1938	Sept. 27, 1938	Oct. 4, 1938	
Banks & disc. (10)	112.7	100.6	111.5	117.0
Insurance (10)	117.0	102.7	115.1	121.5
Building mats. (6)	77.8	69.1	77.3	87.1
Elec. mfg. (12)	117.1	108.0	117.5	129.7
Gas (7)	115.8	107.5	113.4	118.8
Oil (4)	86.5	74.6	83.5	92.1
Breweries (20)	121.2	112.2	121.1	133.6

Group	Yields (%)			Prices 1938 Low
	Sept. 6, 1938	Sept. 27, 1938	Oct. 4, 1938	
Banks & disc.	4.15	4.65	4.20	100.6
Insurance	3.68	3.16	3.71	102.7
Building mats.	7.12	8.00	7.15	69.1
Elec. mfg.	5.76	6.27	5.73	108.0
Gas	5.12	5.53	5.23	107.5
Oil	7.02	8.12	7.17	67.1
Breweries & dist.	5.50	5.96	5.50	112.2

New York

At the end of last week the market was still in full upswing following the Munich agreement. Monday's opening, however, was rather irregular, for many operators viewed the House of Commons debate on foreign affairs and the decline in sterling as bear factors and looked for a technical reaction. Later in the day stocks developed selective strength. Indecision continued on Tuesday, but sentiment was cheerful, and there was little change at the close. On Wednesday prices went quickly ahead and continued to rise throughout the day, the Dow Jones industrial average reaching a new high since October, 1937. President Roosevelt's statement that an upturn in business was under way, coupled with favourable trade news, was a contributory factor in the vigorous upward movement. Leading motor shares experienced some profit-taking on Monday but advanced fully on Wednesday, Chrysler and

General Motors reaching new highs for the year. Steel issues were also strong on consideration of view of the rising rate of operations—Iron Age estimates production at 49 per cent. of capacity in the current week, against 47 per cent.—and on anticipations of early buying orders from the automobile industry. Foreign bonds were buoyant throughout the week, and rails also improved, especially on Wednesday's news of record rail-car loadings.

New York Prices

1. Rails and Transport	Close Sept. 29, 1938	Latest Oct. 6, 1938	Close Sept. 29, 1938	Latest Oct. 6, 1938
Atchafalpa	31 1/2	39 1/2	Briggs	12 1/2
Balt. & Ohio	7 1/4	8 1/4	Chrysler	68 1/2
B.M.T.	8 1/4	10	Elec. Autolite	31 1/2
Can. Pacific	5 1/2	6 1/2	Gen. Motors	41 1/2
Ches. & Ohio	2 1/2	3 1/2	Hudson Mtr.	8 1/2
G.N. Ry. Pk.	17 1/4	21 1/4	Nash Kelvintr.	8 1/2
Illinois Cent.	10 1/2	13 1/2	Nackard Mtr.	4 1/2
N.Y. Central	15 1/2	19 1/2	Boeing Airplan.	22 1/2
Norfolk Pac.	10	12 1/2	Douglas Air.	44 1/2
Pennsylv. R.	17 1/4	21 1/4	United Airt.	23 1/2
Southern Pac.	15 1/2	20 1/2	Air Reduction	66 1/2
Southern Ry.	11 1/4	14 1/4	Allied Chem.	175 1/2
Union Pac.	8 1/2	9 1/2	Col. Carbon	83 1/2
Greyhound	15	18 1/2	Upstart	130 1/2

2. Utilities and Communications	Close Sept. 29, 1938	Latest Oct. 6, 1938	Close Sept. 29, 1938	Latest Oct. 6, 1938
Am. W. Works.	8 1/2	10 1/2	Un. Carbide	80 1/2
C.W. & S.	1	1 1/2	U.S. Ind. Alc.	20 1/2
Con. Edison	25 1/2	29 1/2	Alth. Chalmers	47 1/2
Col. Gas & Ill.	6 1/4	7 1/4	Gen. Electric	40 1/2
El. Bond & Sh.	6 1/2	8 1/2	West. Elec.	93 1/2
Nat. Pwr. & Lt.	6 1/2	7 1/2	American Can.	96 1/2
N. American	17 1/4	22 1/4	Addressograph	25 1/2
Pac. Gas & El.	25 1/2	27 1/2	Caterpillar	47 1/2
Pac. Light & Heat	35 1/2	39 1/2	Cont. Can.	45 1/2
Pub. Serv. N.J.	27 1/2	30 1/2	Ingersoll Rand	62 1/2
Stan. Gas & El.	31 1/2	41 1/2	Int. Harvester	58 1/2
United Corp.	21 1/2	27 1/2	Johns Manville	91 1/2
Un. Gas Imp.	9 1/2	10 1/2	Am. Radiator	15 1/2
Amer. Tel.	138	148 1/2	Cor. Prods.	64 1/2
Internat. Tel.	25 1/2	30 1/2	J.I. Case & Co.	82 1/2
West. Union	66 1/2	77 1/2	Glidden	20 1/2
Radio	54 1/2	62 1/2	Nat. Am. Trans.	43 1/2

3. Extractive and Metal	Close Sept. 29, 1938	Latest Oct. 6, 1938	Close Sept. 29, 1938	Latest Oct. 6, 1938
Am. Rol. Mill	16 1/2	19 1/2	20th Cen. Fox	23 1/2
Beth. Steel	9 1/2	10 1/2	Mont. Ward	41 1/2
Beth. Steel R.	16 1/2	19 1/2	J.C. Penney	78 1/2
Republic St.	16 1/2	19 1/2	Sears Roebuck	67 1/2
U.S. Steel	55 1/2	62 1/2	Walgreen	15 1/2
U.S. Steel Pk.	98	117 1/2	Woolworth	43 1/2
Alaska Indus.	9 1/2	10 1/2	Borden	15 1/2
Am. Metall.	32 1/2	37 1/2	Gen. Foods	31 1/2
Am. Smelting	43 1/2	51 1/2	Kroger Grey.	16 1/2
Anaconda	32 1/2	37 1/2	Nat. Biscuit	23 1/2
Bohn Alum.	23	27 1/2	Nat. Dairy	12 1/2
Cerro de Pas.	44	50 1/2	Stand. Brands	6 1/2
Int. Nickel	47 1/2	52 1/2	Am. Tob. B.	83 1/2
Kenecott	41 1/2	46 1/2	Lig. Myers B.	92 1/2
Patino Mines	9 1/2	12 1/2	Lorillard	18 1/2
Tex. Glt. Sul.	35 1/2	37 1/2	Reyn. Tob. B.	41 1/2
U.S. Smelt.	57 1/2	64 1/2	Nat. Distillers	23 1/2
Vanadium	17 1/2	20 1/2	Schenley Dis.	15 1/2
Atlantic Refg.	21 1/2	24 1/2		
Phillips Petr.	38	42		
Shell Union.	15	16 1/2		
Socony Vac.	13 1/2	14 1/2		
Stan. Oil Cal.	29 1/2	30 1/2		
Stan. Oil N.J.	51 1/2	54 1/2		
Texas Corp.	41 1/2	45 1/2		

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

WEEKLY AVERAGES				
1938	Low Mar. 30	High Oct. 5	Sept. 21, 1938	Sept. 28, 1938
347 Ind's.	75.9	111.4	104.0	111.4
32 Rails	19.0	31.4	25.1	23.4
40 Utilities	57.7	78.8	72.3	69.6
419 Stocks ...	63.7	92.2	86.0	82.6
Av. yield % *	8.35	3.92	4.03	4.99

* 50 Common Stocks. † January 12th. DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)

Sept. 29	Sept. 30	Oct. 1	Oct. 3	Oct. 4	Oct. 5
119.1	122.5	124.5	125.0	124.6	128.1

1938 High: 128.1 October 5th. Low: 83.6 March 31st.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Sept. 29	1,230	7,240	119
" 30	1,000	9,980	210
Oct. 1	950	4,940	113
" 3	1,160	7,910	182
" 4	970	7,470	130
" 5	2,240	10,830	211

* Two-Hour Session

Capital Issues

CAPITAL ISSUE TOTALS

Week ending October 8	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduc.	Nil	Nil	Nil
By Permission to Deal	311,343	...	312,993
Sav. Certs., 6 day, ended Sept. 30	Dr. 1,950,000	...	Dr. 1,950,000

Year to date	Including Conversions £	Excluding Conversions £
1938 (New Basis)	217,011,198	217,120,235
1937 (New Basis)	462,344,804	413,098,641
1938 (Old Basis)	171,118,516	151,537,678
1937 (Old Basis)	261,187,196	217,023,512

Destination

(Excluding Conversions)

Year to date	U.K. £	Brit. Imp. ex U.K. £	Foreign £
1938 (New Basis)	166,679,302	47,590,756	2,850,177
1937 (New Basis)	353,023,577	56,816,705	3,258,559
1938 (Old Basis)	125,791,813	9,252,053	19,493,812
1937 (Old Basis)	130,613,375	21,104,231	2,820,072

Nature of New Borrowing

(Excluding Conversions)

Year to date	Deb. £	Pref. £	Ord. £
1938 (New Basis)	136,936,133	133,176,492	61,807,310
1937 (New Basis)	206,307,232	26,387,820	180,403,579
1938 (Old Basis)	125,791,813	9,252,053	19,493,812
1937 (Old Basis)	149,401,824	16,503,365	51,118,323

Note.—"Old Basis" includes only public issues and issues to shareholders only; "New Basis" includes all new capital in which permission to deal has been granted.

ISSUES TO SHAREHOLDERS ONLY

Simmer and Jack Mines, Ltd.—It is proposed to issue 750,000 2s. 6d. shares at 12s. 6d. each (one new share for every eight held) to finance additions to the reduction works and for other purposes.

PRIVATE PLACING

United Kingdom Gas Corporation.—This corporation has placed privately £66,186 3½ per cent. debenture stock.

SHORTER COMMENTS

Company Results of the Week.—Improved earnings are reported by BORNEO COMPANY and LEACH'S ARGENTINE ESTATES. The latter's profits amount to £148,249 against £121,647; the ordinary dividend has been increased, and a small payment is made on the deferred capital. HURST NELSON profits are appreciably higher, at £52,762, compared with £35,634; the dividend has been raised from 7½ per cent. to 10 per cent. Other companies in the engineering group include KAYSER, ELLISON, whose profits have been increased from £104,171 to £121,613, and RANSOME AND MARLES BEARING. The latter's profits are somewhat lower at £150,528 compared with £166,351, but in each case ordinary dividends have been maintained. Outstanding in the rubber group is MALAYALAM, which has recorded a satisfactory advance in profits from £253,185 to £270,730 for the year to March 31st. The 10 per cent. dividend has been maintained, and is well covered. In the miscellaneous group, improved results

(Continued on page 100)

Industry and Trade

The Aftermath of the Crisis.—The political crisis has left its mark on British business, though its effect cannot yet be fully assessed. Until August many observers confidently expected a business revival in the autumn. The basis for a re-stocking movement had been prepared by the reduction of stocks of semi-finished and finished goods, and recovery in the United States, accompanied by rising prices for raw materials, was expected to give the signal for a buying movement. But the crisis effectively prevented an increase in the flow of new orders to industry. As a result, industry's order books were not replenished during the past month. The Munich agreement has brought relief, but there were no signs this week of a marked expansion in the volume of business transactions. The demand for coal was a little better. The markets in textiles were slightly more active, but transactions in iron and steel remained small in volume. The immediate outlook for industry, therefore, is none too promising, and it is evident that the business trend has been temporarily deflected from its path by the events of recent weeks. Nevertheless, the prospective increase in armament expenditure, coupled with sustained recovery in the United States, may, in the absence of further political difficulties, help to prevent a serious setback in industrial activity.

Decline in Employment.—Germany's decision to obtain possession of the Sudetenland, even at the risk of general war, has brought confusion to the world of business. Commercial transactions were held up, and the flow of orders to industry did not show the increase usual in September. Although the latest count of unemployment was taken on September 12th—a fortnight before the crisis came to a head—the figures bear evidence of the unsettling effect of the political tension. Thus, the number of insured persons on the registers of the unem-

EMPLOYMENT AND UNEMPLOYMENT IN GREAT BRITAIN

	Unemployment				Employment	
	Registered unemployed aged 14 and over (incl. agriculture)			Percentage of insured persons (aged 16-64) unem- ployed (excl. agriculture)	Insured persons aged 16-64 employed (excl. agriculture)	
	Total		Number		Index, adjusted for seasonal variations	
	Number	Index, adjusted for seasonal variations				Of whom wholly unem- ployed
	'000	1935 = 100	'000	%	'000	1935 = 100
1937						
August 23 ...	1,359	66.6	1,089	9.7	11,672	112½
Sept. 13* ...						
<i>Old basis...</i>	1,389	68.5	1,119	9.8	11,662	112½
New basis	1,339	66.1	1,091	9.5	11,706	112½
Oct. 18	1,390	68.5	1,160	9.9	11,659	112
Nov. 15	1,499	73.4	1,228	10.7	11,573	111½
Dec. 13	1,665	83.5	1,284	11.8	11,437	109½
1938						
Jan. 17	1,828	83.5	1,419	12.9	11,309	110½
Feb. 14	1,810	84.0	1,405	12.8	11,324	110
March 14	1,749	85.8	1,350	12.5	11,380	109½
April 4	1,748	87.9	1,321	12.5	11,390	109
May 16	1,779	89.5	1,314	12.7	11,375	109
June 13	1,803	91.0	1,269	13.0	11,333	109
July 18	1,773	87.4	1,244	12.9	11,371	109½
Aug. 15	1,759	86.4	1,262	12.7	11,402	110
Sept. 12	1,799	88.6	1,324	...	11,380	109½

THE BACKGROUND OF FAMOUS COMPANIES:

The publication is announced of an important new series of special articles in the columns of THE FINANCIAL NEWS under the above heading.

It is intended to take one by one those really big Companies in which Investment interest is very considerable, and to present them in pictorial outline. The paper has appointed a Special Commissioner who will go down and visit the various works and gather material about the history of the Companies, the number of persons employed, how the processes are carried on, how the businesses have grown—in fact, all the necessary material in order to make these Companies "come to life."

To thousands of Investors names such as Courtaulds, I.C.I., Turner and Newall, simply signify shares—Stock Exchange counters—but in the background are great organisations, providing the livelihood of thousands of workers and their dependents; organisations where works, situated in many different parts of the country, may affect the prosperity of entire districts, and whose products may be marketed amongst millions of consumers.

The first article in this new series will be published on Friday next, October 14th, and the Company we have chosen to start the series is

BASS, RATCLIFF & GRETTON,

of Burton-on-Trent. Subsequent articles in the series will include Stewarts and Lloyds (October 21st), London Brick Company (October 28th) and the Bolsover Colliery (November 4th).

Investors in general and shareholders in these Companies in particular would be well advised, in order to avoid disappointment, to place an advance order with their newsagents.

THE FINANCIAL NEWS

(Twopence Daily)

On sale at all Railway Bookstalls and good Newsagents everywhere.

from August 1, 1937, to the end of March, 1938, was issued this week. During this period, the Commission was mainly concerned with the working of the subsidy regulations. The table given below shows the total number of animals which were certified for the ordinary subsidy of 5s. per cwt. and for the quality subsidy of 7s. 6d. per cwt. in the eleven months ended last June. Imported animals, fattened in this country, are paid a subsidy which is 2s. 6d. per cwt. smaller than that paid to home-bred cattle:—

BEEF CATTLE QUALIFYING FOR SUBSIDY IN THE UNITED KINGDOM FROM AUGUST, 1937, TO JUNE, 1938

	Total No. of cattle certified	Home-Bred		Imported	
		Ordinary	Quality	Ordinary	Quality
Aug., 1937-March, 1938 ...	1,006,256	423,586	316,267	106,235	160,168
Per cent. of total	100.0	42.2	31.4	10.5	15.9
Total payments	£2,585,877	944,479	1,118,893	125,512	396,994
April-June, 1938	356,455	105,415	149,533	24,678	76,799
Per cent. of total	100.0	29.6	41.9	6.9	21.6

It will be seen that in the last three months the proportion of the total number of cattle certified which qualified for the higher subsidy was appreciably larger than in the previous period. This is due partly to the better quality of feeding-stuffs available in the spring, but some of the improvement is undoubtedly due to the greater attention now paid by farmers to the finishing of their beef cattle, in the hope of obtaining the higher rate of subsidy.

* * *

Rise in Shipping Freight Rates.—The improvement in tramp shipping freight rates, which began in August, continued during the past month:—

The Economist INDEX OF FREIGHT RATES (1898 = 1913 = 100)

	Average, 1913	Sept., 1937	June, 1938	July, 1938	Aug., 1938	Sept., 1938
European waters	110.0	180.6	107.3	106.2	103.8	107.7
North America	113.1	146.8	108.0	108.5	110.1	110.2
South America	123.4	159.2	127.0	119.9	124.8	121.3
India	106.3	186.4	111.9	112.3	110.0	113.7
Far East and Pacific	117.4	180.8	104.7	105.2	106.2	112.8
Australia	127.9	165.0	112.8	112.5	113.0	112.2
Total	116.3	169.8	111.9	110.8	111.3	113.0
1913 = 100	100.0	145.0	96.1	95.2	95.7	97.2

As the next table shows, rates on the majority of trade routes showed an increase between August and the early days of September to which our index refers.

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	98.9	+ 3.0	South America:—		
Bay—outwards	115.4	+ 16.3	Outwards	88.3	— 7.9
Bay—homewards	138.7	+ 1.6	Homewards	154.3	+ 0.8
Mediterranean:—			India—outwards	98.9	+ 4.2
Outwards	76.0	— 0.9	India—homewards	128.6	+ 3.1
Homewards	118.6	+ 0.9	Far East, etc.	112.8	+ 6.6
North America	110.2	+ 0.1	Australia	112.2	— 0.8

During the past few weeks, the shipping freight markets were disorganised by the prospects of a general war; demand for carrying-space has been limited by the uncertain outlook and the increase in the cost of war risk insurance also hampered business. Since the conclusion of the Munich Agreement the markets have shown some improvement.

* * *

Oil Market Weakness.—In view of the vital part played by petroleum products in modern warfare, surprise has been expressed that oil prices have shown so little response to the war scare of the past few weeks. Actually, business on the Gulf export market was more active last week, but increased calls were easily met from accumulated stocks. Consequently prices were not marked up. Without this improvement in demand it is doubtful

whether petrol prices could have been prevented from showing renewed weakness. The recent trend of prices is shown below on the basis of the indices published in this week's issue of the *Petroleum Press Service*:

	GULF EXPORT PRICES (1929=100)			
	U.S. Motor Gasoline	Kerosene	Gas and Diesel Oil	Bunker Fuel Oil
An. av. 1933	50.1	57.5	78.5	88.2
" 1934	51.9	58.0	86.2	122.0
" 1935	57.4	56.9	76.2	103.4
" 1936	62.2	52.6	78.0	113.3
" 1937	67.6	68.5	99.7	121.7
September, 1937...	71.4	68.1	103.2	119.5
December, 1937...	60.7	69.4	108.5	112.9
March, 1938	57.3	65.3	95.8	102.3
June, 1938	55.6	54.7	83.5	92.1
July, 1938	56.3	55.0	85.6	89.9
August, 1938	56.0	55.5	86.2	85.0
September, 1938...	54.7	55.5	86.2	83.0

As a result of the over-production in the United States, petrol prices have shown a sagging tendency during the past twelve months. The price of gasoline has now fallen below the annual average for 1935 and other grades have fallen even more severely. Kerosene, increasingly purchased as a tractor fuel, showed a firmer tendency during the third quarter, while gas and diesel oils have benefited from the long-term progress of the oil engine. The heavy fuel oil stock position remains the most unsatisfactory feature of the Gulf market and explains the recent decline in the price of bunker oil to below the average for 1933. Prospects are dependent in the main upon two factors—the course of the output of refined products in the United States and the trend of business activity in the principal consuming countries.

* * *

Fall in U.S. Metal Stocks.—The fall in the consumption of base metals in the United States, which began in the autumn of last year, was mainly responsible for the slump in world prices, so that an improvement in demand across the Atlantic is expected to bring a rise in prices. There are already signs that a recovery of the American metal markets is under way. While the United States' production of copper, lead and spelter (tin is not produced in the United States) has declined sharply in recent months, consumption has tended to increase. As a result, U.S. metal stocks, which rose between the summer of 1937 and the spring of 1938, have recently shown a downward trend, revealed in the table below:—

UNITED STATES "VISIBLE" METAL STOCKS (In thousands of short tons)

	Copper		Lead		Spelter	
	1937	1938	1937	1938	1937	1938
January	142.4	299.1	169.8	133.4	34.1	88.5
February	136.0	326.2	156.8	138.2	24.6	108.1
March	121.5	342.8	137.0	143.5	18.2	118.0
April	99.6	355.7	128.5	156.7	13.9	135.2
May	108.6	369.8	115.8	163.7	13.8	148.1
June	111.0	359.0	113.4	163.3	14.1	149.7
July	117.7	340.0	111.1	154.2	13.6	146.2
August	123.5	315.2	103.5	140.7	11.2	143.4

Sources: copper, Copper Institute; lead, American Bureau of Metal Statistics; spelter, American Zinc Institute.

Compared with last year's levels, stocks at the end of August appear very high, in spite of the recent declines. But a year ago, the stocks held by consumers (which are not included in the figures of "visible" supplies) stood at a higher level than now. In the first half of this year consumers' stocks in the United States fell to the lowest levels recorded for many years. Although there have since been certain re-stocking purchases, especially of copper, a sustained recovery of business activity will probably stimulate further purchases. As output in the United States cannot be rapidly increased at short notice, "visible" supplies will probably fall further in coming months. Consequently, the high level of existing "visible" supplies is unlikely to prevent a rise in prices.

The 1937-38 Potato Season.—The report of the Potato Marketing Board on its activities in the year ended on August 31st strikes a somewhat apologetic note. The prices obtained by registered potato growers (to whom the Board is responsible for its actions) were considerably lower in the season just ended than in either of the two previous years. At Wisbech, for instance, growers' prices of white varieties averaged less than 80s. per ton between November and March, against an average of about 120s. per ton in 1936-37 and 110s. per ton in 1935-36. There are reasons, however, for regarding the prices in the two earlier years as exceptionally high rather than as a norm from which prices in 1937-38 showed a regrettable lapse, for home production in 1935 and 1936 was below the average of the previous ten years, while output in the past season was almost equal to this average. The success of the Board's riddle regulations in the last season is shown not so much by the absolute level of prices as by the stability during the greater part of the year and by the fact that stocks remaining on the farms and in the hands of merchants in June, 1938, had been reduced to insignificant proportions. Indeed, the Board may perhaps be criticised as being too successful in this respect, for when it was known at the end of April that the lifting of the early potatoes would be delayed by the effects of the long spring drought and late frosts, reserves of the old crop were found to be barely sufficient to meet the prolonged demand. Prices at Wisbech more than doubled between the middle of April and the middle of May, by which time the Board had reduced the size of its riddles, and had also authorised the sale of 28,000 tons of "seconds." Apart, however, from this temporary rise in prices, whose cause is to be found in the vagaries of the climate, the stabilising effect which the actions of the Board have on prices are undoubtedly appreciated by producers and consumers alike.

* * *

Dearer Bread.—One effect of the political crisis of the last ten days was to bring about a sharp rise in the price of wheat. Consequently the price of flour also rose, sufficiently to justify, in accordance with the margins authorised by the Food Council and the Bakers' Joint Price Committee, a rise of 3d. to 8½d. in the price of the quartern loaf. The increase in the price of bread could have taken place last Monday, but in view of the national emergency it was delayed and will take effect on Monday next. Meanwhile, the removal of the fear of war and the reduction in insurance rates for cargoes has caused a relapse of wheat prices to a level somewhat below that ruling a fortnight ago. As the wheat crop now harvested in the northern hemisphere is of record size, the downward trend in prices is likely to be continued during the current season. Consequently, this rise in the price of bread will probably be of short duration only, and a reduction can be expected in the near future.

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INDUSTRIAL REPORTS

The Munich Agreement has brought relief to industry, and in the past week business has tended to improve. For example, there was a noticeable increase in the export of coal and other goods held up during the crisis. The fall in the cost of War Risk insurance is also facilitating new business. The order under which outstanding export licences for war materials were suspended on September 28th was rescinded on October 4th. There has been some improvement in the demand for coal, but the volume of transactions in iron and steel remains small. Turnover in cotton and jute textiles has shown expansion.

Coal

Sheffield.—On the home market prices are firm, with the exception of the smaller grades, which are in abundant supply. There is, however, a decided improvement in the demand for supplies for electricity works. Industrial fuel generally is in better request. Business in household coal is quiet, the warmer weather conditions being responsible. Gas coal moves slowly, as does coking fuel. The market in coke is dull, supplies being more than adequate.

Export inquiry is better, and prices are well maintained.

*

Newcastle-on-Tyne.—The North-umberland steam coal trade is better than for some months, but there are still collieries which are not working at their full capacity, as is evident from the recent production figures of this coalfield. Trade in Durham shows no improvement. Collieries producing large steam coals are comfortably placed, but the gas and coking groups are on short time. There has been a little more demand for patent oven coke, but the market as a whole remains quiet.

*

Glasgow.—Conditions in the Scottish coal market are again normal, but several of the ports are now dispatching tonnages which had been held back during the critical stages last week. Export trade generally has already shown some improvement, and in addition to a brisker demand from some of the Scandinavian markets, South America, Australia and one or two other countries have been in the market for splint coal. Taken all round, trade is moving steadily, and it is expected that the steel trade will be a bigger buyer in the near future. Meantime, supplies are ample for all requirements, and prices have undergone little change.

*

Cardiff.—Shipments at the South Wales ports last week were a little more active than of late, but there has been no appreciable expansion in business, and prices for all classes of coal are unaltered. The French import restrictions have been relaxed temporarily, but it is anticipated that the recently reduced quota will again become effective in the course of the next few weeks.

Some contracts have been renewed over next year, but there is little of the usual autumnal activity in forward sales.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange points out that the settlement of the international crisis has not greatly influenced business. Towards the end of last week there was an active demand for some of the lighter descriptions of steel, but conditions at the heavy steel works remained much as they were before the international tension developed. Most of the works have a reserve of orders in hand, but the industry is not operating at capacity and there is a pronounced scarcity of new business.

There has been some improvement in the demand for pig iron, but this has consisted principally of small supplementary parcels and most of the consumers are working on stocks and existing contracts. Expiring contracts generally are renewed for a limited period.

In the semi-finished steel section of the market rather more activity has been noticeable. As stocks of foreign material are gradually reduced the demand for British steel slowly expands. Imports are comparatively small and it is anticipated that the British works producing semi-finished steel will become better employed as the autumn advances.

In the finished steel department the scarcity of orders for shipbuilding steel is severely felt, but substantial tonnages of structural steel are passing into consumption. In the lighter section of the industry there is a considerable amount of unemployed plant, but new business has shown signs of improving. Overseas demand, however, fails to develop any strength.

*

Sheffield.—The apparent imminence of war brought a good many buyers into the iron and steel market with the object of making certain of supplies, but with the easing of the position business has become quiet again. Failing new alarms, a general improvement in the markets is expected. Small lots of forge and foundry iron are changing hands, and transactions in basic iron are on a slightly larger scale. Hematite business continues very restricted, the majority of users being fully covered by contract. The volume of business in finished iron shows little expansion, interest being largely confined to common bars. The mills continue to work irregularly.

A wider demand for basic steel billets exists, but acid billet requirements are still very limited. Business in wire rods shows some expansion, as does that in strip.

Although the production of ordinary steel shows little expansion, output of stainless and special steels is heavier, and more furnaces are being put into commission. A big rod-mill which has been idle for four months has also been put into operation again. A revival in trade before the end of the year is being more confidently predicted.

Middlesbrough.—Now that the political tension has been removed, the market is developing a much more confident tone. Transactions are limited to small quantities and for early delivery, as, with prices fixed to the end of December, there is no encouragement to enter into large commitments. Cleveland foundry pig iron is in steady request. East Coast hematite is plentiful, but there are indications that more iron is being consumed. Business in semi-finished steel remains quiet, re-rollers being well stocked. A quantity of 691 tons of crude sheet bars was imported into the Tees during last month. Finished steel producers are now anxious to have further orders, although structural steel is in good demand. Shipbuilding requirements are now easier. Sheet makers were able to meet last week's demands caused by the crisis and have now booked further orders.

Foreign ore imports during September totalled 63,576 tons, compared with 80,152 tons during August. Deliveries remain restricted and will continue so until there is an increase in the number of blast-furnaces operating. Blast-furnace coke is in plentiful supply, but in little request. There is no change in the heavy steel scrap position, supplies being plentiful. The shipments of pig iron, manufactured iron and steel from the Tees, both coastwise and foreign, during September amounted to 31,494 tons, an increase of about 9,000 tons over those of the previous month.

*

Glasgow.—With the exception of shipbuilding material, the demand is better for all classes of steel. Engineering concerns in Glasgow and district are all busy, many of the larger firms having work on hand which will absorb their output for many months to come, and a steady and regular demand for material to meet their requirements is assured. Structural firms are also making greater demands on the steel producers. At the moment bookings of galvanised corrugated sheets are exceptionally heavy and, while those for black sheets are not so satisfactory, there are signs of improvement here, too. Sheet makers are hopeful that it may soon be necessary to put a few additional rolling mills into operation.

*

Cardiff.—As our weekly statistics on page 91 show, there has been no significant change in the position of the tinplate industry. A feature was the experimental inauguration of the new strip mill at Ibbw Vale on Tuesday.

Textiles

Cotton (Manchester).—After great strain and anxiety, business was more active towards the end of last week, but during the last few days demand has fallen again. There has been very little change in raw cotton prices. The next official American crop estimate, which will be published on Saturday afternoon, is expected to show a slight increase over that of a month ago. At the end of last week a much larger business was done in actual cotton in

the Liverpool market, and some of the leading combines bought freely.

The yarn market has been unsettled. The cutting of prices for medium American ring yarns has resulted in a good deal of chaos, but certain big producers, after booking substantial orders, have put up their prices. Some spinners of Egyptian counts have obtained a little more business.

Rather more business has been done in piece-goods. When the war scare was at its height, big orders were placed in materials suitable for the Air Raid Precautions organisation, especially cloth for window blinds. Fair contracts have been put through for export, although the uncertainty with regard to war risk insurance has been an obstacle to business.

*

Jute (Dundee).—Considerable excitement prevailed in the jute trade last week and a large business was done in both yarns and cloth, with the result that spinners and manufacturers were able to raise their prices. Urgent orders were forthcoming for sandbags, many more than manufacturers could deliver. The Government increased the quantity to be supplied from two million to three million bags per week and this order has not yet been countermanded. Producers are all very busy and so far they have been able to maintain their increased prices, though new business is now very small and buyers are inclined to await further developments. They have allowed their stocks to run down to very low levels and replenishment is necessary.

Now that conditions are more settled, greater confidence may be expected in the jute trade, especially as the Indian jute mills are now curtailing their production to 45 hours per week. This should materially reduce the huge stocks which have accumulated during the period of unrestricted output. Prices for Calcutta goods have tended to rise, and those for hessians on spot rapidly advanced last week when buyers were falling over one another to obtain supplies. Stocks of 8-oz. hessians on spot here have been practically cleared out and a considerable proportion of the stocks of 10-oz. has also been disposed of. Buyers were paying 20s. for 10-oz. and 17s. for 8-oz., but in the case of 10-oz. the price is now nominal at 19s. 6d. The price of Dundee 10-oz. 40 in. is 2½d. and of 8-oz. 2½d. per yard; these rates are more in keeping with the cost of production. Hessian yarns are quoted at 2s. 2d. for common 8-lb. cops and at 2s. 3d. for 8-lb. spools.

THE COMMODITY MARKETS

AFTER the Munich agreement the rate of exchange between the pound and the dollar moved in favour of the former, a tendency which made for lower commodity prices in London. On the other hand, the progress of recovery in the United States prevented a general price decline, for the trend across the Atlantic was upwards.

Wheat and raw sugar slumped as sharply as they had previously risen.

American raw cotton was naturally dearer. Rubber, which had fallen in price on the fear of war, made a vigorous recovery. Among non-ferrous metals, lead and spelter were marked down, copper remained practically unchanged, but tin advanced on an expansion in demand from the United States.

Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) rose from 143.6 to 144.1 during the week ended last Wednesday. A month ago the index stood at 143.4 and a year ago at 180.2.

Metals

Copper.—The removal of the fears of an immediate outbreak of war brought an early spell of easiness in the copper market, but later the standard cash prices recovered and closed on Wednesday at £43 per ton, a net loss of only 3s. 9d. on the week. Reports of increasing activity in the United States metal-consuming industries and the revival of buying by United States fabricators provided the chief stimulus for the copper market this week. The improvement in the U.S.A. demand was reflected in a double rise (by two steps of ½d. each) to 10.62 cents per lb. in the U.S.A. domestic price.

*

Tin.—Tin also benefited from the better outlook in the United States, where demand has increased. The Standard cash price closed on Wednesday at £197 per ton, a net gain of £1 5s. on the week. On Thursday, the price rose to £202 10s. per ton, and thus exceeded the lower limit of the buffer pool scheme. The slight increase of 289 long tons to 31,006 tons in the world's tin stocks in September had no effect on the market, as it is known that a substantial tonnage of the present visible supply is held off the market by the tin buffer pool.

*

Lead and Spelter.—Lead declined by 8s. 9d. to close on Wednesday at £15 1s. 3d. per ton, while spelter lost 6s. 3d., thus closing at £14 per ton. There has been no further news about the control schemes for the two metals. According to the American Bureau of Metal Statistics the world lead output reached 147,409 short tons in August against 153,255 short tons in July, while the world spelter output advanced from 136,430 short tons in July to 137,097 short tons in August. In both cases the output in August remained in excess of consumption, and as the United States is neither a major exporter nor an importer of lead and spelter, the London market is not affected by the rising industrial activity in America.

Grains

THE more settled political conditions of the last week led to a steady decline in grain prices, which has left them somewhat lower than a fortnight ago. The uncertainties over cargo insurance have tended to limit business to very near positions. French and home-grown wheat are now being offered in British markets and the pressure of supplies both from Europe and other countries seems to indicate a period of continued decline in wheat prices. Maize and

barley have been affected by the general trend, though maize in near positions continues to command good premiums, owing to the small stocks in importing countries. The large supplies of English malting barley are more than sufficient for demand and prices for good average lots range from 40s. per quarter upward.

Other Foods

Provisions.—Prices for the most important foods have been stabilised until October 8th. Demand for beef, English mutton and pork improved during the week and prices were advanced. Large supplies of eggs continue to arrive and prices during the week were a little lower.

*

Colonial Produce.—A brisk demand at the tea auctions at the end of last week gave way to a quieter tone, with a declining price level. The cocoa and coffee markets have been steady; sugar prices were lower on the week.

*

Fruit and Vegetables.—The supply of potatoes remains heavy at the Borough, but prices were maintained with little alteration. The market for other vegetables and for fruits improved over the week-end.

Miscellaneous Commodities

Oilseeds and Oils.—Markets in these products are slowly returning to normal conditions, aided by the reduction in rates for war risks. Demand for linseed remains negligible, but stocks are known to be small, and a revival of trade is confidently expected in the near future. The sharp rise recorded last week in the prices of cottonseed, linseed oil and cotton oil was quickly followed by a relapse at the end of the week, and prices are now about the level of a fortnight ago.

*

Rubber.—Now that the imminent danger of war has been removed, the strong position of the rubber market has had its normal effect. Prices rose sharply at the end of last week, and, after a quieter tendency on Monday and Tuesday, the advance was continued on Wednesday, when the buyers' price of standard sheet on the spot closed at 8½d. per lb. News of the American motor and tyre trade continues satisfactory.

*

Cotton.—Spinners in Lancashire were somewhat surprised by the first official estimate of the Egyptian cotton crop. As the area under cultivation has been reduced from 1.98 million feddans to 1.78 million feddans, it was expected that supplies would not reach the record level of last year's 10.7 million cantars, but the Government's estimate of 7.7 million cantars was considerably lower than had been expected. It is also reported that the crop has not been making good progress, so that there seems little probability of lower prices for Egyptian cotton.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Sept. 28, 1938	Oct. 5, 1938
GRAIN, etc.—		
Wheat—		
No. 2, N. Man. 49½ lb.	s. d. 23 6	Nom. 23 6
Eng. Gaz. av. per cwt.	4 11	5 0
Liv. Oct., per cental	5 11	5 0
Flour, per 280 lb.—		
Straights, d/d London	28 6	23 6
Manitoba, ex store	Nom. 21 6	Nom. 21 6
Barley, Eng. Gaz. av. per cwt.	9 9	9 7
Oats—		
Maize, La Plata, landed, 480 lb.	6 5	6 1
Rice, No. 2 Burma, per cwt.	9 0	9 3

MEAT—		
Beef, per 8 lb.—		
English long sides	4 0	4 4
Argentine chilled hinds	4 0	4 2
Mutton, per 8 lb.—		
English wethers	4 0	4 4
N.Z. frozen wethers	3 0	3 0
Lamb, per 8 lb.—		
N.Z. frozen	4 10	4 10
Pork, English, per 8 lb.	6 4	6 8

BACON (per cwt.)—		
English	99 0	99 0
Danish	96 0	96 0
Irish	92 0	92 0

HAMS (per cwt.)—		
Canadian	100 0	100 0
United States	95 0	95 0

OTHER FOODS

BUTTER (per cwt.)—		
Australian	111 0	114 0
New Zealand	116 0	116 0
Danish	135 0	135 0

CHEESE (per cwt.)—		
Canadian	71 0	72 0
New Zealand	72 0	72 0
English Cheddars	86 0	88 0
Dutch	64 0	59 0

COCOA (per cwt.)—		
Accra, g.f.	21 6	24 3
Trinidad	36 0	36 0
Grenada	31 0	31 0

COFFEE (per cwt.)—		
Santos sup. c. & f.	33 0	33 0
Costa Rica, medium to good	48 0	50 0
Kenya, medium	55 0	58 0

EGGS (per 120)—		
English (15-15½ lb.)	18 6	17 9
Danish (15½ lb.)	13 9	13 6

FRUIT—		
Oranges, S. African boxes	8 0	9 3
" Brazilian Peras. boxes	14 6	14 9
Lemons, Naples boxes	22 6	25 0

APPLES, Amer. (var.)—		
Californian Gravenstein	10 3	9 0
Boxes	5 0	5 0
Grapes, Almeria barrels	15 0	14 6
Grapefruit, S. African	10 0	10 0

LARD (per cwt.)—		
Irish, finest bladders	50 0	50 0
U.S.	49 0	49 0

PEPPER, per lb.—		
Black Lampong (in Bond)	0 2½	0 2½
" (Duty paid)	0 3¼	0 3¼
White Muntok (in Bond)	0 3¼	0 3¼
" (Duty paid)	0 4¼	0 4¼

POTATOES (per cwt.)—		
English, King Edward, Silthead	5 0	5 0

SUGAR (per cwt.)—		
Centrifugals, 96, prpt. shipm.	5 10½	5 3
c.f. U.K./Cont.	5 10½	5 3
Refined London—		
Yellow Crystals	19 3	19 3
Cubes	24 0	24 0

* Weeks ended Sept. 22nd and Sept. 29th.

SUGAR (per cwt.)—cont.

Crushed	21 9	21 9
Granulated	19 7½	19 7½

TEA* (Auction Average) (per lb.)—

N. India	15 77	15 35
S. India	13 12	13 89
Ceylon	16 51	16 29

TOBACCO (per lb.)—

Virginia stemmed and unstemmed, common to fine	0 8	0 8
Rhodesian stemmed and unstemmed	0 9	0 9
Nyasaland stemmed and unstemmed	0 7	0 7

East Indian—		
Stemmed	0 4	0 4
Unstemmed	0 5	0 5

TEXTILES

COTTON (per lb.)—		
Raw, Mid-American	8 30	8 45
" Sakellaridis, F.G.F.	8 01	7 71

Yarns, 32's Twist	9 11	9 11
" 40's Twist	10 11	10 11
" 60's Twist (Egyptian)	17 14	17 14

Cloth, 32 in. Printers, 116 yds.	16 5	16 5
" 36 in. Shirtings, 75 yds.	22 10	22 10
" 38 in. ditto, 38 yds.	9 8	9 8

" 39 in. ditto, 37½ yds.	8 8	8 8
" 16 x 15, 8¼ lb.	8 8	8 8

FLAX (per ton)—		
Livonian ZK	68 0	68 0
Pernau HD	68 0	68 0

HEMP (per ton)—		
Manilla, Oct.-Dec. "J2"	21 0	21 0

JUTE (per ton)—		
Native 1st mks., c.f. H.A.R.B.	19 50	19 50
Oct.-Nov.	19 00	19 00

SISAL (per ton)—		
African, Oct.-Dec.	15 0	14 10
Silk (per lb.)—		
Canton	7 3	7 3

WOOL (per lb.)—		
English, Southdown, greasy	13 1	13 1
" Lincoln hog, washed	13 1	13 1
Queensland, scd. super combg.	21 3	21 3

TOPS—		
Merinos 70's average	28	28
" 64's	26½	26
Crossbred 40-44	16½	16½

MINERALS

COAL (per ton)—		
Welsh, best Admiralty	22 6	19 6
Durham, best gas, f.o.b. Tyne	18 10½	18 10½

IRON AND STEEL (per ton)—		
Pig Cleveland No. 3, d/d	109 0	109 0
Bars, Middlesbrough	265 0	265 0
Steel rails, heavy	202 6	202 6

NON-FERROUS METALS (per ton)—		
Copper—		
Standard cash	43 3/9	43 0/0
Three months	43 0/0	43 3/9

TIN—		
Standard cash	195 15/0	197 0/0
Three months	196 10/0	198 10/0

LEAD, soft foreign—		
Cash	15 10/0	15 11/3
English, pig	17 10/0	17 5/0

SPelter, G.O.B.—		
Spot	14 6/3	14 0/0
Aluminium, ingots and bars	14 8/9	14 1/3

Nickel, home and export		
Standard cash	185 0/0	185 0/0
Three months	185 0/0	185 0/0

Antimony, Chinese		
Standard cash	58 0/0	58 0/0
Three months	58 0/0	58 0/0

Wolfram, Chinese		
Standard cash	61 0	58 0
Three months	61 0	58 0

Platinum, refined		
Standard cash	8 0/0	8 0/0
Three months	8 0/0	8 0/0

† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—ton in include the Government tax.

GOLD, per fine ounce

SILVER (per ounce)—		
Cash	1 6¼	1 7½

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s.	per ton

CHEMICALS—		
Acid, citric, per lb., less 5%	1 0	1 0
" Nitric	0 2	0 2
" Oxalic, net	0 5	0 5

Alcohol, Plain Ethyl		
Standard cash	12 0	12 0
Ammonia, carb.	21 0/0	21 0/0

Sulphate		
Standard cash	7 5/0	7 5/0
Arsenic, lump	35 0/0	35 0/0

Borax, gran.		
Standard cash	13 6	13 6
Nitrate of soda	8 0	8 0

Potash, Chlorate, net		
Standard cash	0 4½	0 4½
Sulphate	10 0	10 0

Soda Bicarb.		
Standard cash	11 0	11 0
Crystals	5 0	5 0

Sulphate of Copper		
Standard cash	8 15/0	8 15/0

COPRA (per ton)—		
S.D. Straits, c.f.	10 13/9	10 7/6

HIDES (per lb.)—		
Wet salted, Australian	0 3½	0 4
West Indian	0 3½	0 3½

Cape		
Standard cash	0 4½	0 4½
Dry and Drysalted Cape	0 6¼	0 6¼

Market Hides, Manchester—		
Best heavy ox and heifer	0 4½	0 4½
Best cow	0 4½	0 4½

Best calf		
Standard cash	0 5	0 5¼
INDIGO (per lb.)—		

Bengal, gd. red-vio. to fine		
Standard cash	5 0	5 0
LEATHER (per lb.)—		

Sole Bends, 8/14 lb.		
Standard cash	1 10	1 10
Bark Tanned Sole	2 0	2 0

Shoulders from DS Hides		
Standard cash	0 6	0 6
" Eng. or WS do.	0 7½	0 7½

Bellies from DS do.		
Standard cash	0 4½	0 4½
" Eng. or WS do.	0 6½	0 6½

Dressing Hides		
Standard cash	1 0	1 0
Ro. Eng. Calf, 20/35 lb. per doz.	3 6	3 6

PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 6	1 6
Petroleum, Amer. rid. br. Lond.	0 10	0 10

Fuel oil, in bulk, for contracts		
ex. inland Thames—		
Furnace	0 3½	0 3½

Diesel		
Standard cash	0 4½	0 4½

ROSIN (per ton)—		
American	13 15/0	15 10/0
" 18 15/0	19 10/0	19 10/0

RUBBER (per lb.)—		
St. ribbed smoked sheet	0 7½	0 8½
Func hard Para	0 7½	0 7½

SHELLAC (per cwt.)—		
TN Orange	39 0	39 6
London town	42 0	42 6

TALLOW (per cwt.)—		
Standard cash	17 6	17 6

TIMBER—		
Swedish u/s 3 x 8	22 0/0	22 0/0
" 2½ x 7	21 10/0	21 10/0

Canadian Spruce, Dls.		
Standard cash	23 0/0	23 0/0
Pitchpine	13 10/0	13 10/0

Rio Deals		
Standard cash	35 0/0	35 0/0
Teak	25 0/0	25 0/0

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)

District	Week ended Sept. 23, 1938	Sept. 30, 1938	Jan.-August 1938	1938
Northumberland	286.5	288.1	9,431.8	8,979.0
Durham	620.0	600.4	21,901.6	21,594.6
Yorkshire	789.7	828.2	29,667.1	28,190.3
Lancs, Cheshire and N. Wales	324.7	330.3	11,718.3	11,563.0
Derby, Nottingham & Leicester	579.7	582.2	22,174.8	21,883.5
Staffs, Worcs, Salop & Warwick	384.2	384.8	13,351.3	13,275.3
South Wales & Monmouth	739.6	713.0	24,987.0	24,620.6
Other English districts*	117.0	118.6	3,615.4	3,650.9
Scotland	575.5	605.8	21,200.4	20,280.8
Total	4,416.9	4,451.4	15,804.7	15,403.8

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended Sept. 23, 1938	Sept. 30, 1938	Aug. 1, 1937-1938	Aug. 1, 1938-1939
American	18.4	21.3	184	164
Brazilian	3.4	3.4	67	30
Peruvian, etc.	1.9	1.9	25	15
Egyptian	3.7	6.2	39	42
Sudan Kaki	4.2	3.8	29	31
East Indian	5.0	6.0	82	82
Other countries	3.7	3.3	40	21
Total	40.3	45.5	444	385

Metals

SALES ON LONDON METAL EXCHANGE

	Week ending Sept. 28, 1938	Oct. 5, 1938	From Jan. 1 to Oct. 5, 1938
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COMPANY MEETINGS

THOS. W. WARD, LIMITED

MR JOSEPH WARD'S REVIEW

Mr Joseph Ward, J.P., presided at the thirty-fifth ordinary general meeting of Thos. W. Ward, Limited, held, on the 30th ultimo.

He said: It is with pardonable pride I present the thirty-fifth balance sheet of the company, and remind you that in July our business achieved its diamond jubilee, 60 years of continued progress and developments. The company has experienced a very successful year.

Low Moor Best Yorkshire Iron, Limited, the Midland Iron Company, and Geo. Cooper and Sons have shown very satisfactory results from the year's trading.

The rail department have had a busy year, particularly in connection with the supplying and laying of railway sidings in all parts of the country and abroad. At the present time they are engaged in laying a railway siding, which is the largest we have ever supplied, at an important works in the North of England comprising about 35,000 yards of track and 200 complete turnouts, including the ballasting. This, along with other orders recently received, will keep them occupied for many months ahead.

The Ketton Portland Cement Company, Limited, which your company controls and acts as sole distributors, have had a busy year, their production of cement showing an increase of 12 per cent. over the previous year.

The turnover of our business, including subsidiary and associated companies, has reached nearly £6,000,000, and represents a tonnage of practically 1,750,000. Purchase of shares in subsidiary and other companies represents £38,423, including those of the Darlington Railway Plant and Foundry Company. The gross yield from our investments, which total £397,483, has been £42,030.

The net results your directors consider very satisfactory.

The company have in hand for emergencies in reserve and carry-forward £234,053, and after allowing for plant and buildings being maintained in good condition out of revenue during the year, in addition to a very large sum represented by our investments at cost and the market value of those investments to-day.

I would like to add how pleased your board are to observe the honour that has been conferred upon Mr Ashley Ward by his appointment to the office of Senior Warden of the Cutlers' Company.

Mr Ashley S. Ward, managing director, in seconding, said they had heard the general trading for the year had been good and it still continued to be good in many departments of the company's business. He would assure the shareholders that serious attention had been paid in many ways to the strengthening of the company's position generally, and, in connection with depreciation of plant alone, a very large sum had been written off in addition to the large sums which were being spent annually in maintenance out of revenue. So that with their large number of works and undertakings the figure in the balance sheet representing plant and equipment was, he thought, assuming very modest proportions, at any rate some £200,000 less than it was five years ago.

The year had seen the completion with the sale of the land to the Commissioner for the Special Areas of the very large undertaking at Palmers, Jarrow.

As regards the present year, they were already busily engaged in dismantling and, given ordinary circumstances, it would appear they were again likely to be profitably employed.

Mr George Wood said: Criticism has been provided in abundance, but those who know the facts have no hesitation in saying the scheme for the control of scrap iron and steel has been a marked success and has coped with a very difficult problem over a dangerous initial period in a much more satisfactory manner than could have been reasonably expected.

A matter which I should like to touch upon is that of ship-breaking. Unfortunately the present recession in trade has brought with it a lowering of values which has again revived the menace of foreign competition, and we are finding ourselves outbid, with the result that recently a number of ships have been sold to Belgian and Dutch buyers. It is impossible to over-emphasise the undesirability of this work being taken out of the country. Although this scrap may not be wanted by the steelworks at the moment it would provide a very good reservoir from which to draw.

Mr F. R. Stagg, in proposing the payment of the dividend said the constructional steelwork department had been fully and profitably occupied throughout the year on important contracts, and the department was on the list of the Air Ministry and Admiralty. The Ketton Portland Cement Co. had had the most successful time in its history.

The report and accounts were unanimously adopted.

The auditors, Messrs Joshua Wortley and Sons, were re-elected.

INDUSTRIAL FINANCE AND
INVESTMENT CORPORATION, LIMITED
VALUATION OF SECURITIES

The 13th ordinary general meeting of this Corporation was held, on the 30th ultimo, in London.

Mr P. Lindenberg (the chairman) said that the balance sheet reflected the results of the recent reorganisation of capital. Quoted investments were £815,765, of which British and Dominion Government securities accounted for £121,904, and other investments £693,862. Those investments stood in the balance sheet at the values taken on the reduction of capital together with additions at cost. No credit had been taken for appreciation over those values, although in fact this appreciation, at the date of the balance sheet, amounted to a substantial sum, and even to-day after the last disastrous week, the market value of those quoted securities was in excess of the book value.

The quoted investments were the subject of constant consideration and it had been the endeavour to select only the soundest and most marketable securities. Over 75 per cent. were invested in Great Britain and the Dominions, in pursuance of the policy to which he had referred at previous meetings.

Unquoted securities stood at £191,846, against £243,698. Those securities were represented to a substantial extent by participations in relatively new industries and enterprises, and they had still no reason to regard those investments as other than promising.

The necessity of crediting available profits and reserves before writing off capital precluded the possibility of a dividend on the ordinary shares.

Referring to the profit and loss account, the chairman said that the reduction to £79,127 of the company's income from interest, dividend, etc., as compared with the previous adjusted figure of £104,354 did not imply to any substantial extent a drop in the company's normal sources of income, but rather the presence during the previous year of one special item of profit.

The news of the international agreement reached early that morning came as a great relief, and they must hope that, in addition to avoiding the immediate danger, the agreement might prove the first step towards that real international co-operation for which the world had waited so long.

The report was unanimously adopted.

BAJOE KIDOEL RUBBER AND
PRODUCE COMPANY, LIMITED

DIVIDEND OF 7½ PER CENT.

The twenty-seventh ordinary general meeting of the Bajoe Kidoel Rubber and Produce Company, Limited, was held, on the 4th instant, in London.

Mr H. Eric Miller, the chairman, said that their rubber crop had been obtained on a conservative tapping system. The coffee crop harvested was satisfactory considering the number of bushes cut out during the past few years, but he had warned them a year ago that the following crop was likely to be adversely affected. They had been advised that the estimated coffee crop for 1938-39 had been further reduced to 12,000 piculs.

As to the position of the coffee industry, with regard to 1938-39 the Brazilian authorities had again been obliged to exact a sacrifice quota of nearly 30 per cent. of their estimated crop of about 22,000,000 bags, and it seemed unsafe at present to estimate the exports from other countries at much below 10,000,000 bags. The supplies available to the market were therefore expected to amount to about 26,000,000 bags, which, until the recent political tension became acute, had been the market's expectation of current consumption. Although stocks outside the interior of Brazil were low, and the Brazil authorities were continuing to destroy their heavy interior stocks, they were unlikely to help their competitors by maintaining a higher price than that now ruling. The immediate statistical position was showing some improvement, but the outlook for the more distant future was not bullish.

After providing £1,400 for National Defence Contribution, they had a credit balance of just under £22,000, which compared with a little over £25,000 for the previous year. They were limiting their dividend recommendation to 7½ per cent., less tax, as against 10 per cent., and the carry-forward would be increased by more than £3,000. Shareholders would appreciate that it was impossible now to forecast the result of their current year's operations. The crop of rubber to be accounted for was not likely to be much over 1,200,000 lbs., of which about 240,000 lbs. had been booked for sale at an average of just over 10d. per lb. London landed terms. Their coffee sales to date averaged about 12½ guilders per picul.

The report was unanimously adopted.

CURRENT STATISTICS

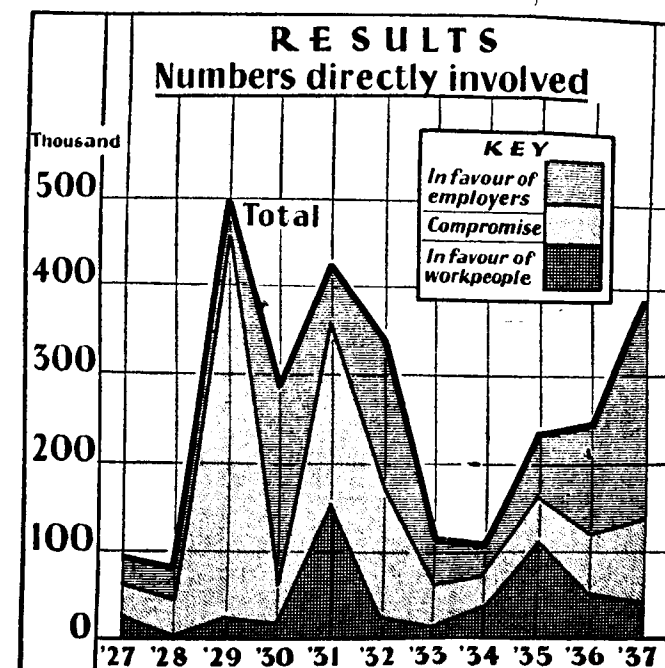
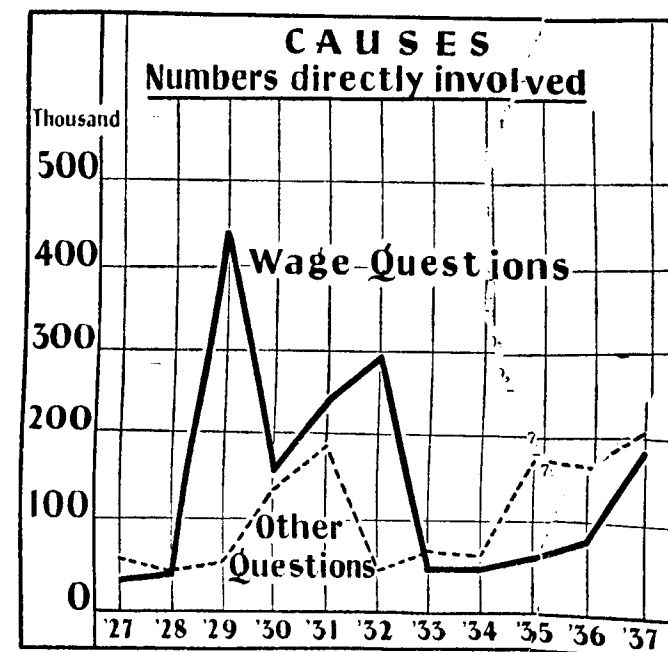
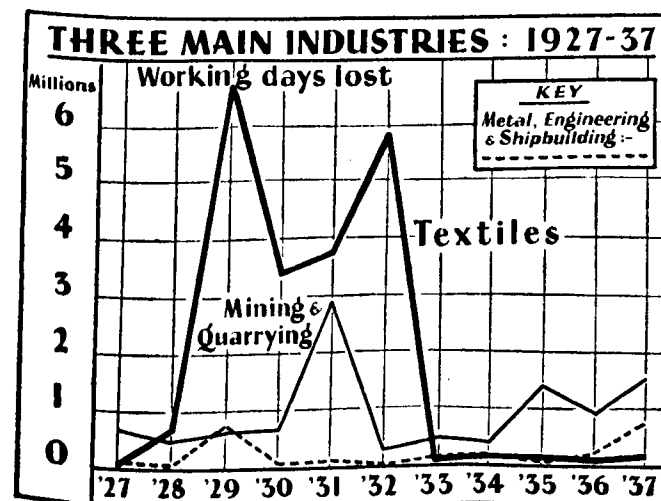
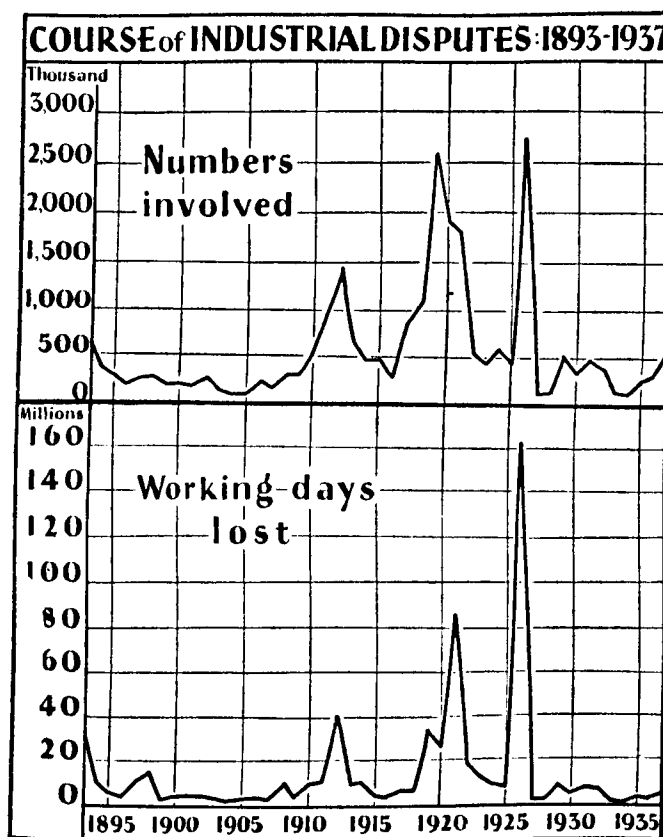
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue.

Strikes and Lock-outs

In the following charts we review the situation in regard to strikes and lock-outs. The total numbers of workpeople involved in disputes and the total number of working days lost from 1893 to 1937 are shown on the left-hand side, together with the number of working days lost in three main industries since the general strike. On the right-hand side we analyse the numbers directly involved in disputes according as the disputes were caused by wage or other questions and according as the results of the disputes were favourable to employers or workpeople or compromised. We are, of course, indebted for these figures to the annual surveys of the Ministry of Labour, last published in the *Ministry of Labour Gazette* for June, 1938.



Finance

GOVERNMENT RETURNS

For the 6 days ended September 30, 1938, total ordinary revenue was £8,361,000, against ordinary expenditure of £2,452,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £163,490,000, against a deficit of £98,346,000 a year ago. The detailed return for the quarter ended September 30, 1938, is printed in full on page 95.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate for 1938-39	April 1, 1937, to Sept. 30, 1937	April 1, 1937, to Sept. 30, 1938	5 days ended Sept. 30, 1938	6 days ended Sept. 30, 1938
ORDINARY REVENUE					
Income Tax	341,150	54,333	55,364	1,986	2,504
Sur-tax	62,000	6,710	8,400	90	230
Estate, etc.,	88,000	47,020	37,620	1,230	1,480
Stamp duties	24,000	10,100	9,770	430	280
N.D.C.	20,000	...	6,820	...	330
Other In. Rev. Duties	1,250	150	590	10	60
Total I. Rev.	536,400	118,313	118,564	3,746	4,884
Customs	227,950	111,063	111,647	2,608	3,225
Excise	116,150	55,100	55,600	600	1,000
Total Cust. and Excise	344,100	166,163	167,247	3,208	4,225
Motor Duties	36,000	8,609	8,504	...	...
P.O. (Net Receipt)	8,670	5,660	3,940	Dr. 640	Dr. 750
P.O. Fund	2,400	...	630	...	...
Crown Lands Rec. from	1,330	...	...	...	...
Sun. Loans	5,250	3,405	3,925	...	...
Misc. Rec.	10,500	6,072	3,403	2,232	2
Total Ordinary Revenue	944,650	308,862	306,214	8,546	8,361
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,442	35,890	37,810	1,990	2,100
Total...	1,025,092	344,752	344,024	10,536	10,461

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate for 1938-39	April 1, 1937, to Sept. 30, 1937	April 1, 1937, to Sept. 30, 1938	5 days ended Sept. 30, 1938	6 days ended Sept. 30, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	108,089	109,052	1,456	2,266
Payments to N. Ireland	8,900	3,416	3,692	...	...
Other Cons. Fund Serv.	5,239	1,665	1,414	90	84
Total...	244,139	111,510	114,157	1,546	2,350
Supply Serv.	702,409	294,228	358,349	12,929	20,102
Total Ord. Expend.	946,548	407,738	472,506	14,475	22,452
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	35,890	37,810	1,990	2,100
Total...	1,026,990	443,288	510,316	16,465	24,552

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £600 to £2,562,874, the other operations for the 6 days (as shown below) raised the gross National Debt by £11,091,000 to about £8,307 millions.

SIX DAYS' CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Treasury Bills	11,832	Nat. Sav. Certs.	1,050
P.O. & Tel. (Mon.)	...	Public Dept. Adv.	575
Acts	4,900	Nat. Sav. Bonds	275
3% Nat. Def. Loan	...	N. Atl. Shipping	85
1951-58	102	Eire Agree. Act.	3,758
	16,834		5,743

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to September 30, 1938, are shown below:—

£ thousands		£ thousands	
Ordinary Exp.	472,506	Ordinary Rev.	306,214
Increase in bal.	199	Eire receipts*	10,000
		Gross borr.	161,501
		Less:	
		Sink. Fds.	5,012
		Net borrowing	156,491
	472,705		472,705

* Receipts under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT

£ millions		£ millions	
Date	Tender	Tap	Public Depts.
1937			
Sept. 30	899.1*	8.4	907.5
Dec. 31	889.7*	39.4	929.1
1938			
June 25	583.0	305.7	888.7
Sept. 30	551.0*	42.4	593.4
July 1	573.0	298.3	871.3
Aug. 6	568.0	302.3	870.3
Sept. 30	568.0	304.1	872.1
Oct. 6	560.0	320.1	880.1
Nov. 13	555.0	303.4	858.4
Dec. 20	555.0	296.2	851.2
Jan. 27	555.0	294.0	849.0
Feb. 3	550.0	316.9	866.9
Mar. 10	545.0	324.2	869.2
Apr. 17	537.0	334.2	871.2
May 24	526.0	45.5	571.5
Sept. 30	883.4*	45.5	928.9

* Owing to irregular step towards Treasury bill maturity and maturities at the end of the quarter impossible to separate tender and tap issues or to calculate floating assets.

TREASURY BILLS

£ millions		£ millions	
Date of Tender	Offered	Applied for	Per Cent. Allotted at minimum Rate
1937			
Oct. 31	50.0	84.3	50.0
Dec. 31	50.0	80.5	50.0
1938			
June 24	45.0	66.7	45.0
July 1	45.0	84.8	45.0
Aug. 8	45.0	85.2	45.0
Sept. 15	45.0	90.7	45.0
Oct. 22	45.0	88.3	42.0
Nov. 29	40.0	82.4	40.0
Dec. 6	35.0	78.6	35.0
Jan. 13	30.0	76.8	30.0
Feb. 20	35.0	82.2	35.0
Mar. 26	40.0	87.6	40.0
Apr. 2	45.0	74.6	45.0
May 9	45.0	63.1	42.0
May 16	40.0	55.8	37.0
May 23	40.0	58.2	40.0
May 30	45.0	68.8	45.0

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On September 30th applications at £99 13s. 5d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 48 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 13s. 6d. per cent. and above were allotted in full. £50.0 millions of Treasury bills are being offered on October 7th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
37 weeks to:—		
Sept. 18, 1937†	23,000,838	17,250,629
Sept. 17, 1938	23,250,830	17,438,122
Week to:—		
Sept. 18, 1937	538,245	403,684
Sept. 10, 1938	562,718	422,039
Sept. 17, 1938*	503,999	377,999

* Net Exchequer receipts, week ended Sept. 17, 1938, Dr. £100,000. † After adjustments to June 19, 1938.

BANK OF ENGLAND RETURNS

OCTOBER 5, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,013,100
In circula.	505,781,303	Other Govt.	188,902,357
In Bnk. De-		Securities	71,798
partment	20,629,970	Silver Com.	10,745
		Ampt. of Fid.	200,000,000
		Gold Coin & Bullion	326,411,273
	526,411,273		526,411,273

BANKING DEPARTMENT

£		£	
Props. Capital	14,551,000	Govt. Secs.	121,871,164
Rest.	3,075,637	Other Secs.	10,205,045
Public Depts.*	12,051,590	Dives, etc.	22,476,741
Other Depts.:		Securities	32,681,786
Bankers	109,702,885	Notes	20,629,970
Other	37,141,156	Gold & Silver Com.	1,344,168
	146,844,041		176,527,288
			176,527,288

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

THE WEEK'S CHANGES

£ thousands		£ thousands	
Both Departments	Ampt. Oct. 5, 1938	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	505,781	+ 4,863	+ 13,951
Deposits: Public	12,051	+ 407	+ 5,990
Bankers	109,703	+ 9,789	+ 7,572
Others	37,141	+ 3,069	+ 336
Total outside liabilities	661,683	+ 12,181	+ 15,060
Capital and rest	17,629	+ 621	+ 19
COMBINED ASSETS			
Govt. debt and securities	321,789	+ 9,586	+ 15,561
Discounts and advances	10,205	+ 2,899	+ 632
Other securities	22,549	+ 818	+ 1,355
Silver coin in issue dept.	1	+ 1	+ 1
Gold coin and bullion	327,759	+ 108	+ 345
RESERVES			
Res. of notes & coin in banking department	21,974	+ 4,972	+ 11,296
Proportion of reserve to outside liabilities—			
(a) Bankers' dept. only ("proportion")	13.8%	+ 3.9%	+ 9.3%
(b) Gold stocks to deposits and notes ("reserve ratio")	49.3%	+ 1.0%	+ 1.1%

COMPARATIVE ANALYSIS

£ millions		£ millions	
	1937	1938	
	Oct. 6	Sept. 21	Sept. 28
Issue Dept.:			
Notes in circ.	491.8	478.6	479.2
Notes in bank-			
ing dept.	34.6	47.8	47.2
Govt. debt and securities	199.7	199.4	199.4
Other sec.	0.3	0.5	0.6
Gold	326.4	326.4	326.4
Deposits:			
Public	18.0	21.5	18.4
Bankers	102.1	99.6	100.9
Others	36.8	36.4	39.4
Total	156.9	157.5	158.7
Bkg. Dept. Secs.:			
Government	106.5	98.5	97.6
Discounts, etc.	10.8	5.9	6.1
Other	20.9	22.1	24.6
Total	138.2	126.5	128.3
Banking dept. reserve	36.3	49.3	48.7
"Proportion"	23.1	31.2	30.6
Reserve ratio†	50.6	51.5	51.4

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £10,745; capital, £14,551,000; rest, £3,075,637.

GOVERNMENT REVENUE AND EXPENDITURE

I.—An ACCOUNT of the TOTAL REVENUE of the UNITED KINGDOM in the undermentioned periods of the Year ending March 31, 1939, as compared with the corresponding periods of the preceding Year.

	Estimate for the Year 1938-39	Quarter from July 1 to September 30, 1938, compared with the corresponding Quarter of the preceding Year		Period from April 1, 1938, to September 30, 1938, compared with the corresponding Period of the preceding Year	
		Quarter ending Sept. 30, 1937	Quarter ending Sept. 30, 1938	Period ending Sept. 30, 1937	Period ending Sept. 30, 1938
		£	£	£	£
Ordinary Revenue					
Inland Revenue—					
Income Tax	341,150,000*	41,523,000	43,745,000	2,222,000	...
Sur-tax	62,000,000	1,800,000	2,280,000	480,000	...
Estate, etc., Duties	88,000,000	22,020,000	18,720,000	...	4,200,000
Stamps	24,000,000	5,660,000	5,040,000	620,000	...
National Defence Contribution	20,000,000	...	5,130,000	...	...
Other Inland Revenue Duties	1,250,000	60,000	480,000	420,000	...
Total Inland Revenue	536,400,000*	71,963,000	75,395,000	8,252,000	4,820,000
Customs and Excise—					
Customs	227,950,000	56,341,000	57,929,000	1,588,000	...
Excise	116,150,000	28,400,000	28,700,000	300,000	...
Total Customs and Excise	344,100,000	84,741,000	86,629,000	1,888,000	...
Motor Vehicle Duties	36,000,000	3,926,000	3,924,000	...	2,000
Post Office (Net receipt)	8,670,000	1,230,000	2,320,000	1,090,000	...
Post Office Fund	2,400,000	...	...	...	5,600,000
Crown Lands	1,330,000	380,000	350,000	...	...
Receipts from Sundry Loans	5,250,000	3,042,943	3,560,911	517,968	...
Miscellaneous Receipts	10,500,000	4,765,479	2,148,311	...	2,617,168
Total Ordinary Revenue	944,650,000*	170,048,422	174,327,222	11,747,968	7,469,168
Self-Balancing Revenue					
Post Office (Revenue required to meet expenditure on Post Office and Broadcasting)	80,442,000	19,470,000	18,630,000	...	840,000
Total	1,025,092,000	189,518,422	192,957,222	11,747,968	8,309,168
				£3,438,800 Net Increase	£727,887 Net Decrease

* After taking into account concessions made during the passage of the Finance Act estimated to cost £100,000 in the year.

II.—An ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Period ending September 30, 1938, as compared with the corresponding period of the preceding Year.

RECEIPTS		Estimate for the year 1938-39	Period ending Sept. 30, 1937	Period ending Sept. 30, 1938	ISSUES	Estimate for the year 1938-39	Period ending Sept. 30, 1937	Period ending Sept. 30, 1938
	£	£	£			£	£	£
Ordinary Revenue, as shown in Account I	944,650,000	308,861,745	306,213,858		Ordinary Expenditure			
Self-Balancing Revenue as shown in Account I	80,442,000	35,890,000	37,810,000		Interest and Management of National Debt	230,000,000	108,088,647	109,051,366
					Payments to Northern Ireland Exchequer	8,900,000	3,416,307	3,692,210
					Other Consolidated Fund Services	5,239,000	1,665,094	1,413,600
Total Revenue		344,751,745	344,023,858		Total	244,139,000	113,170,048	114,157,176
Money Raised by Creation of Debt—					Supply Services—			
(a) For Capital Expenditure Issues—					Army, Navy and Air Votes	255,659,000†	104,600,000	152,150,000
Under the Post Office and Telegraph (Money) Acts, 1935 and 1937		7,450,000	10,700,000		Civil and Revenue Votes (excluding Post Office and Broadcasting)	446,750,000	189,627,747	206,198,884
(b) For other Issues—					Total, Supply Services (excluding Post Office and Broadcasting)	702,409,000	294,227,747	358,348,884
By Treasury Bills		2,048,753,000	2,355,185,000		Total Ordinary Expenditure	946,548,000‡	407,397,795	472,506,060
By National Savings Certificates		11,100,000	11,700,000		Self-Balancing Expenditure			
By 2½ per Cent. National Defence Bonds, 1944-48		99,660,148	79,595,998		Post Office Vote and Vote for Broadcasting	80,442,000	35,890,000	37,810,000
By 3 per Cent. National Defence Loan, 1954-58		881,765,000	1,002,720,000		Total Expenditure		443,287,795	510,316,060
(c) Ways and Means Advances		...	10,000,000		Issues to meet Capital Expenditure—			
Receipts under Section 2 (3) of the Eire (Confirmation of Agreements) Act, 1938					Under the Post Office and Telegraph (Money) Acts, 1935 and 1937		7,450,000	10,700,000
Repayments—					Redemption of Debt—			
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921		70,415	75,679		Treasury Bills paid off	1,824,270,000	2,300,425,000	
In respect of Issues under Section 26 of the Tithe Act, 1936		465,000	820,000		Principal of National Savings Certificates paid off	14,200,000	14,650,000	
		3,394,015,308	3,814,820,535		Principal of National Savings Bonds paid off	85,640	274,544	
					Other Debt under the War Loan Acts, 1914 to 1919	42,500	25,000	
					Ways and Means Advances Repaid	896,890,000	966,620,000	
					Sinking Funds	5,063,341	5,011,904	
					Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934			1,891,527
					Issues under Section 26 (1) of the Tithe Act, 1936	2,907,000	950,000	
					Issues under the Exchange Equalisation Account Act, 1937		200,000,000	
					Issues under Section 2 (3) of the Eire (Confirmation of Agreements) Act, 1938	...		3,757,603
					Old Sinking Fund, 1907-08—			...
					Issues under Section 9 of the Finance Act, 1908	9,400		
						3,394,205,676	3,814,621,638	
Balances in Exchequer on April 1st:—	1937 £	1938 £			Balances in Exchequer—	Sept. 30, 1937	Sept. 30, 1938	
Bank of England	2,016,573	2,039,409			Bank of England	2,080,805	1,998,676	
Bank of Ireland	683,749	324,568	2,700,322	2,363,977	Bank of Ireland	429,149	564,198	2,509,954
			3,396,715,630	3,817,184,512				2,562,874

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28th last. The latest return of the Banque de l'Iraq appeared in *The Economist* of August 20th; Denmark of Sept. 10th; Greece of Sept. 17th; Danzig, Hungary and Portugal, of Sept. 24th; Argentina, Czechoslovakia, Egypt, Java, Yugoslavia, Lithuania, Norway, Poland, Rumania, S. Africa, and Sweden of October 1st.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Sept. 30, 1937	July 31, 1938	Aug. 31, 1938	Sept. 30, 1938
ASSETS				
Gold in bars	18.3	27.4	30.9	19.2
Cash	33.1	34.9	48.1	40.5
Sight funds	16.0	16.5	15.7	17.4
Bills and acceptances:				
(a) Commercial bills	113.4	140.8	152.7	142.5
(b) Treasury bills	163.9	81.4	70.7	54.6
Time funds at interest	66.4	55.8	53.9	51.5
Sundry bills & invests.	306.5	258.6	252.9	237.7
Other assets	1.3	0.9	1.6	1.3
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	23.0	24.3	24.3	24.3
Long-term commitments:				
(1) Annuity trust account deposits	153.0	153.3	152.9	153.0
(2) Govt. deposits	109.4	103.2	102.6	102.5
Short term and sight deposits:				
(1) Central banks:				
Own account	217.1	158.9	166.1	100.1
(2) Central banks:				
For acct. others	3.4	2.4	2.4	3.6
(3) Other deposits	7.6	2.6	6.1	6.9
Sight deposits—gold	8.4	9.2	9.1	9.2
Miscellaneous items	41.8	37.6	38.0	52.0
Profits (dist. July 1)	...	...	...	...

U.S. FEDERAL RESERVE BANKS

	Oct. 7, 1937	Sept. 29, 1938	Oct. 6, 1938
RESOURCES			
Gold certifs. on hand	9,127	10,631	10,967
and due from Treas.	9,439	10,996	11,344
Total reserves	30	356	367
Total cash reserves	23	7	7
Total bills discounted	3	1	5
Bills bt. in open mkt.	26	8	8
Total bills on hand	20	16	15
Industrial advances	2,526	2,564	2,564
Total U.S. Govt. secs.	2,572	2,587	2,587
Total bills and secs.	12,756	14,241	14,524
LIABILITIES			
F.R. notes in actual circulation	4,284	4,212	4,219
Aggregate of excess mkt. bank res. over reqts.	1,090	3,030	2,890
Deposits — Member bank reserve account	7,003	8,269	8,197
Govt. deposits	76	561	864
Total deposits	7,501	9,147	9,399
Cap. paid in and surplus	306	309	309
Total liabilities	12,756	14,241	14,524
Ratio of total res. to deposit and F.R. note liab. combined	80.1%	82.3%	82.6%
U.S.F.R. BANKS AND TREASURY COMBINED			
Monetary gold stock	12,765	13,237	13,714
Treasury and Nat. BK. currency	2,596	2,729	2,738
LIABILITIES			
Money in circulation	6,569	6,579	6,574
Treasury cash and deposits with F.R. Bks.	3,686	3,140	3,680

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

	Oct. 7, 1937	Sept. 29, 1938	Oct. 6, 1938
ASSETS			
Total gold reserves	362.6	459.8	465.3
Total bills discounted	14.2	2.3	4.2
Bills bt. in open mkt.	1.0	0.2	0.2
Total U.S. Govt. secs.	725.0	780.1	780.1
Total bills and secs.	744.9	786.3	788.2
LIABILITIES			
Deposits — Member bank reserve account	314.2	399.5	405.8
Total res. to dep. and Fed. Res. note liabilities combined	84.6%	86.7%	86.9%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

	Sept. 22, 1937	Aug. 24, 1938	Sept. 21, 1938
ASSETS			
Loans, total	10,010	8,217	8,335
Investments	12,036	12,496	12,639
Reserve with Federal Reserve Bank	5,440	6,639	6,871
Due from domestic bks.	1,746	2,419	2,499
LIABILITIES			
Deposits — demand (adjusted)	14,788	15,214	15,443
Time	5,291	5,217	5,238
U.S. Government	630	421	397
Inter-bank	5,618	6,200	6,557

REICHSBANK
Million Reichsmarks

	Sept. 30, 1937	Aug. 31, 1938	Sept. 30, 1938
ASSETS			
Gold	70.1	70.8	70.8
Of which deposited abroad	20.1	10.6	10.6
Res. in foreign currencies	5.7	5.5	5.7
Bills of exchange and cheques	559.0	5,664.8	3,657.6
Silver and other coins	119.4	129.9	157.6
Advances	51.5	35.2	23.7
Investments	397.8	847.8	847.8
Other assets	786.1	1,137.7	1,056.0
LIABILITIES			
Reserves	493.0	514.4	514.4
Notes in circulation	525.6	2,686.8	5,674.6
Other daily maturing obligations	838.1	1,032.9	949.5
Other liabilities	283.8	309.4	343.9
Cover of note circulation	1.44%	1.11%	1.14%

BANK OF FRANCE.—Million francs

	Sept. 30, 1937	Sept. 29, 1938	Sept. 30, 1938
ASSETS			
Gold	55,805	55,808	55,808
Bills: Commercial	10,418	8,360	13,926
Bought abroad	793	726	726
Advances on securities	4,175	3,693	3,823
Thirty-day advances	1,340	766	583
Loans to State without interest: (a) general	3,200	3,200	3,200
(b) provisional	25,999	40,134	44,634
Negotiable bonds, sinking fund	5,637	5,570	5,570
Other assets	5,371	4,560	4,129
LIABILITIES			
Notes in circulation	91,370	101,760	109,568
Deposits: Public	2,351	2,539	2,951
Private	15,785	15,805	17,143
Other liabilities	3,233	2,713	2,738
Gold reserve to sight	50.9%	46.4%	43.0%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

	Oct. 4, 1937	Sept. 26, 1938	Oct. 3, 1938
ASSETS			
Gold and English stg.	16.01	16.01	16.01
Other coin, bullion, &c.	5.38	5.76	5.39
Money at short call—London	34.61	22.30	23.05
Short-term loans	2.85	90.14	92.45
Secs. and Treas. bills	77.67	90.14	92.45
Discounts and advances	10.52	14.20	14.21
LIABILITIES			
Notes issued	48.28	49.03	49.03
Res. pm. on gold sold	7.75	7.75	7.75
Deposits, etc.	83.70	84.65	87.70

NATIONAL BANK OF BELGIUM
Million belgas

	Sept. 8, 1937	Sept. 22, 1938	Sept. 30, 1938
ASSETS			
Gold	3,101	3,095	3,103
Silver and other coins	46	17	50
Foreign exchange, etc.	957	977	987
Bills and securities	518	589	616
Advances	47	74	58
LIABILITIES			
Notes in circulation	4,320	4,464	4,501
Deposits: Govt.	11	16	11
Other	323	215	209

NATIONAL BANK OF BULGARIA
Million levass

	Sept. 15, 1937	Aug. 15, 1938	Sept. 7, 1938
ASSETS			
Gold holdings	1,834	1,994	2,003
Balances abroad and foreign currencies	375	770	595
Discounts and advances	1,312	950	1,031
Advances to Treasury	3,523	3,468	3,468
LIABILITIES			
Reserves	1,208	1,194	1,192
Notes in circulation	2,857	2,783	2,981
Sight liab. and deposits	2,957	3,376	3,181

BANK OF CANADA
Million \$'s

	Sept. 29, 1937	Aug. 31, 1938	Sept. 21, 1938
ASSETS			
Reserve, of which	208.1	207.9	218.2
Gold coin and bullion	179.5	180.1	180.8
Securities	170.4	173.7	195.2
LIABILITIES			
Note circulation	161.3	161.4	172.6
Deposits: Dom. Govt.	26.0	12.8	24.6
Chartered banks	180.3	202.2	210.8
Reserves to notes and deposit liabilities	56.5%	55.1%	53.3%

BANK OF JAPAN.—Million yen

	Sept. 11, 1937	Aug. 13, 1938	Sept. 10, 1938
ASSETS			
Coin & bullion: Gold	801.0	501.3	501.3
Spec. fd. for. exch.	47.2	45.1	45.4
Discounts and advances	928.0	521.2	539.2
Government bonds	596.3	1,039.6	1,179.1
Agencies' accounts	110.0	134.8	135.4
LIABILITIES			
Notes issued	1,428.4	1,886.1	2,013.0
Deposits: Government	353.8	295.7	302.3
Other	141.3	93.0	94.1

BANK OF ESTONIA
Million Estonian kronas

	Sept. 15, 1937	Aug. 15, 1938	Sept. 7, 1938
ASSETS			
Gold coin & gold bullion	34.21	34.27	34.27
Net foreign exchange	18.09	15.73	16.30
Home bills and advances	12.42	8.82	8.63
Loans and advances	9.57	10.43	10.32
LIABILITIES			
Notes in circulation	43.90	45.83	47.04
Sight dep. and current accounts, of which: (a) Government	37.48	33.00	31.84
(b) Bankers	28.28	15.76	16.62
Reserve to current liabilities	64.3%	63.4%	64.2%

BANK OF FINLAND
Million F. marks

	Sept. 21, 1937	Aug. 21, 1938	Sept. 23, 1938
ASSETS			
Gold reserve	602.8	620.6	620.5
Gold abroad not in gold reserve	32.0	...	...
Foreign correspondents	2051.0	2042.1	2053.4
Foreign bills, etc.	96.0	86.1	105.5
Int. bills and home loans	1013.8	1519.2	1520.5
Finnish & foreign bonds	512.2	402.5	397.7
LIABILITIES			
Notes in circulation	1902.9	1963.7	2046.4
Sight deposits: Govt.	177.3	72.7	181.2
Other	983.9	1366.4	1209.5
Ordinary cover to sight liabilities	79.1%	74.4%	74.2%

RESERVE BANK OF INDIA
Million rupees

	Oct. 1, 1937	Sept. 2, 1938	Sept. 30, 1938
ASSETS			
Gold coin and bullion	444	444	444
Rupee coin	622	690	701
Balances abroad	119	21	6
Sterling securities	803	695	695
Indian Govt. rupee securities	274	324	324
Investments	69	61	62
LIABILITIES			
Notes in circulation: India	1,763	1,671	1,666
Burma	39	69	67
Deposits: Govt.	164	171	190
Banks	257	214	202
Gold and sterling to liabilities	58.2%	52.9%	52.7%

BANK OF LATVIA
Million lats

	Sept. 26, 1937	Aug. 19, 1938	Sept. 26, 1938
ASSETS			
Gold coin and bullion	77.48	77.60	77.60
Silver coin	14.50	13.93	13.46
Foreign currency	45.41	37.93	42.27
Treas. notes and change	7.12	7.86	7.06
Short-term bills	49.53	50.39	50.28
Loans against securities	76.14	76.71	83.16
LIABILITIES			
Notes in circulation	53.91	60.81	69.47
Deposits & curr. accs.	143.42	141.78	141.14
Government accounts	60.07	54.69	56.64

NETHERLANDS BANK
Million florins

	Oct. 4, 1937	Sept. 20, 1938	Oct. 3, 1938
ASSETS			
Gold	127.9	148.0	148.1
Silver	17.6	19.5	15.4
Home bills, etc.	10.7	9.3	12.0
Foreign bills	5.1	4.9	4.1
Loans and advances in current account	197.4	295.5	289.8
LIABILITIES			
Notes in circulation	863.1	952.2	1053.1
Deposits: (a) Govt.	138.1	159.1	159.3
(b) Other	525.5	716.8	608.1

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Sept. 27, 1937	Aug. 29, 1938	Sept. 26, 1938
ASSETS			
Gold	2.80	2.80	2.80
Sterling exchange	19.07	13.69	12.25
Advances to State	4.57	6.63	7.08
Investments	2.91	2.73	2.73
LIABILITIES			
Bank notes	12.99	13.70	13.73
Demand liab.: State	5.15	3.99	3.70
Banks and others	7.70	6.86	5.27
Reserves to sight liab.	78.3%	67.2%	63.9%

SWISS NATIONAL BANK
Million francs

Million francs			
	Sept. 30, 1937	Aug. 31, 1938	Sept. 30, 1938
Assets			
Gold	253.0	283.6	285.2
Foreign exchange	404.8	374.2	326.2
Discounts, etc.	9.2	13.6	22.7
Advances	27.7	19.9	23.9
Securities	15.9	94.7	94.5
LIABILITIES			
Notes in circulation ...	1442.4	1554.5	1699.6
Deposits	1523.2	1762.9	1596.3
N.B.—Exchange Equalisation Fund and included in returns December 31, 1936, onwa 538,583,653 frs.			

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Sept. 29, 1938	Sept. 30, 1938	Oct. 1, 1938	Oct. 3, 1938	Oct. 4, 1938	Oct. 5, 1938
London:—	Old Par	4.77	4.82	4.81	4.78	4.79	4.80
60 days	New Par	4.77	4.83	4.82	4.79	4.80	4.80
Cables	8.297	4.77	4.83	4.82	4.79	4.80	4.80
Demand	6.53	2.67	2.70	2.69	2.67	2.68	2.68
Paris, Fr.	23.53	16.96	16.99	16.90	16.90	16.91	16.92
Brussels, Bel.	32.67	22.65	22.78	22.77	22.82	22.80	22.80
Switz'd. Fr.	8.91	5.26	5.26	5.26	5.26	5.26	5.26
Italy, Lira	40.33	10.05	10.13	10.10	10.07	10.06	10.07
Vienna, Sch.	23.82	...	...	...	...	...	...
Madrid, Pt.	32.67	...	...	...	...	...	...
Amst'dm Gldr.	68.06	54.06	54.41	54.42	54.41	54.45	54.45
Cop'hgn, Kr.	21.35	21.59	21.54	21.54	21.43	21.45	21.45
Oslo, Kr.	24.02	24.40	24.24	24.08	24.12	24.15	24.15
Sch'lm, Kr.	145.37	24.65	24.92	24.86	24.70	24.73	24.76
Athens, Dr.	1.29	0.87	0.88	0.88	0.88	0.87	0.88
M'treal, Can.	169.31	98.560	99.430	99.460	99.310	99.310	99.340
Yo'hama, Yen	84.40	27.90	28.19	28.15	27.97	27.97	28.04
Shanghai, S.	...	17.50	17.50	16.95	16.80	16.85	16.80
B. Aires, Peso	...	29.66	29.98	29.92	29.74	29.78	29.81
Rio, Ms. +	11.96	5.40	5.90	5.90	5.90	5.90	5.90

Usance: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended October 6, 1938

Imports			Exports		
From	Bullion*	Coin	To	Bullion	Coin
GOLD					
British S. Africa	266,423	5,745	Eire	997,250	...
Netherlands	398,724	...	Union of S. Africa	114,399	3,750
Belgium	7,661,218	...	Canada	3,211,128	...
France	8,994,897	9,259	Sweden	977,575	1,788
Switzerland	807,284	59,385	Netherlands	61,824	324,241
Mexico	...	96,800	Switzerland	351,728	26,944
Peru	66,332	...	U.S.A.	32,774,651	4,600
Total*	18,258,573	193,463	Total*	38,511,883	425,682
SILVER					
British S. Africa	571	...	Eire	...	1,102
British E. Africa	...	13,175	Jamaica and Dep.	...	50,000
Belgium	84,512	1,400	Sweden	4,340	...
Hongkong	13,980	...	Denmark	3,015	...
Belgium	6,797	239	Germany	9,240	...
Iran	...	3,302	Netherlands	5,292	...
Peru	1,579	...	U.S.A.	92,925	860,000
Total*	109,211	19,250	Total*	116,525	911,398

* Including other countries.

TRANSVAAL GOLD OUTPUT

Statistics for September 1938 (on basis of £7 3s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation						
Brakpan Mines	135,500	...	252,750	146,725	106,025	...
Daggafontein Mines	145,000	...	290,438	149,909	140,529	...
Springs Mines	155,000	...	309,539	156,023	153,516	...
West Springs	89,000	...	131,303	84,602	46,701	...
S. African Land and Exploration	44,900	...	85,922	63,781	22,141	...
Central Mining—Rand Mines						
City Deep	109,000	21,670	155,623	...	23,965	24 1-9
Cons. Main Reef	173,000	30,227	216,715	...	51,219	19 1-6
Crown Mines	356,000	86,331	620,211	...	262,602	20 1-1
Durban Roodop. Deep	122,000	23,658	169,882	...	41,531	21 0-5
East Rand Prop.	216,000	47,054	337,928	...	102,526	21 9-6
Goldenhuis Deep	61,000	9,195	66,061	...	16,202	15 10-0
Modderfontein B.	89,000	14,908	107,526	...	45,283	13 11-9
Modderfontein East	123,000	22,814	163,697	...	56,587	17 5-0
New Modderfontein	195,000	34,906	251,020	...	107,033	14 9-2
Nourse Mines	82,000	16,537	118,704	...	23,207	23 3-5
Rose Deep	80,000	12,810	92,018	...	17,045	18 8-9
Gen. Rand Mining						
Van Ryn Gold	61,000	...	54,442	...	5,129	16 7
West Rand Cons.	180,000	...	252,314	...	102,979	16 11
Goldfields						
Simmer and Jack	112,500	24,548	176,128	...	58,428	20 11-7
Robinson Deep	125,000	28,766	206,593	...	86,108	19 4-3
Sub Nigel	60,200	42,151	302,415	...	202,265	33 3-3
Vogelstruisbult	70,000	16,759	120,246	...	33,039	24 11-0
Rietfontein Cons.	30,000	4,215	30,194	...	11,188	12 8-0
Luipards Vlei	54,000	11,472	82,311	...	23,514	22 0-9
Johnnies Group						
East Champ D'or	30,000	...	51,111	...	19,377	21 3
Government Areas	200,000	...	357,800	...	175,191	18 6
Langlaagte Estate	107,000	...	108,459	...	10,094	18 8
New State Areas	124,000	...	250,360	...	140,102	18 0
Randfontein Estates	390,000	...	441,677	...	110,102	17 2
Van Ryn Deep	106,000	...	122,001	...	32,118	17 1
Witwatersrand	88,000	...	97,693	...	12,663	19 8
Johnnies Group Total						
Union Corporation	1,045,000	...	1,429,101	...	499,647	18 0
East Geduld						
East Geduld Prop.	146,500	42,409	305,017	117,820	187,197	...
Geduld Prop.	111,000	27,221	196,441	81,126	115,315	...
Grootvlei Prop.	50,000	6,983	50,516	55,837	Dr. 5,321	...
Modder Deep	49,800	6,889	50,023	41,178	8,845	...
Van Dyk Cons.	63,500	14,269	101,025	72,090	30,935	...
Other Mines						
Glyn's Lydenburg	8,600	2,659	19,097	...	5,115	32 6-2
New Kleinfontein	71,400	13,750	98,613	68,875	29,738	19 3
Transvaal Gold	28,000	4,259	30,599	...	4,577	18 7
Witwatersrand Deep	46,000	7,818	55,971	47,280	8,691	...

NATIONAL DEBT

(See "GOVERNMENT FINANCE" on page 95.)

(Million £)

	Aug. 1, 1914	Dec. 31, 1919	Mar. 31, 1927	June 30, 1937	Sept. 30, 1937	Dec. 31, 1937	Mar. 31, 1938	June 30, 1938	Sept. 30, 1938
2½% and 2¼% Consols	573	300	300	300	300	300	300	300	300
4% Consols	...	...	401	401	401	401	401	401	401
2½% Conversion Loan	...	...	206	206	206	206	206	206	206
3% Conversion Loan	...	...	302	302	302	302	302	302	302
3½% Conversion Loan	...	...	739	739	739	739	739	739	739
4½% Conversion Loan	...	...	366	366	366	366	366	366	366
5% Conversion Loan	...	...	323	323	323	323	323	323	323
Terminable Annuities	30	20	12	12	12	12	12	12	12
Debts to Banks	15	15	14	14	14	14	14	14	14
3½% War Stock, 1932	...	63	1,911	1,911	1,911	1,911	1,911	1,911	1,911
Other War Issues	...	3,569	...	...	...	...	...	...	...
2½% Funding Loan	...	...	200	200	200	200	200	200	200
2½% Funding Loan	...	...	101	101	101	101	101	101	101
2½% Funding Loan	...	...	146	146	146	146	146	146	146
3% Funding Loan	...	...	409	353	353	353	353	353	353
4% Funding Loan	...	...	...	68	100	100	100	100	100
2½% N. Defence Bonds	...	...	...	...	...	...	...	...	...
3% Victory Bonds	...	...	360	199	199	199	199	199	199
Treasury Bonds	20	323	100	100	100	100	100	100	100
National Savings Certs.	...	267	394	393	391	390	389	388	386
External Debt	1,357	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Treasury Bills	15	1,107	675	638	899	889	829	851	883
Temporary Advances	1	243	23	67	8	95	13	84	49
Other Cap. Liabilities	654	8,033	7,797	7,871	8,103	8,179	8,036	8,142	8,203
Total Liabilities	711	8,079	7,910	7,981	8,213	8,289	8,146	8,251	8,312

† Estimates. Totals do not allow for sinking fund allocations, for which £15.5 millions has been provided in 18 mths. to September 30, 1938. * Excluding accrued interest on Savings Certificates, and the State's assets (e.g. debt from Exchange Equalisation Fund), and including holdings of Public Departments. ‡ After deducting transfers for Death Duties. § Exchequer Bonds, 1914 and 1919. ¶ Includes American debt. ** Includes Bonds (about £4 millions).

SHORTER COMMENTS

A. W. Second Stock Trust, Ltd. (in voluntary liquidation).—The liquidator is prepared on October 13, 1938, to make to the stockholders a first return at the rate of £182 per £100 stock.

London Express Newspaper, Ltd.—Profit for year to June 30, 1938, £168,649 against £148,693. Directors' remuneration unchanged at £2,100. Ordinary dividend raised from 10 to 15 per cent. for year. Carry-forward raised from £95,115 to £95,464.

Malayalam Plantations, Ltd.—Credit balance year to March 31, 1938, £272,542 against £254,998 for previous year. Ordinary dividend maintained at 10 per cent. To taxation reserve £64,000 against £50,000. To general reserve £30,000 against £50,000. Staff fund £5,000 as before. To dividend equalisation reserve £40,000. Carry-forward reduced from £106,616 to £102,200.

Cheshire United Salt Company, Ltd.—Profits for year to June 30, 1938, have risen from £10,538 to £25,468. To depreciation £4,993 against £1,717. For taxation £2,020 against £366. Ordinary dividend raised from 3 to 7½ per cent. for year, and preferred ordinary dividend from 8 to 12½ per cent. To general reserve £2,000 against £1,000. Carry-forward raised from £8,204 to £10,834. The report adds that the works have been further improved and have been maintained in first-class condition.

Borneo Company, Ltd.—Accounts for year to March 31, 1938, shows profit of £72,027 against £59,195 for preceding year. To reserve £30,000 against £14,000. Preference dividend is now paid to February 4, 1936. Carry-forward raised from £23,304 to £32,380.

Carrier Engineering Company.—Profit for year to June 30, 1938, before tax £82,346, compared with £91,386 in 1936-37. Income tax and N.D.C. £1,226 against £10,594. Ordinary dividend reduced from 50 per cent. to 25 per cent. owing to the international crisis. Carry-forward increased from £26,855 to £66,094. In view of the new political developments a further board meeting is to be held before the annual meeting on October 10th to consider the company's dividend policy.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Oct. 2 (£'000)					Aggregate Gross Receipts 39 weeks (£'000)				
	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts
L. M. & S.—										
1937	523	536	259	795	1,318	20,920	19,119	9,864	28,983	49,903
1938	548	467	264	731	1,279	20,979	17,492	9,625	27,117	48,096
L. & N. E. (a)—										
1937	332	365	265	630	962	13,647	13,143	9,564	22,707	36,354
1938	338	349	251	600	938	13,557	12,229	9,087	21,316	34,873
Great Western—										
1937	213	223	111	334	547	8,883	7,754	4,326	12,080	20,963
1938	230	210	112	322	552	8,818	7,187	4,144	11,331	20,149
Southern—										
1937	313	73	35	108	421	13,197	2,462	1,186	3,648	16,845
1938	331	77	40	117	448	13,146	2,365	1,170	3,535	16,681
Total—										
1937	1,381	1,197	670	1,867	3,248	56,647	42,478	24,940	67,418	124,065
1938	1,447	1,103	667	1,770	3,217	56,500	39,273	24,026	63,299	119,799

(a) Week ended Oct. 1.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,027	- 843	- 496	- 59
13 weeks to Oct. 2, 1938 ...	- 1,027	- 843	- 496	- 59
Weekly Figures				
Av. weekly decrease, 2nd half 1938	- 79·00	- 64·84	- 38·15	- 4·54
Latest week compared with 1937 ...	- 39	- 24	+ 5	+ 27
Latest week compared with average 1927-30	- 171	- 164	- 42	- 15

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Dividend Interest	Amount Available for Distribution	Appropriation			Carried to Reserve, Depreciation, etc.	Balance Forward	Corresponding Period Last Year	
					Pref. Amount	Ordinary Amount	Rate			Net Profit	Dividend
Breweries and Distilleries		£	£	£	£	£	%	£	£	£	%
Longmorn-Glenlivet Distilleries.....	July 31	19,935	11,566	31,501	750	5,250	35†	5,000	20,501	9,640	30†
Financial Land, etc.											
African Lakes Corporation...	Jan. 31	6,667	20,927	27,594	...	15,600	6	4,000	7,994	20,678	6
Balkis, Ltd.	Aug. 31	1,349	5,743	7,092	...	5,089	5	...	2,003	5,905	5
Borneo Company	Mar. 31	23,304	84,848	108,152	32,950	...	...	42,821	32,381	71,522	Nil
Leach's Argentine Estates ...	Mar. 31	...	148,249	148,249	32,500	35,000	7(c)	78,249	...	121,647	6(c)
Iron, Coal and Steel											
British Steel Construction...	Aug. 31	4,226	14,103	18,329	...	10,500	15	...	7,829	11,226	10
Carrier Engineering	June 30	26,855	81,119	107,974	3,312	37,500	25	1,068	66,094	80,792	50
Hurst Nelson & Co.	July 16	8,725	52,762	61,487	8,700	29,000	10	14,500	9,287	35,634	7†
Kayser, Ellison and Co.	June 30	16,306	121,613	137,919	6,000	43,750	17‡	70,000	18,169	104,171	17‡
Ransome & Marles Bearing	June 30	46,742	150,528	197,270	...	103,075	20	32,586	61,609	166,351	20
United Steel Companies.....	June 30	574,064	2,426,547	3,000,611	...	646,198	10	1,763,080	591,333	1,850,330	8‡
Motor, Cycle, etc.											
Austin Motor Company.....	Sept. 30	303,330	585,449	888,779	181,656	135,385	30	268,291	303,447	805,577	50
Rover Company	July 30	49,368	220,339	269,707	...	67,860	15	153,401	48,446	252,969	17‡
Rubber											
Anglo-Johore	June 30	...	(g) 2,333	2,333	...	2,073	2‡	...	260	(a)	(a)
Chimpul (F.M.S.)	June 30	2,633	1,625	4,258	...	2,399	2‡	...	1,859	7,417	6
Kamuning (Perak)	June 30	23,785	28,975	52,760	...	15,075	7‡	12,350	25,335	34,075	12‡
Malayalam	Mar. 31	106,616	270,730	377,346	...	135,146	10	140,000	102,200	253,185	10
Patani Para	June 30	4,194	13,881	18,075	...	10,120	11	3,300	4,655	14,066	12
Sungei Tukong.....	June 30	2,184	6,080	8,264	...	3,525	3	2,000	2,739	9,751	6
Sungkap Para	June 30	3,569	10,246	13,815	...	6,300	9	3,200	4,315	10,599	12
Tea											
Gudalur (Nilgiri)	June 30	Dr. 9,512	362	Dr. 9,150	...	...	...	...	Dr. 9,150	Dr. 404	Nil
Textiles											
Aire Wool Company	Aug. 31	4,219	12,342	16,561	4,400	7,178	9	...	4,983	15,253	10
Trusts											
C.L.R.P. Investment	Aug. 31	4,803	21,498	26,301	13,388	4,425	2‡	3,606	4,882	23,493	2‡
Other Companies											
Associated Fire Alarms	June 30	1,904	2,996	4,900	...	2,488	6	1,000	1,412	4,363	6
Bucknall (Henry) and Sons...	May 31	3,221	Dr. 2,073	1,148	18,000	4,000	5	Dr. 23,533	2,681	30,313	15
Brooks Wharf, etc.	June 30	13,625	12,206	25,831	8,899	...	...	2,500	14,432	10,509	Nil
Burt, Boulton and Haywood	June 30	9,437	64,353	73,790	7,744	23,540	6	30,341	12,165	94,295	7
Cheshire United Salt	June 30	8,204	21,681	29,885	7,933	4,125	7‡	6,993	10,834	9,921	3
Clyde Paper Company	June 30	8,165	104,595	112,760	...	36,000	12	66,165	10,595	84,421	10
Eastwoods Lewes Cement...	June 30	4,710	18,536	23,246	...	10,750	10	7,000	5,496	23,813	12‡
Lass (H.), Ltd.	June 30	660	6,255	6,915	4,500	1,359	2‡	832	224	9,848	7
London Express Newspaper	June 30	95,115	226,747	321,862	105,000	61,200	15	60,198	95,464	206,593	10
Minton Hollins, Ltd.	July 31	844	8,878	9,722	3,106	1,813	5	4,600	203	10,167	12‡
Serck Radiators	July 30	8,524	66,070	74,594	...	29,000	20	36,388	9,206	49,500	(e)22‡
Smith's Stamping Works ...	July 30	24,099	23,066	47,165	...	18,125	10	...	29,040	25,101	10
Wake and Dean	June 30	4,309	24,123	28,432	10,200	11,000	10	4,000	3,232	22,152	9
Wallis Tin Stamping	June 30	3,166	15,378	18,544	2,212	7,344	20	5,000	3,988	12,012	15
Total Profits, 1938, in £'000s:											
To October 1	No of Cos	67,576	245,343	312,919	40,582	129,920	...	68,429	73,988	222,361	...
To October 8	1,867	68,986	250,225	319,211	41,033	131,452	...	71,228	75,498	226,858	...

(a) No comparable figure. (c) Paid on ordinary stock. Deferred stock dividend 4.7619 per cent. against nil. (d) 13 months.
(e) Absorbed £25,313. (g) April 15, 1937, to June 30, 1938. † Free of Income Tax.

SHORTER COMMENTS

(Continued from page 84)

are reported by CHESHIRE UNITED SALT; profits amount to £21,681 against £9,921, and a dividend of 7½ per cent. is paid, against 3 per cent. EASTWOODS LEWES CEMENT profits are reduced from £23,813 to £18,536—a fall which has entailed a reduction in the dividend from 12½ per cent. to 10 per cent. LONDON EXPRESS NEWSPAPER achieved a further advance in prosperity during the year to June 30th. Profits rose from £206,593 to £226,747, and the dividend on the privately-owned ordinary shares has been raised from 10 per cent. to 15 per cent. The report of CARRIER ENGINEERING shows that profits have been approximately maintained at £81,119. The board's dividend decision, taken on a critical day last week, was to reduce the ordinary distribution from 50 per cent. to 25 per cent. It is now understood that a further board meeting will be held before the annual meeting takes place. BURT, BOULTON AND HAYWOOD, the timber dealers, show a significant fall in profits from £94,295 to £64,353, and the dividend has been reduced from 7 per cent. to 6 per cent.

Eastwoods Lewes Cement.—Report for year to June 30, 1938, shows net profit £12,535 against £17,812. To taxation reserve £500 against nil. To investment reserve £500 against £2,000. Ordinary and founders' shares dividends reduced from 12½ to 10 per cent. Carry-forward increased from £4,710 to £3,495.

Leach's Argentine Estates, Ltd.—Trading profit for year to March 31, 1938, £197,100 against £164,600. To general reserve £34,700 against £23,200. Ordinary dividend raised from 6 per cent. to 7 per cent. The 6 per cent. preference stockholders obtain an extra participation of ½ per cent., and deferred stockholders receive 4.7619 per cent.

Tanganyika Concessions, Ltd.—We dealt with the report for 1937 in our issue of June 25, 1938, page 730. The report for seven months to July 31, 1938, shows that the company received £190,649 from the Union Minière as dividend and royalty, and the company's total revenue during the period was £194,427. Preference dividend is to be paid at the rate of 4 per cent. for the seven months. Carry forward £111,772. Cash and investments in Government secu-

rities stand at £416,088 in the balance sheet, but on October 5th are stated to amount to £326,237. The market value of quoted shares of other companies exceeded the book value by £283,245 at July 31, 1938.

Burt, Boulton and Haywood, Ltd.—Trading profits for year to June 30, 1938, have declined from £139,597 to £107,241. To depreciation £17,190 against £17,253. Tax and N.D.C. £26,261 (£27,399). Investments written down £3,151 (nil). To reserves £17,987 (£20,262). Ordinary dividend reduced from 7 to 6 per cent. Carry forward £12,165.

Arnott and Harrison, Ltd.—The first report and statement of accounts for year to June 30, 1938, shows a trading profit of £36,206. This is allocated as follows: To depreciation, £4,566. Provision for income tax and N.D.C., £9,952. To writing down goodwill, £1,150. To balance of goodwill written off, £3,892. To amount written off cost of shares in subsidiary company, £1,485. Preliminary expenses written off, £536. Ordinary dividend, 12½ per cent., absorbing £9,515. Carry-forward, £5,110. Total assets, £139,523. Cash, £36,260. Creditors, £19,898. Debtors, £13,868. Stocks, £5,881.

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Counting the Cost

WE have it on the Prime Minister's own word that the Agreement of Munich must be judged on its differences from the Ultimatum of Godesberg, "because on the difference between those two documents," he said, "will depend the judgment as to whether we were successful in what we set out to do, namely, to find an orderly instead of a violent method of carrying out an agreed decision." In the light of what has happened in the past fortnight, it must be sorrowfully recorded that the ultimate differences between Godesberg and Munich and, by that token, the degree of success for Anglo-French diplomacy, are very small. At Godesberg, Herr Hitler demanded the occupation of certain territories by a date nine days ahead. Under the Munich Agreement, he has completed the occupation of substantially the same territories eleven days after the Munich meeting; the difference between a "violent" and an "orderly" procedure, if there is one, has been whittled down to forty-eight hours. Mr Chamberlain laid considerable stress in his defence of the Munich Agreement on the fact that the new frontier of Czechoslovakia was to be drawn by an international commission on which Germany would have only one seat out of five. We know nothing for certain about the proceedings of this Commission; it is unknown how much truth there is in the report that the German representative has presented his colleagues with a series of uncompromising demands which they have been compelled to swallow. But whatever the procedure by which it has arrived at its decisions, the fact remains that the line traced by the Commission as the

limit of immediate German occupation and as the presumptive future frontier, as can be seen from the map on page 110, differs very little from the Godesberg line—and where it does, differs more often to Germany's than to Czechoslovakia's advantage. The Prime Minister can again be quoted as the authority for the statement that the Godesberg line "did take in a number of areas which could not be called predominantly German in character." It is, in fact, a military line, drawn to cripple Czechoslovak independence and including anything up to a million Czechs in Germany.

Very little has apparently yet been decided on the economic terms of the cession and of the future relations between the two countries. Here again the merit claimed for the Munich Agreement was that it left the Godesberg terms to be modified by the International Commission. Mr Chamberlain spoke of "the objectionable conditions of the appendix to the Godesberg Memorandum, to which much exception was taken, in that it was provided that no foodstuffs, cattle or raw material were to be removed." It is already clear that the Germans are raising objections to the removal of raw materials, and the refugees have in fact left most of their possessions behind. The paper provisions for the right of option ("that is," said Mr Chamberlain, "the option to leave the territory and pass into Czech territory") look like remaining on paper so far as they concern those who most need them, the German-speaking Jews and Socialists. It is generally believed in Prague that the Germans are demanding that

the Social Democrats should not be allowed to cross the border; and the fact is undoubted that from motives either of prudence or of resurgent nationalism the Czech Government is ordering all but Czech refugees to return to their homes. The sole practical and substantial difference between the Godesberg demands and the present situation as it is working out, is that there are apparently to be no plebiscites on the Czech side of the new frontier. And since this concession is due to German forbearance, it can hardly be ascribed as a merit to the Munich Agreement. Broadly speaking, the ultimatum has been conceded in full.

The Czechs are thus paying the maximum price for the world's peace. But it is not only they who are paying. The prestige and influence of France and Britain—and with them the prestige of international law and decency—have received, it is now clear, a shattering blow. In Poland, Colonel Beck, the friend of the dictators, is hailed as a hero. In Yugoslavia, Dr Stoyadinovitch, who was hard pressed by the democratic opposition, now feels himself strong enough to call an election with the certainty of winning. From Palestine it is reported that the new boldness and aggressiveness of the Arabs is due to their belief that they can negotiate with the British Empire as equals. In the Far East, the Japanese descent on Southern China, which, if it does not actually invade Hongkong, is designed to ruin its trade, is ascribed to Japanese confidence that the Western Powers' protests need not be seriously considered. Most disastrous of all, the great strength of Russia has been lost to the coalition that stood for peace and resistance to aggression. The impotence of France and Great Britain is clearly shown by the fact that they have apparently been unable to resist any of the German demands in the International Commission at Berlin.

The price we have paid for peace is thus emerging as far higher than was generally realised a fortnight ago. And the valuation to be set upon the peace we have gained in return has been as rapidly falling. Even within the few days between his return from Munich and the meeting of Parliament, Mr Chamberlain had to withdraw his phrase about "peace in our time." Since that date confidence that we shall have at all events considerable breathing space in which to put our own house in order if not to lay the foundations of peace has been badly shaken. The largest factor in this process of rapid disillusionment has, of course, been Herr Hitler's speech at Saarbrücken last Sunday, when his tepid praise of Mr Chamberlain was entirely overshadowed by his truculent statement that the advent to power of Mr Eden, Mr Churchill or Mr Duff Cooper would mean that England was planning immediate war with Germany. This speech, with its announcement of still more fortifications in the West, has been interpreted in some quarters as a signal that Herr Hitler now intends to thrust westwards, possibly to put forward a demand for Alsatian autonomy in the hope of driving another wedge between Britain and France. This is possible; the spectacle of Franco-British confusion at the moment, together with the certainty of accelerated re-armament in both countries, might induce the Fuehrer to press his immediate advantage home. If so, then any prophecy of a longer breathing-space such as was tentatively made in this place last week is clearly false.

But there are other, and rather less frightening, interpretations of the speech. It may have been mere personal annoyance at the plain speaking to which German conduct been German aims have been subjected in Paris and London. It may have been disappointment at the fact that the ordinary British Government does not put sufficient constraints on the protestations of peace at Munich to relax its further efforts. It may even—so strange is the BOULTONIAN of British psychology—have been an dealers, show a from £94,295 to 50 per cent. Mr Chamberlain against the opposition has been reduced cent.

within the Conservative Party, though the sarcastic references to Palestine are not easy to reconcile with such an interpretation. But the one forecast of the future with which the Saarbrücken speech cannot be brought into harmony is that of a Germany that is now ready to settle down in peace to the enjoyment of the restored strength and status to which Herr Hitler has brought her. But that is exactly the belief held, if not by Mr Chamberlain himself, then certainly by the circles that most firmly support his policy. The shock of disillusionment has been the more severe.

It is not only at Saarbrücken that hopes have been disappointed. The Mediterranean problem, which in the first flush of enthusiasm seemed to be so close to solution, is proving as obstinate as ever. Signor Mussolini has decided to withdraw from Spain a number of volunteers variously estimated at from 10,000 to 17,000. But it is clear from the mere fact that these are announced to be the volunteers who have been in Spain for more than eighteen months that many more are left behind; and neither artillerymen nor airmen have been withdrawn. The emphatic assertions from Rome that this withdrawal is in no way a concession to British pressure may perhaps be taken with a grain of salt. But Signor Mussolini will do no more until the Anglo-Italian Agreement has been ratified. And even thereafter it will be easy for him to shelter behind General Franco's refusal to accept the evacuation plan, even though Barcelona's plan for a neutrally-supervised evacuation of all foreigners fighting for the Government makes it more difficult for Burgos to continue in recalcitrance. But in substance, Anglo-Italian relations are back where they have been ever since the spring; Mr Chamberlain has to decide whether, if he pays cash down for Italian friendship, the Duce will, or can, give him anything worth the price. The experience of the French, who have granted unconditional recognition of the conquest of Abyssinia and have received nothing but abuse in return, is not very encouraging.

It would be less than fair not to set against these gloomy reflections the gains of the last few weeks. These gains are purely psychological, but they may be no less real for that. Despite all Dr Goebbels' boasts, it has been shown that the German people regarded a war with Great Powers, especially with France and England, with horror and alarm. And there are signs that at very long last the British people is beginning to awaken to its peril. These factors must not be omitted from the balance-sheet. But if we are awakening, it is to a position that is unmistakably grave. If we have secured peace for the remaining weeks of 1938, it is becoming more and more likely that we shall soon be faced with demands from the dictator states which we shall feel compelled to resist. It looks all too certain that the peace of Munich has broken up the strong coalition of forces that would have helped us to resist them. "Against the Italo-German bloc of 125,000,000 men, a bloc whose numbers increase by one million a year; against this bloc which to-day disposes of amazing forces and a favourable geographical and strategic position by land, air and sea; against this bloc of moral and material resources, which are solidly bound together, there is nothing more to be done." The boast comes from Rome, and something may be allowed for hyperbole. But it is true, alarmingly true, that in the alignment of European forces, for the first time in twenty years, Great Britain and France are on what is, at least on the surface, the weaker side. Strength has passed to the disturbers of the peace. In the circumstances it is hardly surprising that the only policy on which almost all sections of the British public can unite is that of ever more furious re-armament. We are starting on a desperate effort to ensure by arms a safety which a little courage and a little foresight at any time in these tragic years would have protected from all danger.

The People's Food

FOOD has supplanted drains and schools and houses as the chief plank in the platform of social reform. Some sixty years ago Disraeli declared that sanitation had become a major objective of British government, and popular education came hard on the heels of public health in political programmes. In our own times vast schemes of housing and slum clearance have been added to the tale of ameliorations, and, if the problem of ensuring proper shelter for the people has not been wholly solved, at any rate its solution is now in sight. It is now possible for politicians and economists to turn their energies to the next, and not the least important, stage in democracy's campaign to reduce the gap between the "two nations."

A nation works, as an army marches, on its stomach. Unfortunately, a great many of the men and women upon whom our industries and occupations depend for their personnel are not in fact being properly fed. To define this pressing problem precisely we need to know, first, how many families receive a total income from all sources large enough, after rent, rates, household and travelling expenses have been met, to provide for all members of the household a diet containing sufficient calories, protein, mineral and vitamins—that is, sufficient of the body-building, energy-bearing and protective foods—to maintain them in good health and physical fitness; and, secondly, how many families, even when they can afford it, do in fact furnish themselves with such diets. The groundwork for answering these questions has been well laid in recent years. Doctors still differ widely in their clinical definitions of malnutrition; but statisticians have collected and analysed actual family incomes, family budgets and incomes and expenditure per head, and experts, like the British Medical Association, Mr Seeborn Rowntree and a League of Nations Technical Committee, have worked out the cost of diets for the maintenance of health.

The upshot of these researches has been a substantial measure of agreement. Two years ago, Sir John Orr calculated that the average diet of over 20 million people in this country fell short, in one nutrient constituent or another, of the normal requirements for human health. Last spring, Mr Rowntree revised the cost of his minimum diet to allow for higher prices and estimated that 43 per cent. of the male adult workers were unable to provide themselves and their families with an adequate dietary. A house-to-house investigation into the dietary habits of some 5,000 families, selected to form a representative sample, geographically and socially, of all sections of the population, was carried out between October, 1936, and March, 1937. The results, just published in a book of unusual interest and importance,* confirm the disquieting conclusions of Sir John Orr and Mr Rowntree. About eight million men, women and children are estimated, on the basis of the sample, to lack the money for proper feeding, according to B.M.A. standards; and a further 12 to 22 millions are reckoned to be subsisting on inadequate diets. In other words, the diets of roughly half the population are deficient; either their incomes are too small for them to buy food in sufficient quantity and variety to meet the physical requirements of themselves and their families, or else, even when their incomes are large enough to make this possible, they do not in fact, because of caprice, ignorance, waste and the inescapable whims of appetite, provide themselves and their dependants with an adequate diet. This is not, except for many of the impoverished eight millions, a question of an absolute shortage of food.

* The People's Food. By Sir William Crawford and H. Broadley. Heinemann. 336 pages. 12s. 6d.

Starvation or semi-starvation, even among the poorest, is happily rare; and we are very much better off than most other countries. It is a question rather of improper feeding, of a wide shortage of constituents vital for good health.

Thus, the problem which emerges from these investigations is not wholly economic. In part it is educational. Not even among the wealthiest classes, for instance, is the daily consumption of milk up to the recognised standard of seven-eighths of a pint per head. There are already signs that the consumption of milk, green vegetables, fruit and fish is slowly rising; and a great deal could clearly be done by publicity and propaganda to persuade those people who can afford it to buy and consume something like the nutritionally correct quantity and variety of foodstuffs. One of the chief barriers to progress in this direction is habit or tradition. The social significance of feeding habits as between class and class, dependent in part at least upon mere custom, is brought out remarkably in Sir William Crawford's book. Marmalade for breakfast is a mark of social grading; so is coffee, and to a lesser extent fruit and fruit juices. The English midday meal, whether it is called lunch or dinner, is an unimaginative succession of meat, potatoes and pudding; though the upper classes add trimmings at both ends. Cheese is the rich man's aid to easy digestion; it is the poor man's stand-by for supper. The difference between afternoon tea and high tea is the difference between social strata; and dinner in the evening, instead of supper or a belated high tea, is the cachet of a surprisingly select few. Different classes eat different things at different times, and many of these habits, except where rooted in economic necessity, could be gradually changed.

Yet, in many even of the families whose present inadequate diet could be converted into an adequate diet without any extra expenditure on food, the root trouble is still lack of means. The breakfasts, dinners, teas and suppers of working people, so carefully analysed by Sir William Crawford and Mr Broadley, are dreadfully dull and monotonous. The reason for this is clear. Bread and potatoes are filling; greens and fruit are not. Tea is soothing to the nerves; milk is not. The B.M.A.'s minimum dietary itself is little more appetising or interesting than the plates of bread, gallons of tea, pans of potatoes, anonymous cuts of cheap meat and portions of fish and chips which make up the meals of the poorest. Variety, as the author says, is the spice of diet; and the nutritive ingredients in a limited and repeated range of foods are less likely to be assimilated than the same ingredients in a wider variety of foods. The conspicuous difference between the meals of the rich and the meals of the poor lies precisely in this quality of variety; and the dietetic errors of poor people are very frequently due to their attempts to break the monotony of their fare. Very few working people have any margin in expenditure for caprice and appetite.

Millions of people are spending as much as half their slender earnings on food and still getting an insufficient diet. Well-to-do people, who may spend scarcely a tenth of their incomes on food, not only have more varied things to eat than their less fortunate fellows; they actually eat more—more meat and more expensive meat, more milk, cheese, butter, eggs, green vegetables, fruit and fish, and just as much bread, flour, potatoes and sugar. In all food groups except the energy-bearing and filling foods consumption varies directly with means. The problem is clearly one of income and food prices, primarily an economic problem to be solved by economic means. Wages are often too low to cover bare family needs. The prices of many essential foods, such as milk, are too high.

It is impossible to devise a plan or policy which will at a single stroke erase the consequences of ill-feeding from our national liabilities. Inequalities of income and purchasing power are part and parcel of the system of free enterprise by which we live. It would be impracticable, for instance, except very gradually over a long period of time, to raise all wages to a level which would ensure a varied and sufficient diet for all workers and their dependants. It would be impracticable, too, to reduce all food prices to the point at which all people, rich or poor, could feed themselves adequately on their present earnings; farmers must live.

It should be possible, however, to bridge the gap between incomes and food prices; on the one side by family allowances to ensure the proper feeding of children; and, on the other side, by making essential foods available to poor people at specially low prices, while guaranteeing reasonably remunerative prices to producers. Improved and efficient marketing might be subsidised. Consumption itself might be subsidised. And money spent on allowances and subsidies, if the desired results were obtained, would be money well spent.

Economic stability depends very greatly upon the main-

tenance of popular purchasing power; and feeding the people, like housing the people, is a reform which produces tangible assets. Just as housing and slum clearance set in motion a hive of building and associated activities to the notable benefit of industry and trade, so would the deliberate raising of standards of food consumption generate profitable business in farming, distribution, foreign trade and food manufacture. A national food policy would be some safeguard against economic depression, as well as leading to a striking saving in the annual bill for ill-health. We seem to be entering a period when international insanity will preclude any advance in the social services. But when the cloud passes, a national food policy should be first on the list for a concerted effort comparable to the post-war housing programme.

Yet the chief part of such a food policy should be the lowering of food prices by the normal processes of economic progress and wisdom. Socially and economically, the future of this country depends to an extraordinary degree upon the cheapness of our food supply; and expediency and justice march together in the demand that we should make sure that he who works, and the children who will work after him, shall eat sufficiently.

The West Indies

THE Royal Commission which has this week sailed to inquire into social and economic conditions in the West Indies must be one of the most distinguished bodies of the kind that has ever been instructed to concern itself with a colonial problem. It has as its chairman a former Cabinet Minister, as its vice-chairman a former Governor of Jamaica and as one of its members the Secretary of the Trades Union Congress. The occasion calls for these eminent attentions; for nearly every island in the West Indies has recently given violent evidence of serious discontent. There is something gravely wrong with the social and economic conditions of the West Indies.

"The West Indies" is a convenient geographical appellation. But perhaps the most important thing to realise about the West Indian colonies is their astonishing diversity. The Commission's terms of reference include British Guiana, British Honduras, Jamaica, Trinidad, Barbados, the Leeward Islands and the Windward Islands. These colonies are strung out on a curved line 2,500 miles long. Their total population is only some two and a half millions, divided among the administrations (for the four Windward Islands of Dominica, St. Lucia, St. Vincent and Grenada have only their Governor in common). The largest unit is Jamaica, with rather less than the size of Yorkshire and a population of just over a million. Trinidad has half the population and two-fifths the area of Jamaica. Of the other islands, Barbados—the most crowded—has a population of over 100,000. British Guiana and British Honduras, though they are continental possessions, are as dependent on sea-borne traffic as any island.

The West Indian islands are thus inevitably isolated from each other both by sheer distance and by their smallness. Communications, in such circumstances, are inevitably poor and the sense of solidarity is small. The Englishman, looking at his atlas in London, finds it easy to suggest a West Indian Federation as the solution of the administrative problems. But in fact few of the problems would be solved thereby, since the Federal Government in Jamaica (the obvious location) would, for practical purposes, be nearly as remote from the other islands as London. And, in any case, the sentiment of the population is against federation, save among the more radical elements who see in it a means towards self-government. Generally speaking, each colony is as insular as only an island can be. British

rule has, it is true, tended to encourage this insularity by the diversity of the administrative devices it has adopted; there are hardly two islands which have exactly the same form of government, and almost all grades of rule can be found, from complete autocracy to the border-line of self-government (as in Barbados, where there is a fully-elected House of Assembly, with some control over finance). There is also great economic diversity. The main support of the group as a whole is sugar, which provides more than a third of the total exports. Some of the islands have other resources. Trinidad has the greatest diversification, with its exports of oil and cocoa, and Jamaica has a big trade in fruit, chiefly bananas. Among the smaller islands there are several whose single crop is something other than sugar, such as limes in Dominica, cocoa in Grenada and arrowroot in St. Vincent. But sugar is the one great unifying force of the whole West Indies. Even in the islands where it is not grown, the economics of sugar largely determines the standard of living.

To say that sugar is the unifying factor of the West Indies is equivalent to saying that the islands are united in poverty. Sugar suffered, like other commodities, in the two slumps of 1921 and 1929; but, unlike most other raw commodities, it never recovered. As can be seen from one of a number of graphical illustrations of West Indian problems on page 145, the West Indies' income from sugar is still at a very low level. The responsibility for the continuing low price of sugar does not rest with the West Indies—it rests *inter alia* with the countries, including Great Britain, that have expensively developed sugar production at home in competition with the tropical supply. But whatever the reason for the sugar problem, it has ruined the West Indian economy. It has condemned the native population to conditions of extreme poverty, in which malnutrition and disease are rampant. Housing conditions are peculiarly bad, especially in the towns, and the state of the people is such that education is almost a mockery. To these complaints, recent years have added another; for the stream of emigration to Cuba and the United States has first been stopped and then reversed, and the British islands have had to cope with growing unemployment. There is some danger lest, in Mr Lloyd George's vivid words, a slum empire should be created on the doorstep of the United States.

It is not quite true to say that the Mother Country has

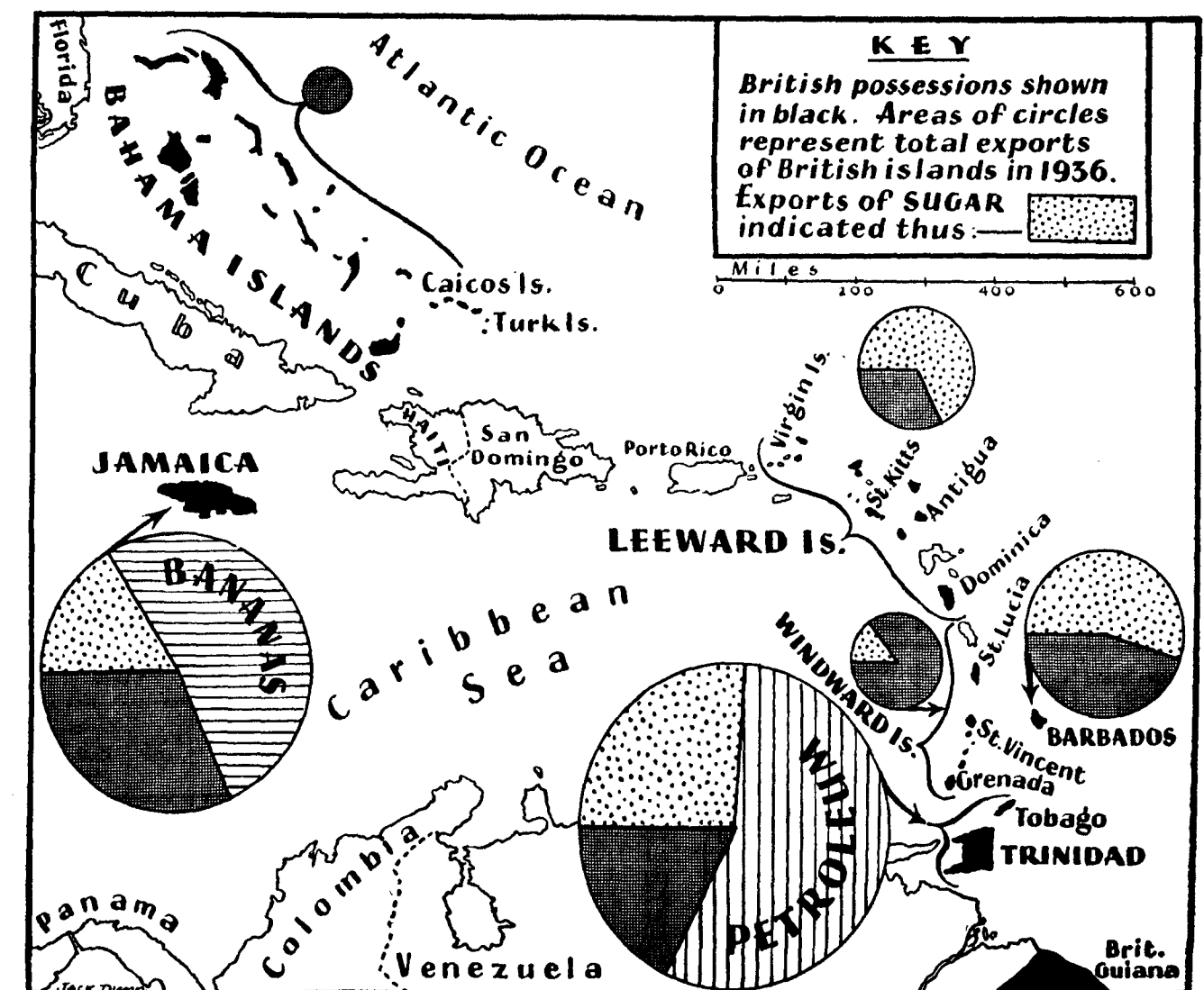
done nothing to help the West Indies. A special preference for Empire sugar was added in 1932 to the previously existing preference. This fluctuates from time to time according to the market price of sugar, but in June last it was stated by the Colonial Secretary to be equivalent to 4s. 9d. per cwt., or almost as much as the market price. The Imperial Exchequer also gives some financial assistance to the colonies, chiefly from the Colonial Development Fund. But the total of this assistance amounted in 1936 to less than £160,000, or just over one shilling per head of the population. Apart from these two exceptions, there have been several attempts, on a small scale, to give scientific assistance to agriculture in the islands, chiefly through the Imperial College of Tropical Agriculture in Trinidad, and one or two of them have been encouraged and helped to cultivate sea island cotton to relieve their dependence on sugar. Within the slender means allowed to them, both the local administrations and the Colonial Office have doubtless been doing their best. But regarded in the round, our Imperial policy towards the West Indies has been not far removed from one of *laissez faire, laissez aller, laissez mourir*.

The British administration is, indeed, something of an incubus upon such poor islands. The total expenditure of the colonies in 1936 amounted to £6,074,000. Of this total, £738,000 went on debt services, £2,523,000 on administration and £44,000 on defence. Only £542,000 could be spent on economic development and £1,606,000 on social services in the broadest sense. These figures are cruelly small. But when they are related to the sources of revenue they seem cruelly high. More than half of the whole revenue comes from customs duties. Since the islands have to import a very wide range of their common necessities, this means that the revenue is raised by indirect taxes on con-

sumption. In 1935, £2,921,000 of customs revenue was raised on less than £15 millions of imports. The food duties are even more onerous, since the yield of the duties was £1,547,000 on imports valued at £5,247,000. The yield of these food taxes (for such, in the circumstances, is their nature) is roughly equal to the expenditure on social services. The Islanders are indeed being asked to lift themselves by their bootstraps.

What remedy will the Royal Commissioners be able to suggest? If the islands are to be left to their own resources the answer is that very little can be done. Some of the employers may perhaps be in a position to provide better conditions for their workers; some of Trinidad's industries, for example, are not so poverty-stricken as sugar. But, on the whole, the truth seems to be that the European capital in the islands is already receiving less than a remunerative return. And where the islander grows his own crop there is not even an employer whose profits can be squeezed. The Colonial Secretary virtually admitted, in the debate in the House of Commons on June 14th, that there would have to be financial assistance to the islands for the purpose of extending the social services, safeguarding the existing agricultural industries and developing new means of livelihood for the population. An Imperial subsidy thus seems to be inevitable—and the payment will have to be made at a time when the Imperial Exchequer can least afford it. But in a subsidy-ridden world this particular grant will have a threefold justification. The sum will be small in terms of the British budget. The need for it has arisen at least in part from the sums lavished by way of subsidy on the British beet-sugar industry. And no number of millions of pounds will entirely erase the debt of honour we owe to a race of people who, but for our slave traders, would never have seen the islands that are now their home.

THE WEST INDIES AND THEIR EXPORTS



Profits in Decline

OUR last survey of industrial profits, which appeared in these columns three months ago, concluded that profits had probably reached their cyclical peak. Judged by the company results published in the past quarter, that estimate has proved accurate. Both in number, and in the total profits which they represent, the reports which appear during the September quarter are the smallest in the year; on the former basis they represent 16 per cent. of the past twelve months' total, and on the latter only 11 per cent. But this year's third quarter companies have had the unenviable distinction of heralding the decline in earning power which is the inseparable mark of industrial recession.

It would be a mistake to exaggerate the absolute importance of this decline. Actually, only 374 reports were received during the past quarter, and the total profits of £32,793,241 which they revealed showed a reduction of no more than 1.4 per cent. It is only when these latest results are put in perspective with the profits recorded in 2½ years of thriving trade, as in the following table, that their significance is evident:—

TABLE I.—QUARTERLY PROFITS SINCE 1936

	No. of Cos. report- ing	Total Profits	Change on previous year		No. of Cos. report- ing	Total Profits	Change on previous year
1936		£'000	%	1937		£'000	%
1st qtr. ...	569	75,732	+13.3	3rd qtr. ...	337	28,575	+19.2
2nd qtr. ...	739	92,281	+10.6	4th qtr. ...	549	57,536	+20.2
3rd qtr. ...	382	28,975	+14.3	1938			
4th qtr. ...	496	42,135	+15.2	1st qtr. ...	646	100,355	+10.5
1937				2nd qtr. ...	805	112,473	+12.9
1st qtr. ...	628	94,733	+11.9	3rd qtr. ...	374	32,793	-1.4
2nd qtr. ...	765	100,691	+19.9				

The past quarter's decline is in fact the first for five years. Its cyclical character deserves consideration before the results are examined in close detail. It is commonly assumed that the constructional trades feel the first effects of depression, while the consumption goods trades maintain a steadier profit-earning record. A rough analysis (so far as a normally lean quarter's results are representative) shows that the reverse has actually happened during the first stages of the present recession. It is, of course, difficult to allocate some groups except on an arbitrary basis. The important group of miscellaneous companies, for instance, has been included among the constructional trades for want of a more appropriate pigeon hole. The latest profits of companies serving the consumption goods trades show a fall of 7.1 per cent. compared with the net earnings of the previous year, while constructional and general industrial concerns reveal a rise of 3 per cent. Both the utilities and transport and the finance groups show scarcely any measur-

able change in earnings, while the rise in commodity company earnings reflects the legacy of high tea and rubber prices in 1937, whose benefits are still apparent in recent reports. The full analysis is given in the following table:—

TABLE II.—THIRD QUARTER PROFITS

	Previous Year	Latest Year	Change %
Consumption goods trades	13,584,277	12,613,571	- 7.1
Constructional trades &c.	13,545,510	13,944,791	+ 3.0
Utilities and transport ...	901,563	894,826	- 0.8
Finance	3,333,300	3,343,214	+ 0.3
Commodities	1,890,843	1,996,839	+ 5.6
Total	33,255,493	32,793,241	- 1.4

There is, however, more than one possible explanation of the apparent paradox that the constructional trades are meeting depression more successfully than the consumption goods trades. The latter were hit simultaneously by rising costs and by the contraction of general purchasing power, which has become more pronounced during the current calendar year. In the constructional trades, on the other hand, the impact of recession upon profits has been softened first by controlled prices (in the steel and coal industries, for example), and, secondly, by the stimulus of re-armament expenditure. Nor must it be forgotten that the accounting years for many concerns in this group run to June 30th. Their latest results thus include six months of booming profits, earned during the first half of that period, which the consumption goods trades did not, as a whole, enjoy.

These, however, must be regarded as provisional conclusions, for they are based on a single quarter which is never prolific of company reports. Obviously there is no cause, so far, for general dissatisfaction with the reaction of industrial profits to declining trade. *The Economist's* index of business activity reached its peak in September last year, and the time-lag between the first sign of falling economic activity and the subsequent decline in profits is in strict keeping with the usual interval between the average date at which profits are earned and their publication in company reports. During the past quarter, as our third table shows, the companies represented obtained an average return of 10.3 per cent. on their preference and ordinary share capital, compared with 11.0 per cent. on a similar (though not identical) sample of companies in the corresponding quarter of 1937. That, clearly, is not a substantial setback. But there are signs that it has induced yet greater conservatism in the distribution policy adopted by many boards of directors. Table IV, for instance, shows that the average dividend paid on the ordinary capital of the September quarter companies amounted to 9.1 per cent., compared with 9.7 per cent. for the 1937 sample of

TABLE III.—THIRD QUARTER INDUSTRIAL PROFITS 1929-38

Reports Issued during Third Quarter	No. of Com- panies	Total Profit (after deb. interest)	Change since preceding year (same companies)	Total Preference and Ordinary Capital	Ratio of Profits to Capital
		£	%	£	%
1929	257	23,727,747	- 3.0	209,191,686	11.2
1930	329	23,626,502	- 6.4	268,078,042	8.8
1931	320	15,996,685	- 35.5	343,500,531	4.6
1932	303	14,722,754	- 28.6	350,474,355	4.2
1933	307	15,394,560	- 5.5	296,128,953	5.2
1934	318	17,139,932	+ 27.7	264,076,256	6.5
1935	345	22,471,189	+ 12.2	286,270,471	7.8
1936	382	28,974,570	+ 14.3	311,349,009	9.3
1937	397	28,575,020	+ 19.2	258,988,667	11.0
1938	374	32,793,241	- 1.4	317,149,925	10.3

TABLE IV.—DIVISION OF PROFITS (THIRD QUARTER COMPANIES)

Reports issued during Third Quarter	Proportion of Profits after Debenture Interest			Rate of Payment on Each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or "Carried Forward"	Deben- ture	Prefer- ence	Earned for Ordinary	Paid on Ordinary
1929	%	%	%	%	%	%	%
1930	17.8	61.6	20.6	4.9	6.0	13.7	10.3
1931	18.9	62.8	18.3	5.4	5.0	10.7	8.4
1932	37.1	71.8	Dr. 8.9	5.2	4.5	4.7	5.4
1933	30.9	65.9	3.2	5.1	3.6	4.5	4.3
1934	34.8	61.2	4.0	4.9	4.4	5.7	5.3
1935	24.7	56.8	18.5	4.9	4.1	8.0	6.0
1936	24.7	51.6	23.7	4.7	4.9	9.7	6.7
1937	19.8	50.5	29.7	4.8	4.9	12.1	7.6
1938	16.6	54.9	28.5	4.5	4.8	14.8	9.7
	19.3	51.2	29.5	4.5	5.1	14.1	9.1

companies; moreover, the proportion of net profits received by equity shareholders was reduced over the same period from 54.9 per cent. to 51.2 per cent. In short, the equity investor, who had already seen many of the fruits of prosperity ploughed back into his business, has been the first to suffer in lower cash dividends—though as yet only slightly—now that profits have taken a downward turn.

These are average results. From the detailed tables on page 151 the reader may examine the experience of the twenty-four separate groups which are represented in the quarter's total. The most impressive increases in profits have been recorded by iron and steel companies (17.2 per cent. over the previous year) and by motors and aviation (25.4 per cent.), though analysis of the latter group reveals that higher aviation profits have been principally responsible for the advance. Of the fourteen instances in which reduced profits have been recorded, textiles (63.3 per cent.), building materials (25.2 per cent.) and the large general industrial group (9.5 per cent.) are outstanding. These movements illustrate the difficulties experienced in the export trades, and the direct consequences of industrial recession. But the twin blades of rising costs and falling purchasing power clearly account for the 7.7 per cent. cut in food and provision companies' profits and for the 12 per cent. reduction in retail trading profits.

It is not, perhaps, a matter for surprise that the two groups—iron and steel and motor and aviation—whose results make the best showing during the quarter, have distributed their profits more conservatively than the average. Both groups have a real degree of protection in the form of armament work. But the course of profits from their civil business is almost certainly unfavourable, and sooner, rather than later, it will make a fuller appearance in company reports. The latest results, in these categories more than in others, reflect the prosperity of industrial boom, but individual results already throw a shadow of reduced

profits to come. And it may well be that the construction trades, having maintained relatively satisfactory earnings as a whole during the first stages of recession, may be more significantly affected in future.

What are the morals of this survey? So far as the investor is concerned, it provides little that is new, for the Stock Exchange had already begun to discount the possibility of falling profits even before the statistical signals were showing the amber light. The new industrial capital market, again, has been virtually idle for months, and the mere evidence of reduced profits will hardly rob it of business which it had little reason in any case to anticipate. To the economic statistician and the fiscal forecaster, however, the trend of profits at the moment is highly important. It has a direct bearing both on the national income and upon the financing of the defence programme. At a time when taxable income appears to have passed its maximum point the demands to be made upon the taxpayer, so far from abating, are almost certain to be increased. That is a dilemma which, whatever the economic pros and cons may be, is likely to encourage the resort to greater borrowing, to relieve as far as may be the burden of increased taxation. But it would be altogether premature to prejudge this issue before succeeding quarters have given an indication of the real extent of falling profits. During the year to June, 1931, industrial profits were reduced by 14.7 per cent. and in the succeeding year by a further 26.5 per cent. It would scarcely be safe to assume that the setback in industrial profitability will not equal the first of these figures in twelve months' time, despite the high hopes that economic recovery in the United States may help British industry in the meantime. In a re-arming world, industrial confidence has little chance to flower. For the moment, however, the basic fact is that industrial profits are now in the descendant; the extent of their fall must be left for the future to reveal.

Topics of the Week

The Crisis in Palestine.—The Republic of Czechoslovakia and the Jewish National Home in a mandated territory of Palestine were created simultaneously, twenty years ago, as parts of a single peace settlement. To-day it looks as if both of them were doomed to simultaneous destruction—or at any rate to a transformation so radical as to amount to destruction in all but name. In both territories the weaknesses of the peace settlement have been shown up by the experience of twenty years. At the peace conference of Paris the point of view of the Palestinian Arabs, like that of the Sudeten Germans, was ignored; and this error has now revenged itself in a violent upheaval of a people that has come to believe that its one hope of gaining attention and securing satisfaction lies in a resort to force. The Palestinian Arab militants, like their Sudeten German counterparts, have powerful backing. They are supported by the whole Arab, and indeed the whole Islamic, world, and in the background looms the Rome-Berlin Axis in its rôle of the champion of Gentiles against Jewry. In these untoward circumstances, which are as unpropitious as can be for a statesmanlike settlement based on reason and justice, it looks as though we may be on the eve, in Palestine, of a precipitate settlement dictated under threat of force, on the lines of the settlement that has just been imposed on Czechoslovakia. It is the tragedy of the Zionists and the Czechs, and the shame of the Principal Allied and Associated Powers, that two small, capable and patriotic peoples are apparently to pay the whole staggering price of errors in the peace settlement and procrastinations in the post-war years for which not they, but the Principal Allied and Associated Powers, are chiefly responsible. In Palestine, the British Government's policy has consisted literally in having no policy. We have let in as many Jewish

immigrants, year by year, as the economic state of the country and the political state of Arab feelings would bear; and, for the rest, we have hoped for the best. Eighteen months ago the Peel Commission warned the British Government solemnly and emphatically that this impolicy of waiting and seeing was leading straight to disaster and that their choice lay between repressing the Arabs ruthlessly and alternatively coming to terms with them on a basis which would give the Jews far less than we had allowed the Jews to hope that the Balfour Declaration meant. The Government have ignored this warning; after a year and a half the whole situation is still in flux; and the consequence is a virtual state of anarchy.

* * *

The two radical alternatives to which we have thus now allowed our choice to be reduced are plainly set forth in a letter, published in *The Times* of last Saturday, from the late Inspector-General of Police in Palestine, Mr R. G. B. Spicer. Either we must crush the Arab population of Palestine by a ruthless use of overwhelming military force, or else we must confess to the Zionists that experience has proved that the implementation of the Balfour Declaration is impossible, and that they must put up with living in a Palestinian Arab national State as a minority which will not be allowed either to reinforce itself by immigration or to acquire more land than it at present possesses. The Irish precedent makes it almost certain that the people of Great Britain would reject the former alternative (and this now all the more in view of the deadly danger to our national security at home). We may therefore expect—notwithstanding the considerable military reinforcements that are now, very rightly, being rushed to the spot—to see the

second alternative adopted in some form at short notice. This week the British High Commissioner in Palestine, Sir Harold MacMichael, and the Iraqi Foreign Minister, Sayyid Tawfiq As-Suwaydi, have both been in London in consultation with the Colonial Secretary, and the Iraqi statesman has brought with him an Iraqi plan for Palestine, which probably stands a good chance of being adopted—if only because it is less radical than a rival Syrian plan that was put forward by the Syrian delegation, and was opposed by the Iraqi delegation, last week at an Arab Congress on Palestine in Cairo. The issue between the Syrian and the Iraqi plan is whether the future Palestinian Arab State shall be re-amalgamated with Syria or shall remain a separate entity under joint Iraqi and British influences. As far as concerns the Jews, the Syrian plan does not appear to differ materially from the Iraqi, which is said to propose that the Palestinian Arab State shall enter into a treaty for a term of years with Great Britain, and that for this term Great Britain shall guarantee the rights which the constitution of the new State will promise to minorities. Under the sovereignty of the Palestinian Arab State there is to be municipal and educational autonomy for Arabs and Jews alike, but no further Jewish immigration is to be permitted. We take it that this plan foreshadows the coming settlement more or less accurately. That it also foreshadows a capitulation of British imperial authority to armed insurrection is a lesson that will not be lost on the Moslem world.

Britain's Defences.—The crisis gave cause for both encouragement and disquietude about the state of our defensive equipment. The Navy and many Territorial units were called up with speed and efficiency; there was a ready response by both men and women to appeals for recruits and volunteers for various essential activities; and plans were produced, or improvised, with great rapidity for the organisation of transport, food and civilian protection. But, at the end, it was clear that the apparent approach of hostilities had revealed very grave gaps in our preparations, and the most urgent task of central and local authorities is to take immediate stock of the considerable ground which has still to be made up. In Air Rair Precautions such a stocktaking is proceeding apace, and it is possible that the Government may soon produce the integrated programme of civil defence measures, the absence of which has hitherto been the leading cause of the inefficiency and inertia of authorities and citizens alike which have been brought to light in the last few days. Even during the crisis the balloon barrage contingents around London were not fully manned; and lack of training and practice was responsible for the deficiencies which marred comparatively successful balloon exercises a week ago. In this respect at least the Government is converted to the view that, if a thing is worth doing, it is worth doing properly; and Sir Kingsley Wood announced at Cambridge last Saturday that barrage plans would be extended to a number of important urban centres in the provinces, and that adequate training facilities and equipment would be speedily provided.

There are still too many bottlenecks in our defence preparations. It is not only the balloon and anti-aircraft units that have lacked the necessary equipment or training. The Air Minister disclosed last Saturday that the number of recruits for the Civil Air Guard now exceeded 30,000 and that the lists had been temporarily closed. So far so good; but there is a dearth of facilities for ground instruction, let alone for air training, in this branch; and here, as in so many departments, the parallel need for instructors and material equipment is pressing. Most serious of all, the bottleneck in the production of actual aircraft persists, and the drive to rival and excel foreign countries in air strength, now to be greatly intensified, is still comparatively clogged. Both Lord Austin and Lord Nuffield have lately spoken with optimism about the prospects for their respective contributions to the solution of this problem; and, at Cam-

bridge, Sir Kingsley Wood made the welcome announcement that a £1,000,000 aircraft factory was to be established at Gloucester and a £500,000 extension at Stockport; but these are only slight steps forward. All parties are agreed that the Government must press on with an augmented programme of defence and rearmament. Yet it is unhappily true that, in many ways, the leeway lost in the past has still to be made up before appreciable fresh progress can be achieved.

Air Force Expansion.—The exact size of its Air Force is one of a nation's most closely guarded military secrets. It is impossible to say, for example, exactly how the R.A.F. compares with the German Air Force. But if Great Britain is as much behindhand in numbers of aircraft and pilots as rumour suggests, any further delay in developing our maximum effort is inexcusable. What can be done in a sustained effort was demonstrated in 1914-18:—

OUTPUT OF AEROPLANES, 1914-18			
Number		Number	
Up to June 30, 1915 ...	902	1917—1st quarter	2,720
1915—3rd quarter.....	692	2nd "	3,640
4th "	948	3rd "	3,720
		4th "	4,742
1916—1st "	1,137	1918—1st "	7,154
2nd "	1,537	2nd "	7,870
3rd "	1,939	3rd "	8,558
4th "	2,020	4th "	7,200

Until fairly recently the output of military aircraft was only about 200 units per month. With the completion of the shadow factories, output is believed to have been raised to 400 units per month on a one-shift basis. If two shifts were worked, production could probably be raised to 600 units per month, and, in an emergency, 1,000 units could probably be produced per month after a comparatively short interval. In the third quarter of 1918, however, we produced aircraft at a rate of no less than 2,853 units per month. As a manufacturing job, the modern aeroplane is barely comparable with its ancestor twenty years ago; but the technical resources of the manufacturers have also increased. Our potential capacity in reserve, moreover, is substantially greater than twenty years ago, partly as a result of the enormous expansion of the motor industry. If the Government is now as anxious as the public to establish parity with Germany in the air, an extension of capacity here and there clearly will not do. Only a really large-scale expansion programme, which will involve the immediate construction of a series of large units will now give us a chance to catch up.

Reorganising the Territorials.—Central among the plans to extend the country's defences and armaments, which have been announced since the map of Europe was redrawn and the balance of power rudely shifted, is the programme outlined on Monday by Mr Hore Belisha to reorganise the Territorial Army. At present, the Territorial Army, with its divisional organisation supplemented with extra-divisional units, is a replica of the Regular Army as it was before the Secretary of State's recent radical changes. Now it is to be brought into line with its professional counterpart: the Territorials will have the same modern units as the Regulars; machine-gun battalions for the infantry, motor-cycle battalions, tank and anti-tank battalions and anti-aircraft regiments. In all, there will be five anti-aircraft divisions (as at present)—for anti-aircraft is the part-time soldier's special work and is the basis of his enhanced importance under modern conditions of warfare—three motorised divisions and a mobile division. It is imperative that the Territorial Army should be up-to-date and efficient, and the reorganisation is accordingly very welcome. Whether the scheme will work well, however, depends upon whether the reorganised units are fully and speedily provided with the equipment and materials they need. If they are not, then we are doomed to be deeply disappointed.

Distress in Bohemia.—These are sad days in Prague. With the coming of the Germans, hundreds and thousands of refugees—as many as half a million on one estimate—began to toil down the roads from the occupied areas, families walking beside carts loaded with household goods, their homes abandoned. Days ago the pressure on Prague reached alarming proportions. Partly on this account and partly at German behest the Government has now refused to allow any more German-speaking refugees to enter Prague, and it is reported (sometimes in harrowing detail) that many are being turned back. For not a few of these unfortunates the future can hold out nothing but wretchedness. A substantial sum of money has been raised in England for the relief of distress and arrangements have been made for the administration of the fund in Prague. The hardest core of the problem, however, consists of the German-speaking refugees. The Prague Government will not let them stay—indeed, its present attitude is one of refusing them even a few weeks' grace while arrangements are completed. And even if they are not driven back into the Nazis' arms, where are they to go and by what means? It will be a terrible stain on the world's conscience if those whose only faults have been loyalty and love of liberty are merely abandoned to their cruel fate.

The occupation itself was carried out with clockwork precision and without serious incident, the dignified bearing of the Czech army and of Czech officials winning admiration even in Germany. Herr Hitler has toured the Sudetenland; and Reichenberg (Liberec) is now the headquarters of this latest *Gau* of the German Reich. In fixing an exchange rate between Czech and German currency in the occupied area, the precedent of Austria has been followed. The official rate on the Berlin Bourse was 8½ pfennigs to the crown. The occupying generals first fixed a rate of 10 pfennigs and then a decree by Field-Marshal Goering fixed 12 pfennigs. This over-valuation of the crown confers a temporary advantage on the Sudeten workers, when their wages are converted into marks. But its real purpose is to protect the industries of the Reich from competition from the newly "liberated" areas. Visits between Prague and Berlin have been of almost daily occurrence, and a Czech delegation came to London early this week to discuss the details of the £10 millions which the British Government has made available. Their main meeting was with Sir Frederick Leith-Ross, the British Government's chief economic adviser. Estimates of the amount of money needed to rebuild as an economic unit what remains of Bohemia range from £30 to £100 millions, but there is no news yet of a French or British loan. Meanwhile the Czechs are searching the wreckage for signs of life. And finding few.

The Czechs Change Sides.—If the Germans may not announce, as they did for Austria, that Czechoslovakia is "a province of the Reich," it becomes daily clearer that Czechoslovak independence, whether economic or political, will soon be reduced to a mere convention of the map-makers. As we wrote in *The Economist* for September 24th (page 583), the Historic provinces of Bohemia and Moravia form an economic unit which cannot be split up without endangering the economy of all concerned. The Czech *Lidove Noviny* pointed out last week that the Republic's policy, "whether we want it or not, must be good relations with Germany." There is no other way; and with characteristic fortitude the Czechs and their Government, which is that formed on October 3rd as General Syrový's second Cabinet, are doing what they can to favour any *rapprochement* with the Reich which will help their negotiators at Komarom and at the same time ease the harsh terms being concluded this week in Berlin. That was why President Benes resigned, and why M. Chvalkowsky, Czech ambassador in Rome and a man more acceptable to Berlin than Dr. Krofta, was appointed as the new Foreign Minister. But the Germans maintain

an overbearing attitude on the International Commission which is making *rapprochement* a very bitter pill for the Czechs. The new frontier, as shown on the map overleaf, is fully as generous to the Germans as that drawn by Herr Hitler at Godesberg. At least 800,000 Czechs will now become German citizens. The road and railway communications of the Republic are cut at various points. The chief towns now frequently rely for their supplies of water or electricity on plants in Germany. There is talk of a customs union and currency assimilation with Germany, and though these proposals probably go no further at the moment than arrangements for continued trade between the Czech and German areas of Bohemia, the larger demand may well come later. Along with this tightening economic grip, changes in Czechoslovakia's internal political structure are keeping step; now there seems no doubt, supposing that democratic forms are to be preserved even in name, that the price of German clemency in the future will be delegation of executive power to parties of the Right, notably to the Agrarians and Catholics, and parties such as the National Union, the Small Traders, and the Fascist National Association, with army influence well to the fore. In the light of the past weeks the advantages of democratic connections, to put it mildly, must seem dimmed. Add to this change of heart the advantage which Germany would derive from a "sympathetic" Government in Prague; and the possibilities become immediately obvious. Two of them are a revival of extreme Czech nationalism and a crusade against Jews and Communists.

Slovakia.—The movement for Slovakian autonomy came to a head on October 6th at Zhilina when delegates of local parties and the three main Czech parties agreed upon a programme of federal autonomy for Slovakia; and the next day a deputation headed by M. Tiso, successor to the late Father Hlinka as leader of the Slovak People's Party, was received by General Syrový. Following this a provisional Government has been formed at Bratislava. Prague has approved the appointment of four Ministers, namely MM. Cermak (who resigned from the first Syrový Cabinet), Durcinsky, Lichner and Topliansky; and M. Tiso, who leads the Slovakian Cabinet, is now in charge of the frontier negotiations with Hungary at Komarom on the Danube. The Zhilina meeting predicted a Czechoslovakia governed by three provincial Diets—for Bohemia-Moravia, Slovakia and Ruthenia—having control of all national affairs except those concerning foreign and financial policy and unified by the maintenance of the President's office. In the circumstances this would be an ideal solution from the Czech and German points of view: and the Reich has turned a favourable mien towards the Bratislava Government. Indeed, there is probably much more than a suspicion of German handiwork in the formation of that Government; the manifesto issued at Zhilina

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declares against the "Marxist-Jewish ideology" and concludes with the statement that "the victory of self-determination means for the Slovak nation the victorious end of our years-old struggle." The Communist Party and its newspapers already have been banished from the Slovakian scene. At the same time Prague has granted Ruthenia's claims for federal autonomy, and a government is in being at Uzhorod. This is a setback to Hungarian ambitions, as Ruthenia's three-quarters of a million people cannot be expected to vote for any Government but their own.

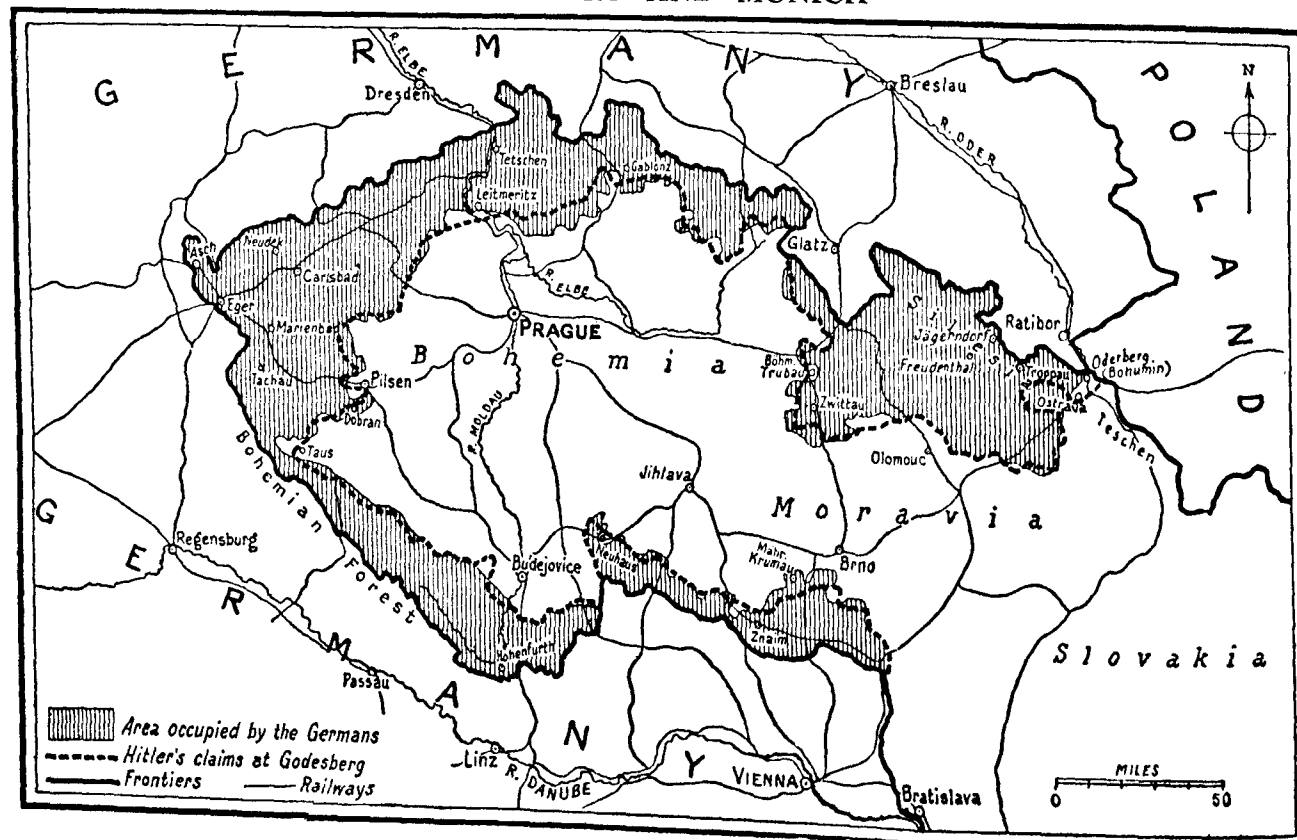
The negotiations at Komarom have not run smoothly. The Hungarians claim all territory south of a curving line drawn between Bratislava (including this town) and Sevljus on the Ruthenian Tisa. This is apart from their demand for the whole of Ruthenia; and it includes important centres like Kosice, Uzhorod and Mukacevo, with the wide grain-farming plains of southern Slovakia. Several small towns on the frontier, including Ipolsag and Satoral-ja-ujhely, are already in the hands of Hungarian troops, but the negotiations are unlikely to yield so rich a harvest as the Hungarian public has been led to expect. The 1930 Census figures which, the Hungarians say, do not account for Magyar-speaking Jews and "stateless" persons, show 691,923 Magyars in Slovakia and Ruthenia; but cession of what is asked would include about 100,000 Slovaks and leave the remainder so poor that they might well be glad to be relieved of the expense of governing themselves. And the situation has changed since Prague's acquiescence in Slovak autonomy; Budapest is now facing a united Slovak delegation who know that they no longer have any reason to accept Hungarian help in pressing claims on Prague. But M. Tiso will find resistance difficult unless he has strong German support; and it now remains to be seen whether Slovakia is worth enough to the Germans to compensate them for the trouble and bad blood which their defence of its integrity will engender.

Confusion in France.—Those who remained cheerful in France after the wider implications of M. Daladier's acquiescence in Munich became evident, had their optimism tried again, when at Saarbrücken, on Sunday, Herr Hitler's friendly references to France were conspicuous by their absence. First impressions are

confirmed; but instead of common misfortune welding differences together, the split in the French nation (which may even be tragic) seems to be deepening. Defections from the narrow Flandin ranks this week include MM. Reynaud and Piétri; nor have they yet ended. To read the French Press of late is not a happy experience: and one's agreement, for instance, with a cartoon which appeared in *Je Suis Partout*, of La France sitting disconsolate, asking herself, "Isn't it time for them to think a little about me?" is only shocked and reinforced by the savage anti-Jewish attacks appearing in the next column. The parties of the Left maintain a shaken silence, perhaps the most disturbing thing of all. With M. Daladier still holding his hand over the special powers (apart from increased re-armament expenditure), they have nothing to say; and as was proved at this week's congress of the C.G.T., the majority of members can identify themselves with the hundred per cent. anti-fascist views of the Communists scarcely more than with the half-jubilant, half-rueful "retrenchment and re-armament" cries which are coming with increasing stridency from the Right. But there is no mistaking the Left's disillusionment. "I do not believe in war any longer," said M. Jouhaux, secretary-general of the C.G.T., "it is impossible in the present circumstances, after the collapse of the Czechoslovak bastion. Nothing will now stop Yugoslavia from sliding into Hitlerism; and much the same with Roumania. In Poland we have paid and been betrayed by the Foreign Minister. What fate is reserved for Spain?..."

The face of things in France is, of course, deceptive. This gloomy acceptance of defeat by the Left cannot in the nature of the French temperament last for long, and with the return of vitality there will be a resumption of hostilities on the Labour front. Meanwhile, the future remains unusually obscure. M. François-Poncet is on the point of departing for Rome with credentials to the King of Italy and Emperor of Abyssinia in his pocket: but signs of Italian gratitude are slow in making an appearance. Parliament cannot meet until November 15, and between now and then much water will run under the bridges. A political tide is flowing in France, but where it will go and what wreckage it will leave on the ebb, nobody can foretell with any confidence.

GODESBERG AND MUNICH



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Roads and Motor Cars.—Next year's motor cars have held the attention of Britain's two million private car owners this week at the Earls Court Show, but the real problem of next year's motoring has been under discussion elsewhere. In his presidential address to the Institute of Transport, Mr G. S. Szlumper pointed out quite rightly that, by and large, our road system was adequate only for local needs, and that fast through traffic needed special highways. These, he proposed with rather less justice, should be built as private toll roads to relieve the taxpayer of the burden of paying for the motorists' track; he was not asked, said Mr Szlumper, to pay for the railways' track. The truth is, of course, that the motorist himself more than pays for the roads he uses; total annual expenditure on roads, including sums recoverable from property owners and utilities or raised by loan, is barely two-thirds of the £90 millions in which motorists are yearly mulcted by the Exchequer and local authorities. The owners of motor vehicles are clamouring for value for their money in their own and the public's interest, and their hopes at the present time rest, somewhat precariously, upon the Government's promised programme of road development, the recent acquisition by the Ministry of Transport of all trunk roads, and, for London, the sweeping Bressey proposals.

This week Mr Burgin announced the completion of the Ministry's survey of trunk roads and a plan to spend £800,000 on by-passing Merstham, Redhill and Horley to complete a safe and efficient route to Brighton. At the same time, the Minister repudiated the suggestion that motor-ways on the German model should be built; it would be too expensive, he said, because the compensation of vested interests was too costly and England's urban areas were too close together. The cars at Earls Court are remarkable examples of progress in engineering, but it seems likely that their chief function will be to make congestion worse confounded. The Government's road plan has not materialised; the Ministry of Transport's trunk powers have so far been too much for the department to cope with; and the Bressey Report is rapidly fading from the light of common day. It is true that the preliminary boring of the Dartford-Purfleet tunnel begun two years ago, and a key-piece in the drastically improved Bressey pattern of London's highways, has just been completed; but even this enterprise, which will provide a sorely-needed river crossing and a link for the North and South Orbital ring-roads will, when opened in 1947, have taken three or four times as long to build as it would have done in Germany and America.

Strike Without Reason.—Like a thunderstorm out of a clear sky an exasperating railway strike descended upon London early this week. It began with 300 porters, ticket-collectors, carters and cleaners at St. Pancras on Monday, spread to 500 workers of the same grades at Euston by Tuesday and then affected the great L.M.S. goods yards. This totally unexpected *démarche*, which soon bade fair to cause a serious hold-up in certain of the capital's essential services was not the consequence of any genuine grievance about wages or working conditions. The fact that the railway companies chose Wednesday to announce their refusal of the unions' claims for improved wages and schedules was no more than a coincidence. Indeed, if we are to believe the strikers' leaders, the stoppage was called at St. Pancras because it had been discovered that a 63-year-old ticket-collector was not a trade unionist, having relinquished his membership of the N.U.R. in 1926. A touch of comedy is added by the fact that the N.U.R. itself officially disapproves of the strike. The very triviality of the alleged cause of the strike has led many people to suspect some deeper underlying cause, and the stoppage was certainly in direct repudiation of the agreement between the railway companies and the trade unions. The L.M.S. with good reason threatened to discharge the strikers outright unless they returned to work on Friday. The London bus strike during the Coronation

celebrations last year was extremely unpopular, even though a great number of the sufferers believed that the strikers had a *prima facie* case. This week's strikers have no case at all, and their action is likely to bring both themselves and their union into grave disrepute.

Farmers Protest Too Much.—It is to the credit of the National Farmers' Union that, for the expressed purpose of freeing Mr Chamberlain from embarrassment, they delayed their memorandum attacking the Government's agricultural policy until the diplomatic crisis was over. It is less to the Union's credit that the memorandum, published on Wednesday, should reveal them unrepentantly seeking to make hay (in a purely figurative and sordid sense) while the sun of world peace and national security does not shine. The Union's avowed concern for rural amenities, nutrition and the salvaging of land that has gone out of heart is wholly praiseworthy. Their demand for a comprehensive soil survey is unexceptionable. Their proposals for measures to raise various food prices and to impose further rigid restrictions on food imports are quite another kettle of fish. Their main recommendation, that an independent body on the lines of the Import Duties Advisory Committee, should be appointed to fix minimum price-levels for a price insurance scheme, is not unreasonable. But the N.F.U. suggest that they would expect such prices, guaranteed for such a large production, as would make the scheme excessively onerous. In short, they take little cognisance of the fact that Mr Chamberlain's Kettering policy of (as we then put it) seeing that the people have enough to eat in peace-time without starving in war-time is assuredly the right one for a country which, more than most, depends for its social efficiency and economic prosperity upon obtaining the cheapest possible food. The Prime Minister fully realises that to be safe in war we must grow more of our food at home. But happily he is not prepared to exploit the present national emergency to secure an extravagant, needless, uneconomic and inequitable increase in agricultural protection.

New Judges.—The defects of congestion and costly delay which tend to impede the efficient working of the High Court of Justice are now generally admitted. Year by year, further ramifications of the complex laws of a complicated community swell the volume of litigation, and pressure upon both the Court's first-instance functions and its appellate jurisdiction accordingly increases. Moves have been made during the past few days towards improving the speed and dispatch of business. On Monday evening two important announcements were made: the appointment of two new and additional judges of the King's Bench Division. Mr Roland Giffard Oliver, K.C., Recorder since 1926 of Folkestone, and Mr Reginald Powell Croom Johnson, K.C., M.P., Recorder of Bath for ten years; and the official statement that the King had approved the appointment of Viscount Finlay, Sir Arthur F. C. C. Luxmoore, and Sir Rayner Goddard, all justices of the High Court, to be Lords Justices of Appeal. The creation of a third Court of Appeal had made necessary the latter promotions, and there can be no doubt that the amplification both of the judiciary's personnel and its machinery is a step in the right direction. We are, indeed, a litigious nation; but, aside from the avoidable actions due to needless legal obscurities, we are so because we are a democratic people.

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Full, fair and unfettered recourse to impartial tribunals is a mark of freedom and equality before the law. The present appointments, however, hardly do all that is required, for the number of judges of the High Court, as distinct from the Appeal Court, is reduced by one. We hope that the increase in the number of judges, so often asked for, will not be much longer delayed.

* * *

Japan Goes Her Own Way.—Hopes for a cessation of hostilities if and when Hankow is taken seem to have become dimmer than ever after the Far Eastern news of this week. The long-awaited descent from the sea on Canton came with precipitate force on Wednesday, when about 35,000 Japanese troops landed in Bias Bay, to the north of Hongkong, and began to make their way inland to Waichow, whence they can turn westwards upon the capital of South China. The Chinese have not yet resisted this thrust except at one point; their tactics are to wait until the enemy reaches the foothills. There they are in force, and well prepared, so that it seems that very many more than 35,000 men will be needed to take the city. The immediate Japanese object is apparently to stage a side-show as part of the Hankow campaign, to harass Chinese communications, and to cut the Canton-Kowloon railway which, despite continual bombardment, has kept its services running, with temporary interruptions, right through the war. British interests in Hongkong are naturally apprehensive; and within the last few days Sir Robert Craigie, the British Ambassador in Tokyo, has presented a formal reminder of the risks to Anglo-Japanese relations involved in this new offensive. The Japanese have given him assurances that British interests will be scrupulously respected. Around Hankow large armies continue to wrestle for a decision, but the Japanese front line is little nearer to the city than it was a week ago, although Japanese warships have advanced some miles farther up the Yangtse. In Tokyo the Army has again increased its influence by forcing the resignation of General Ugaki, who was Foreign Minister and reputedly one of the "moderates" in the Cabinet, upon the issue of control over Japanese affairs in China; and an out-and-out policy of conquest has been reaffirmed by the Prime Minister, Prince Konoé, who softens this harsh intransigence for British ears by hastening to add that the Anglo-Japanese conversations will continue. Instead of countering with fair words the League's application of Article 17, the Government evidently means to take advantage of this explicit recognition of a state of war between China and Japan, by using it at need against the interests of those nations which claim, individually, that no state of war exists. This inference is accompanied by another hint to the effect that Japan may now withdraw from the "peaceful" activities of the League. Since Japan's chief care at Geneva in recent years has been the Permanent Mandates Commission, the assumption of unrestricted sovereignty over the mandated Marshall, Marianne, and Caroline Groups in the West Pacific might conceivably follow this withdrawal. From all this it would seem that Japan will not be condemned in world opinion for a single lamb when the whole flock is there for the taking.

* * *

Germany and Turkey.—While the German army has been occupying the Sudeten districts of Bohemia and Moravia, the German Minister for Economics, Dr Funk, has been scouting far ahead to the south-east. Outward bound, he has visited Belgrade and Angora, and, homeward bound, Sofia. Later on he is planning to visit Athens and Bucharest. There is no evidence that Dr Funk's activities have been other than legitimate. He has negotiated—so far as we know, without any application of political pressure—certain economic agreements between Germany and these three south-east European countries which both parties may well regard as being mutually beneficial. On political grounds, no doubt, all Germany's small south-eastern neighbours would prefer to do as much as possible of their commercial business with Great Britain, France and the United States. The trouble has been that the Western democracies

could not, or would not, respond to the south-east European countries' appeal for markets. As far as Great Britain is concerned, Herr Funk has to thank the Ottawa agreements for his success. By tying ourselves to the Dominions we have inhibited ourselves from responding to the south-east Europeans' appeal; and at the same time we have put it into Germany's head that, if "special areas" of economic preference are now the order of the day throughout the world, then Germany had better make sure of securing a "special area" of her own in the no-man's-land that lies beyond her southern threshold.

* * *

Dr Funk's agreements with Turkey, by the chief of which Germany grants a credit to the value of Rm. 150 millions (£12,500,000 at the official rate) for military and industrial purposes, are specially significant because latterly Turkey and Great Britain have been making a considerable effort—no doubt for political reasons—to do business with one another. A school of British publicists who have been loudly in favour of abandoning Czechoslovakia to Germany have sometimes sought to justify their policy on grounds of *Realpolitik* by the argument that, on consideration of naval strategy, the right buffer-state for the British Empire to bolster up against Germany's *Drang Nach Südosten* is not Czechoslovakia, but Turkey. This argument has rather naively assumed that an Anglo-Turkish naval and military alliance could be had by us any day for the asking. No doubt the Turks have good political reasons for leaning towards the British Empire and looking askance at Germany (they misdoubted Germany's ambitions even when they were her allies in the War of 1914-18). After the spectacle of Czechoslovakia's fate, however, we can hardly expect the Turks to put their country at our disposal as a cats-paw.

* * *

Jews in Italy.—When the Fascist Grand Council was in session in Rome during the night of the 6th-7th of this month, it no doubt had under consideration the question, with which we deal in the first leading article, of how far Signor Mussolini is prepared to go in withdrawing Italian forces of diverse arms from Spain for the sake of securing the ratification of the Anglo-Italian agreement. The only subjects, however, on which the Council's latest deliberations have been made public are Signor Mussolini's new racial policy, and the decision to create a new Chamber of Fascios and Corporations to supersede the Chamber of Deputies which has continued with nominal functions since the inception of the dictatorship. A code of regulations "for the defence of the race" was issued by the Council before it dispersed; and we may, at any rate, be glad that this Italian system of racial discrimination is somewhat less odious than its German prototype. According to the recent special Jewish census, there are 57,422 Italian-born Jews in Italy; Rome has 12,799, Milan has 10,249 and Trieste has 6,085. Certain mitigations of the first batch of Italian anti-Semitic measures are now being made. Foreign Jews older than sixty-five, or married before the beginning of this month to persons of Italian race, are exempted from the expulsion decree of September 1st. The families of Jews who have lost their lives fighting for Italy in war or for Fascism in civil disturbances are to be exempted from discriminations other than that of the segregation of Jewish school-children in separate schools. Jews dismissed from the public service are to be pensioned. The Jews are also given the negative satisfaction of not being made the sole targets of Fascist revolver-fire. All "non-Aryans," Semitic or others, are made ineligible to become the husbands or wives of Italians. Even an Aryan foreigner may not be married to an Italian without the Minister of the Interior's leave. And Italians in public employment, civil as well as military, may not marry foreigners under any conditions. All this is silly and benighted, but it has not quite the authentic touch of full-blooded Nazi barbarism.

Overseas Correspondence

From Our Special Correspondents

United States

Gold and Recovery

NEW YORK, October 4.—It appears that, although the upturn in business activity continued in September, it was somewhat retarded by the same anxieties regarding European developments that depressed the stock market. The fact that, in the closing days of the month, the share market recovered all its losses, and now stood as high as the best levels reached in July and August, is interpreted as evidence that the recent depressing influences, both in shares and business, were not of domestic origin. These reasons are not entirely persuasive, for it would appear that motor car output in September was by no means up to the forecasts made at the end of August, and this slackening was attributable, at least in part, to labour troubles. On the whole, however, the data for September, which are still incomplete, suggest that recovery went on—perhaps with some loss of initial momentum.

The principal physical effects of the summer's disturbances on the American economy have been, first, an alteration in the relations between the dollar and other currencies, and, secondly, an unusually rapid influx of gold. From about \$5 to the pound in June, the exchange rate fell momentarily in September to \$4.62, and ended the month at about \$4.80. This is rather below the average rate of recent months, but does not in itself cause concern. There is, however, a certain amount of apprehension about the future trend of European currencies in view of the fiscal strains incurred during recent weeks.

The extent of the influx of gold can be seen in the following table:—

	Gold Stock (\$'000,000)	Gold Certificates
June 29, 1938.....	12,962	10,636
July 27, 1938.....	13,002	10,633
August 31, 1938.....	13,135	10,632
September 28, 1938.....	13,714	10,863

In July gold imports were relatively small; in August they rose rapidly; and in September the net influx was about \$600 millions. As can be seen in the table, this additional gold was not instantaneously and automatically monetised by the issue of gold certificates to the Reserve Banks, as the system was still digesting the \$1,400 millions of gold certificates issued to the Reserve Banks in April, when the Inactive Gold Fund was liquidated. In September, over \$200 millions were monetised by the release of certificates to the Reserve Banks; and, in view of the fact that the principle of the Inactive Fund was apparently abandoned in April, it may be supposed that the recent gold imports will be released as circumstances warrant. These will become excess reserves on the asset side of the member banks, and deposits on the liabilities' side.

The increase in the deposits of the member banks in recent months is one of the outstanding economic phenomena of the period. In six months, the demand deposits of these banks have risen by over \$1,000 millions. There has been, at the same time, some expansion in total loans and investments, but it was less extensive, as the following table shows:—

	REPORTING MEMBER BANKS (Millions of Dollars)			
	Outside New York	New York City only		
	Demand Deposits	Loans and Investments	Demand Deposits	Loans and Investments
1938				
March 30.....	8,168	13,234	6,100	7,576
April 27.....	8,528	13,139	6,070	7,705
June 1.....	8,488	13,054	6,101	7,482
June 29.....	8,759	13,009	6,277	7,552
July 27.....	8,882	13,066	6,278	7,490
August 31.....	8,942	13,110	6,446	7,751
September 28.....	8,946	13,401	6,562	7,838

That is, the expansion in deposits has been mostly a reflection of gold movements, through either the liquidation of the Inactive Fund or the monetisation of the increment

in the gold stock. The change in gold policy (i.e. the abandonment of the Inactive Fund) has already resulted in an unusually rapid and large increase in demand deposits; and this has, with some lag, been followed by an increase in total loans and investments—mostly investments. It may be supposed that this rapid increase in bank deposits has played some part in the revival, and, with the combined influences of gold imports and deficit financing, it is quite reasonable to expect a further extensive, and possibly rapid, increase in bank deposits in coming months.

There is, however, one qualification to be made in these calculations: that is, the velocity of circulation does not appear to be a constant, or even to fluctuate within the comparatively narrow limits of former times; it remains relatively low. The figures of debits (published from time to time in these letters) show that, although by 1936 the quantity of the circulating media in this country had equalled the figures of the late twenties, the debits never approached the corresponding levels.

A Changing Economy

This familiar fact suggests perplexing questions about the nature of the changes that have come over our economy. There is a large body of economic theory covering the subject of cycles and cyclical phenomena; but there are a good many phenomena in the American economic data that are not readily explicable in cyclical terms, and suggest rather secular or structural changes.

The existence of a secular change in the trend of population growth is widely recognised as a fact; the current increment is about one-half per cent. per annum, compared with something like 3 per cent. over much of America's economic history—a phenomenon no means confined to the United States. Again, there has been a profound structural change in our banking system. The traditional and text-book assumption that bank deposits are created by commercial loans is invalid in a system in which bank deposits are created almost exclusively by gold imports and Federal financing. The relation between this structural change in the genesis of bank deposits and the velocity of the deposits so generated may, of course, be purely fortuitous. Finally, among the secular or structural changes, there is the long continued absence of new capital issues on any considerable scale.

If the cyclical upturn continues, questions of this sort will be forgotten, as they were in 1936-37. Opinion that the upturn will persist is almost unanimous, and the most encouraging statistical series is still that of residential building. In recent years the strongest seasonal influence in the autumn has come from the production and stocking of the new motor models. The motor industry was slow in getting under way in September, but its influence is likely to be strongly felt in October.

France

Ready for Reconstruction

PARIS, October 13.—During the crisis, the people of this country never accepted the view that war was inevitable. Now the immediate danger is past they realise, perhaps for the first time, the German menace and the necessity of being prepared. The gaps which existed in Anglo-French preparations, it is being said, encouraged the Nazis. The men who "saved peace" are now regarded as the right men to re-organise the country to meet difficult problems of negotiation or even conflict in the future.

Meanwhile, people obsessed by problems of domestic politics are divided: on the Left the Communists voted against the Munich agreement, while the Socialists voted for it. In the trade unions, the old pacifism of 1913 has come into conflict with the bitter opponents of the totalitarian States. Among the Moderates, M. Kerillis is applauded by

the Communists, while M. Flandin, the leader of the Alliance Démocratique, is blamed by his colleagues for having sent a telegram of congratulations to Herr Hitler.

The trade union leaders have resisted Communist pressure. The veterans of 1914 have called for a Government of Public Safety. A movement in public opinion is getting under way to support M. Daladier in a programme to "re-build France."

The Government is drafting new decrees to bring about an "immediate financial and economic recovery." The keynote is liberalism: there will be no devaluation, no control of the exchanges, no compulsory loan. But a fresh appeal will be made to both labour and capital to work for an increase in production. A programme to make a better use of the resources of the Empire will be elaborated. There will be drastic economies in public finance and railway expenditure, and the gold stock of the Bank of France will be revalued.

These decrees will not be published for some time. Partial elections to the Senate take place on October 23rd; the results should make clear that the peasants are behind the Government and confirm the support for a moderate policy which a few recent elections have revealed. Fresh strength should be given to M. Daladier on the eve of the Radical Socialist congress.

The announcement that the decrees are being prepared has consolidated confidence in the franc, although the outlook is darkened by the prospect of a prolonged armaments race. The Treasury is sufficiently provided with short-term credits for a few weeks at least.

Improved Trading Position

Moreover, it appears more and more that the franc is being supported by favourable developments in France's foreign trade. Imports are falling and exports rising, so that the import surplus is being appreciably reduced, as the following table shows:—

	(000,000 omitted)		
	Sept., 1937	Aug., 1938	Sept., 1938
Imports—			
Foodstuffs	838	983	1,027
Raw materials	2,106	2,253	2,026
Manufactured goods	532	472	479
Totals	3,477	3,709	3,533
Exports—			
Foodstuffs	268	299	333
Raw materials	770	813	995
Manufactured goods	1,035	1,372	1,323
Totals	2,074	2,485	2,652
Import surplus	1,403	1,223	880
Import surplus (trade with French Colonies excluded)	1,041	806	591

There is, however, a number of special factors which have affected these figures. Of the exports of raw materials, for example, 260 million francs are represented by pearls and diamonds, against 20 millions in the same month of 1937. The increase in exports of manufactured goods, moreover, is largely explained by monetary depreciation, while the fall in imports is partially due to an increase in domestic coal output. Whatever the causes, however, these figures show for the present an improved trading position, which should afford a favourable springboard for the work of recovery which the Government is now contemplating.

Prices Rising Again

Prices, after a short period of stability, are tending to rise, as the following indices show:—

	Sept. 3rd	Sept. 10th	Sept. 17th	Sept. 24th	Oct. 1st	Oct. 8th
Wholesale prices (1914=100)						
General Index	641	644	645	648	646	652
Domestic products	664	668	666	669	664	671
Imported products	600	602	607	612	615	619
Foodstuffs	627	632	630	635	628	634
Vegetables	636	643	640	641	641	628
Meat	613	621	617	626	606	638
Sugar, coffee, cocoa	635	631	636	643	649	635
Raw materials	655	655	659	660	663	668
Minerals and metals	747	758	774	771	778	784
Textiles	570	566	563	570	570	580
Miscellaneous	648	646	646	646	648	651
Retail prices (1914=100)						
Lighting and heating	642	690	695	695	708	
(1914=100)	110.0	118.2	121.6	123.2		
Clothing (1930=100)	101.2	100.4	100.4	100.4		

The Statistique Générale has just published its monthly figures showing industrial output:—

	Aug., 1937	June, 1938	July, 1938	Aug., 1938
(1928=100)				
Mines	67	93	92	70
Chemical industries	96	100	97	...
Paper	151	158	149	109
Iron and steel	75	65	56	56
Engineering	83	78	73	69
Automobile	81	88	89	86
Building	58	61	62	62
Miscellaneous	108	108	108	...

In the motor industry, 11,480 automobiles were put on the road in August, compared with 18,840 in July and 18,690 in June. In the week ended October 1st, the number of persons out of work was 339,816, against 338,409 in the preceding week and 307,512 a year ago.

Hongkong

Japan's Attitude

HONGKONG, September 28.—The wave of suspense and high tension that swept over the whole world as events during the last week of September pointed towards the catastrophe of a general European war also engulfed this old Crown Colony. For Hongkong to-day is more than the leading port of the Far East, having passed Shanghai during the last year as a result of the diversion of much of China's trade to the South. It is an exposed and throbbing nerve-centre of the British Empire, certain to be affected, perhaps critically, if war were to break out in Europe.

Japan is the sole great power which can contemplate a European war with complacency. Just as during the World War of 1914-18, Japan's leaders may look forward to a rich harvest of political gains as an indirect result of any conflict which will exhaust its rivals and in which it does not become directly involved.

In order to understand this attitude one must remember that Japan's leaders do not regard the present struggle in China as exclusively a Sino-Japanese war. They believe that China's resistance would have collapsed long ago if it had not been for the help, material and moral and diplomatic, which China has received from Great Britain, the Soviet Union and France. The Chinese air force, runs the Japanese argument, would have been destroyed long ago if it had not been replenished by fresh aircraft from the Soviet Union, America and Great Britain, the British and American aeroplanes, together with a constant stream of other munitions, reaching China through the open door of Hongkong.

The average Japanese is also convinced that the Chinese currency would have gone to pieces if it had not been for technical support vouchsafed by the Hongkong and Shanghai Bank. And the opinion prevails in Japan, rightly or wrongly, that the Chinese will to resist would have been much less stubborn if there had not been hope of more substantial foreign aid in the future.

Europe and the Far East

So it is easy to understand that a war in which Great Britain, France and the Soviet Union would need every ounce of strength for the European fronts might seem a godsend to Japan. There are, broadly, two alternative policies which Japan might pursue in such a case. The first, and least likely, is that of definitely casting in its lot with Germany and Italy, striking at British and French possessions, trade and shipping throughout the Orient, and substituting for the present policy of sapping and undermining foreign interests in this part of the world that of the frontal attack. Such a policy would appeal to some of Japan's political and military hot-heads, but it would place Japan in a position of complete isolation as regards world trade. Not only would all exchange with the British Empire be cut off, but the United States, in all probability, would react to such an aggressive Japanese policy with at least economic sanction. And Japan badly needs imported gasoline, trucks, scrap iron, copper and other military raw materials, not only for its war with China but still more for its possible war with the Soviet Union.

A policy more in line with the instinctive Japanese dislike of making irrevocable decisions is one of waiting and reserve. There would be no acts of war, declared or undeclared, but there would be an increase of militarist intransigence in Shanghai and Tientsin. Perhaps the Japanese puppet governments in Peking and Shanghai would add an element

of comedy to the situation by demanding the retrocession to "China" of the International Settlement at Shanghai and of the British and French Concessions in Tientsin. And there would be a strong tendency to set a high price for not touching Hongkong and French Indo-China; stoppage of all transit shipments of munitions to China would probably be part of this price.

Hongkong Prepares

The British communities in Hongkong and in the Chinese treaty ports realise quite well that they would lead a far more anxious and disturbed existence in the event of a new European conflict than they experienced during the World War, when the Anglo-Japanese alliance preserved substantial peace in the Far East. A good deal of quiet, unostentatious preparation in the way of strengthened artillery and machine-gun emplacements, building concealed hangars, supplementing the regular forces with civilian recruits for volunteer military and first-aid work, has been carried out.

China views the possibility of European war with concern. Japan's advantages would, of course, be China's disabilities. Among educated Chinese there is almost universal sympathy with Czechoslovakia and a tendency to criticise the yielding policy of Great Britain and France. The policy of placating the aggressor at any price has too many obvious alarming implications for China's own fate.

One of the main results of a European war would be the establishment of Japanese hegemony over a large part of East Asia. And it may well be doubted whether any European power would have the resources or the will to start a new war for the sake of expelling Japan from China after the last shot in a European war had been fired.

Canada

The Impact of the Crisis

OTTAWA, October 3.—The crisis in Europe relegated all other issues to the back-ground. The first reaction to the Munich agreement was general rejoicing that the calamity of another war, which would have raised very grave problems for Canada, had been averted. Nobody was more relieved than the King Cabinet, which saw the necessity of making fateful decisions draw nearer day by day. The Ministry avoided any definite pronouncement of policy and seems to have offered no advice to the British Government, but the majority of its members had apparently made up their minds that if war came, Canadian participation in support of Britain was unavoidable.

At one time hopes were cherished that Mr King would be able to secure support from his French-Canadian followers for a war policy, but as the crisis deepened signs of opposition in Quebec developed and two prominent French-Canadian Liberals declared that Quebec had no concern with any European conflict. On the other hand, papers like the *Toronto Globe and Mail* and the *Montreal Gazette* upbraided the Government for not pledging its wholehearted support to the Chamberlain Ministry for any policy it chose to carry out.

The editorial comments of the Press have on the whole been commendatory of the Munich agreement and the part played by Mr Chamberlain, but there are notable dissentients like the *Winnipeg Free Press*. In a long and critical editorial, after quoting at length a passage from the Berlin Correspondent of *The Economist*, dealing with Nazi psychology, this paper said:—

The doctrine that Germany can intervene for racial reasons for the protection of Germans on such grounds as she thinks proper, in any country in the world which she is in a position to coerce, and without regard to any engagements she has made or guarantees she has given, has now not only been asserted but made good; and it has been approved, sanctioned, certified and validated by the governments of Great Britain and France, who have undertaken in this respect to speak for the democracies of the world. This is the situation; and those who think it is all right will cheer for it.

The President of the League of Nations Society of Canada, after noting with approval that the German dictatorship had been forced to recognise, at least in principle, the interests of other nations, declared that:—

our leaders continue to subscribe to a concept of anarchy which actually permitted the war of 1914... the new barbarism represented by Germany may now be free to extend to the Black Sea and other continents.

Negotiations with Washington

Ministers are now free to devote their energies to domestic affairs and their first preoccupation will be the projected new trade agreement with the United States. A fortnight ago the Canadian trade and tariff experts returned to Ottawa with draft proposals for a treaty and these have been considered by the Cabinet. Some of the concessions proposed in the Canadian tariff were objectionable to various members of the Ministry and the experts have now gone back to Washington with a list of suggested changes and counter-proposals.

The judicial inquiry into the contract for Bren machine guns has now been in progress for more than a week and there have been some interesting revelations in the evidence given. Apparently the Department of National Defence favoured giving the contract to the John Inglis Company of Toronto without competitive bidding, because this company had already secured a contract for Bren guns from the British War Office.

The Canadian chartered banks, under threat of legal action, have paid the corporation tax surcharge imposed last session by the Alberta legislature, which raised the levy on banks by 50 per cent. per annum. The banks propose to test in the courts the validity of the Act which imposes the tax. Meanwhile, the Aberhart Ministry had made a move for a modest experiment in the direction of Social Credit by establishing "credit houses." There are branches of the provincial Treasury at five places in the North-West section of the province; their initial function is to serve as clearing-houses for vouchers given for road work.

Business Checked

The war scare had a paralysing effect upon Canadian business. Commitments ahead seemed futile and foolish when the imminent outbreak of a general war threatened a drastic reorganisation of economic activities and a serious dislocation of both the money market and the price structure. There was a sudden falling-off in normal retail trade and the severe slump in the stock markets seriously curtailed sales of luxury goods like motors and wireless sets. The business boom expected in the prairie provinces as soon as the money from the new crop came into circulation was checked, and purchases began to be restricted to essentials like food, clothing and machinery. The following indices published by the Bureau of Statistics show how business activity was checked:

Week ended	Car loadings	Wholesale Prices	Bank Clearings	General Index
Sept. 10, 1938	87.7	74.0	99.2	110.4
Sept. 17, 1938	81.1	74.5	105.9	109.3
Sept. 24, 1938	78.7	74.4	105.1	108.3
Sept. 25, 1937	85.5	85.0	97.8	110.4

One effect of the crisis was to raise grain prices sharply and to check deliveries of wheat as farmers recalled the high prices recorded during the last war. Visible stocks of wheat, however, have been mounting rapidly; on September 23rd they were placed at 131,586,568 bushels compared with 103,006,259 in the previous week and 74,504,169 in the corresponding week of 1937.

With the lifting of the war clouds there has come a wave of optimism. Hopes are now cherished that the advance predicted for the last quarter of the year will yet take place. Industrial conditions, however, are still uneven, and gains in some directions have been counterbalanced by losses in others. The latest employment bulletin of the Bureau of Statistics up to September 1st was encouraging, as it showed in August an increase of 32,688 persons on the pay-rolls of reporting firms, which was the largest expansion on record for August.

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Letters to the Editor

The Crisis at Close Quarters

TO THE EDITOR OF THE ECONOMIST

SIR,—It is not usual to write Overseas Correspondence in the form of a narrative Letter to the Editor, describing personal observations, but in unusual times when Premiers drop from the sky and when heroes who have threatened to slay their thousands and their tens of thousands are themselves nearly slain by bouquets, precedent may be departed from.

Having left Berlin on August 7, 1914, in the British Ambassador's train, I am experienced in running away from war. On the morning of Tuesday, September 27th, the Ambassador of a Great Power directly interested told me that the war had practically begun. He meant a Great War, in which Germany and possibly Italy (this I doubted) would fight three Great Powers. Czechoslovakia would defy, or had defied, the threats in Herr Hitler's speech in the Berlin Sport Palace of the night before, and would reject the famous or infamous Godesberg Memorandum; Germany would march in; and Czechoslovakia's three big friends (if one could call them friends) would be automatically at war with Germany. The fighting would not begin till October 2nd; therefore I had time to escape without waiting for the British Ambassador's train. I bought a ticket for Brussels by the Nord Express next evening.

After seeing the Ambassador I called on a prominent banker, and mentioned that I was leaving Germany. He replied, "there will be no war. Germany is not in a condition to wage war." I replied that I knew that already; but that countries that were not in a condition to wage war often had to wage it owing to their stupidity or arrogance, and that I should leave Germany next evening.

Next day, Wednesday the 28th, I was too busy to find out what was happening. But about two o'clock I had a telephone talk with another bank man, who, in the discreet language used on the German telephone, informed me that there was a panic in the highest spheres. This astonished me. I knew that the highest spheres could easily get into a panic. But I did not know of any new event that could shake even the timidest hero. At this moment I knew nothing about the mobilisation of the British Fleet, news of which was withheld until it was Queen Anne's death news.

At five on Wednesday evening I heard of the plan for a last peace meeting of Herr Hitler, Mr Chamberlain, M. Daladier, and Signor Mussolini. In view of my information that the war had practically begun, this plan pointed to a panic—somewhere. When I reached Brussels at 8.15 on Thursday morning, I understood everything. From English newspapers of Wednesday I learned that the British Fleet had been mobilised. My immediate conclusion (not since changed) was that, despite continual British surrenders, Great Britain had come out on top. Herr Hitler had withdrawn from his Memorandum and from his Sport Palace vows, threats, and dreadful resolutions, had abandoned his invasion, and had consented to negotiate. He would probably get all he had expected—and, indeed, more, because he had not expected the mobilisation of the British Fleet. But he would never again attack a small nation, as long as any big nations are lying around with fleets. That is my conclusion still.

I stayed two days with a relative in Bruges. Bruges has a British colony, and the relative had made British acquaintances. I found the British colony celebrating a British victory. A British army officer told me then that Germany had surrendered, and that Signor Mussolini, in the just belief that the mere blocking of the Suez Canal and the despatch of a few British officers and a few British aeroplanes to Abyssinia would lose him that cheaply won province of his brand new Roman Empire, and perhaps much more, had climbed down. (This I was later told actually happened.) On Saturday, the 29th, I started for London in good humour and, I admit, in a profane Mafeking mood.

In London, this mood was soon dissipated. Between the day of my arrival and Friday, October 7th, when I left London for Berlin, I met many old friends and some new, nearly all of whom were Liberals or Labourites—politicians, book-writers, and journalists. I got a shock. With one exception all told me that England had been betrayed, defeated, and humiliated. Disgust seemed to be universal. One very brilliant young barrister who last year published

a book on the international situation, told me that he would like to leave England for ever. All these persons knew that I had been twenty-five years in Germany, and had even run away from two wars; they knew I was an authority—at least on German Price Indices—but I believe that I was not asked one question about Germany. The talk was only about England's degeneracy.

In vain I persisted that Herr Hitler had said his last word at the Sport Palace, and had swallowed his last word. In vain I emphasised the mobilisation of the British Fleet. Some treated this incident as subordinate, others mildly implied that the Fleet had been mobilised in order to run away from Herr Hitler. They painted Herr Hitler as Ajax defying the lightning, and frowned when I painted him as Ajax defying the summer lightning.

I now began to understand. My Left acquaintances were so furious with Mr Chamberlain (with much reason, I held, but with too much temperament) that they would not admit that he had done anything reasonable, decent, or courageous. On looking summarily through the Vital Documents published in the *Economist*, I do not share this view. Mr Chamberlain gave Herr Hitler some sharp raps on the knuckles. And he mobilised the British Fleet. Better late than never.

Having failed to make any impression upon Left acquaintances, I visited a Conservative M.P. Here, I said to myself, as a man who witnessed the Fashoda crisis and other ancient crises, is a good Tory who will bang his fist on the table and vow that England has won, even if he doesn't believe it. But my new Conservative acquaintance, though he received me courteously, was not impressed.

In complete collapse, I sought out a neutral, an able American newspaper correspondent who has been a decade or so in London. He seemed to hold the universal defeatist view. But when I expounded my thesis that the mobilisation of the Fleet was the one decisive event, and that Herr Hitler would never attack a small nation again, he admitted that this was at least a point of view, and promised that if I would write what I had said to him he would cable it to New York. After four days of repression by fellow-countrymen I was in no condition to write, therefore declined. Still I felt encouraged.

My last visit in England was to the Reform Club, to probably the oldest and certainly the most distinguished English editor-journalist. I began by repeating for myself my barrister friend's vow that I should leave this dreadful country and never return. He smiled at me indulgently, and remarked that it was not so awful as that. During an hour's conversation I gathered that he agreed with me that, despite everything, Great Britain, thanks to the mobilisation of her Fleet, had finished off Herr Hitler.

I shall now draw a parallel. The Crisis closely resembled the Battle of Hastings as described in school histories. The Hitlerite-Saxons behind their safe stockade were successful at first. The foolish Chamberlainite-Normans ran away (the story that their flight was a feint is immaterial). Confident now of victory the brave Hitlerite-Saxons rushed from behind their stockade (to demand more and more), and the runaway Chamberlainite-Normans turned on them, and gave them a sound beating. This parallel applies to the future, as well as to the past, I am convinced that, while Herr Hitler will never again threaten a Great War, he will provide ceaseless trouble—the Saxons, never again able to face the Normans in the field, gave ceaseless trouble (Hereward the Wake, etc.). Herr Hitler, that means, will never again push things so far as to cause mobilisation of the British Fleet; but there will be no tranquillity.

I now return to Germany, which I reached on Monday, October 10th. What I learned agreed with the above interpretation of the Crisis. Germany never intended to fight a Great Power, much less three. While the English were digging trenches in Hyde Park nobody dug trenches in the Berlin Tiergarten, though in a Great War Berlin would certainly have been bombed. Germany was doing everything possible to foster the belief that she intended to fight the Great War which she did not intend to fight.

From 5 to 11 p.m. o'clock of Tuesday, September 27th, a continuous stream of motorised units passed the British Embassy as well as the Reich Chancellery in the Wilhelmstrasse. It was a terrific sight. When the motor units reached the Hallesches Tor they vanished, not to what Macaulay calls "a bloody, debateable borderland" but, it appears, to some topsy turvy suburban Erewhon. The aim was to derange the

British Embassy's nerves, and spoil its dinner. Dr. Goebbels might have arranged it.

The German public's war spirit would have reassured a fleeing hen. On the turn of July–August, 1914, I saw delighted German citizens chalking up really funny pictures of thin Frenchmen and candle-eating Russians on the mobilisation railway carriages. At the motorised demonstration before the British Embassy, I am told, a few limp civilians looked on with faces that expressed terror. (I know that Germans are courageous.)

I am told, but cannot verify, that as late as Wednesday morning, Herr Hitler persisted that he would march in. He knew of the Fleet mobilisation, but he apparently regarded it as threatening as the mobilisation before the British Embassy. But here—this point is vital—intelligence intervened. Among the intelligent persons, it appears, were Field-Marshal Göring, the Generals, and Baron von Neurath. I am no admirer of Field-Marshal Göring, but I know that he does not suffer from brain storms. In Germany one cannot become a General without having intellect. And old Baron von Neurath, it seems, issued from the cloisters of the lately-created and entirely inactive Foreign Affairs Council.

All these magnates, runs the story, said No. They declared (this is again unverifiable) that Germany could not stand war for longer than four months. Finally—I cannot guarantee this, but if not true it is *ben trovato*, and therefore characteristic—Signor Mussolini declared that the game was up. He was ready to fight beside Germany in a war against Czechoslovakia because he knew that his fighting would not be necessary. But the British fleet—that was another matter.

Results: an abandonment of the ultimatum to Prague; a retreat from the Sports Palace threats; a peaceful settlement; and a suspiciously friendly declaration signed on September 30th, establishing eternal peace between England and Germany. To discuss the machinery by which this was attained—Mr. Chamberlain's message to Mussolini, and so on, would be irrelevant; and only one comment is needed on the Anglo-German loveletter of September 30th. "We regard . . . the Anglo-German Naval Agreement as symbolic of the desire of the two peoples never to go to war. . . ." Had Mr Chamberlain been as nasty as he ought to have been he would have amended: "I regard the *British naval mobilisation* as symbolic of the desire of Germany never to go to war."

To conclude—and this is not irrelevant. When I returned to Germany, everyone from the frontier officials to my house-porter was friendly and kind, and the house-porter merely laughed at me for running away from the war. The most noteworthy thing said to me came from an old bakery-shop woman, from whom, in a condition of household disorganisation, I personally bought breakfast rolls. She said that she was not afraid of war, but that she wanted a respite of quiet: "*Wir Deutsche haben auch Recht auf Ruhe.*" I replied brutally that while she would not have war, she would not have quiet. Herr Hitler, I repeated, would not again attack small nations, and thereby risk war with big nations; but there would be plenty of other events to rack her aged nerves.

Before I had gone to bed I read that Herr Hitler, in a new speech, had attacked the England with whom in a moment of moral collapse he had exchanged the effusive declaration of September 30th; and this morning I read in *The Times* of October 10th, "Hooligans in Vienna. Cardinal's Palace Stormed." It is appalling. Then I remembered the good-looking young Belgian with whom I talked on Ostend quay on Saturday, October 1st, who told me that he wished there had been war. There was no other solution, he said.

YOUR BERLIN CORRESPONDENT

[We sincerely trust that our Correspondent's interpretation is the right one.—ED., *Econ.*]

Air Raid Precautions

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of October 8th you write:—"Equally clearly, A.R.P. must be administered by the authorities which direct education, police, fire and public health. . . ." May I say that it is equally clear to me that this is a damnable heresy. The fact that it appears to be a heresy supported by H.M. Government explains but does not excuse the sin into which *The Economist* has fallen. It only shows what a Maginot Line of ignorance must be stormed before the public can be brought to realise that totalitarian war involves totalitarian defence.

A.R.P. is the defence of the country against invasion from the air. Dispersion of the target (evacuation), camou-

flage and concealment (black-outs), anti-aircraft batteries, balloon barrages, fighters, fire-fighting, morale protection (publicity) are all aspects of this problem, which *must* be considered as a strategical and tactical unity.

Once upon a time the Royal Navy was largely run by the local authorities of the Cinque Ports. The Board of Admiralty is preferable.

A.R.P. will remain an amateurish effort and the Achilles heel of our defence system until it is raised to the status of a defence service of the first importance. It will have to be based on central co-ordination of regional defence schemes. The regional defence areas which are needed bear practically no relation whatsoever to local government areas.

Yours truly,

STEPHEN KING-HALL.

[We would firmly repudiate Commander King-Hall's surprising suggestion that *The Economist* endorsed the local administration of A.R.P. simply because it is the Government's policy. Our contention was that the unitary character of civilian defence against air attack could be assured by the central enforcement of minimum standards upon all localities, institutions and individual dwellings by Ministerial Order (which would involve the Government's producing a fully articulated and fully integrated plan), by financial supervision and by regular and expert inspection; and that within this framework administration should preferably be in the hands of the authorities who already direct education, police, fire, health, etc. In education, police, fire, health, etc., standards of efficiency are centrally laid down and centrally enforced by precisely the methods we suggest; and where regional needs override purely local requirements joint administrative arrangements are made. The need for A.R.P. is a national need. All A.R.P. must fit into a national plan. But local circumstances and local requirements vary widely; and the local articulation of civilian defence is *prima facie* a local service, just as anti-aircraft measures are a job for the fighting services.—ED., *Econ.*]

Financial Policy in France

TO THE EDITOR OF THE ECONOMIST

SIR,—True friends of France and freedom can derive small satisfaction from the Parliamentary proceedings in that unfortunate country last week, the significance of which, I am afraid, is not wholly appreciated by your comments.

Having first fallen victim to a primitive form of the quantity theory of money, which prevented a timely restoration of their economic vigour by devaluation, in the face of the German re-armament; having then espoused the crudest fallacies of the doctrine of under-consumption and aggravated their predicaments by the introduction of the 40-hour week, they now seem to be determined, to the last drop of their financial and economic power, to defend a system of free export of capital which, in the present troubled state of Europe, as contrasted with the attractions of America and more especially of Wall Street, bids fair to result in a continuous weakening of their productive capacity, which has already fallen sadly behind Germany's. For, as soon as any purchasing power is created, the saving and depreciation allowances set free are promptly exported instead of being reinvested. Nor can we expect that the abolition of the social laws alone would end this process, as the loss of confidence is now mainly due to the international political situation. A wholly one-sided sacrifice imposed on the workers, however, while this unpatriotic flight is not discouraged, bids fair to lead to conditions similar to those in Spain. The English observer cannot be indifferent to this trend of events.

The intellectual processes which have resulted in these strange sequences of events are paralleled only among the less cultured of South Sea Islanders who, it is said, choose from time to time worthless objects which they endow with divine powers. Their experiments with these fetishes can hardly be less fortunate than those of recent French Governments with their respective economic theories.

A restoration of the economic, and thus of the military and diplomatic, strength of France unquestionably depends on a speedy termination of this unseemly scramble by individuals to achieve some personal monetary security at the ruin of the State. The prevention of the flight of capital must not be confused with those restrictions of foreign exchange dealings which were animated by the same crude desire of "maintaining the currency" as the "gold bloc" of unlamented memory and represented an uneconomic and foolish system of commercial protectionism.

Restriction of the free export of capital, however lamentable from the point of view of individual freedom, is the necessary basis of industrial mobilisation, for otherwise any investor could individually sabotage the national preparations, which are obviously burdensome and fraught with unpleasant prospects. Nobody would countenance the desertion of soldiers in the face of the enemy. The desertion of capital at this juncture seems a much graver offence, as it renders the preparation for an emergency impossible. It is, to say the least, regrettable that the Financial Committee of the League of Nations chose to confound clear thinking by publishing a report condemning exchange restrictions of a totally different type at the very moment when M. Blum, however be-

latedly, proved that he was beginning to understand the French problem and proposed to a recalcitrant Senate measures (including exchange control and taxation) which might have saved us from last week's disaster.

Now that M. Bonnet's less vigorous defence of the liberty of Europe than of the licence of French capitalists has made the Western democracies more dependent than ever on their solitary strength, it is to be hoped that this problem will be reconsidered.

Yours faithfully,

T. BALOGH.

University College, London.

Books and Publications

Portrait of a Revolutionary

THIS book* is a valuable, but not an invaluable, contribution to our understanding of one of the most effective men of modern times. It is largely based on the evidence which Lenin's letters provide about his activities and the workings of his mind. Its value is therefore highest for that part of Lenin's life which preceded the October revolution of 1917, for once Lenin is in power the stream of private letters almost dries up.

What Mr Hollis has to say, in the later part of his book, about Lenin's period of power is not very satisfactory either as biography or as history. To write the life of a man of action can rarely be an important contribution to scientific history unless it be done with such fullness as to present a complete picture of the subject's sphere of activity. Mr Hollis has given us a story in the later part of this book which is a satisfactory account neither of Lenin nor of the Russian Revolution.

At present the material for a definitive account of Lenin is not available, though, in addition to the letters, there is the corpus of his published works. With these Mr Hollis is not unacquainted, and he can on occasion use them with effect, as for example in the two or three pages he devotes to the analysis of Lenin's "Imperialism." Perhaps it is due to the forbidding style of Lenin's works on political philosophy, or because this book is not primarily intended for students of political theory, that comparatively little use is made of this important source for the understanding of the mental development of Lenin. (It may indeed be wrong to call that a "development" which was rather the widening realisation of the implications of a fixed and unquestioned creed.)

The earlier part of the book is appreciably more useful, because here the letters aptly illustrate the story, and also because the fact that Lenin was still a private individual

* "Lenin." Christopher Hollis. Longmans, Green and Co. 285 pages. 10s. 6d.

Foreign Capital in Poland

by LEOPOLD WELLISZ

A thorough investigation into the extent to which foreign capital has been introduced into Poland. The author examines the reasons which have prompted the investment of foreign capital and outlines further prospects for foreign investments. 7s. 6d. net

GEORGE ALLEN AND UNWIN

Shorter Notice

"The Czechoslovak Crisis and Munich Agreement." *The Bulletin of International News.* The Royal Institute of International Affairs, 10 St. James's Square, London, S.W. 1. 77 pages. 1s. (Special enlarged issue).

This fortnightly bulletin of documents and collations of fact about international affairs has long been reckoned as indispensable for students of world politics. The issue of October 8th records what was written and said and done during the most momentous days since the last Great War, and the forthcoming issue of October 22nd will complete the story. In these two bulletins the Information Department of Chatham House will have rendered the greatest of their invaluable services to the true recording of our own times, and no publications deserve to sell and be read more widely by every person, lay and expert, student and citizen, than these, the raw material of the opinion and judgment that none of us can escape.

THE BUSINESS WORLD

Motor Economics

THIS year's Motor Show, which opened at Earls Court on Thursday, is not remarkable for any outstanding technical changes. The 1939 models look externally very much like this year's cars; the movement towards the substitution of 4-cylinder for 6-cylinder engines has continued, while a more important innovation, adopted by Morris and Vauxhall, for example, has been the construction of so-called chassis-less cars, where chassis and body form one unit. By constructing cars in one piece, as it were, it has been possible to reduce their total weight and, consequently, their fuel consumption. Indeed, the efforts of the motor industry have this year been concentrated on securing a reduction in the cost of running cars. Thus, the increase in the petrol tax from 8d. to 9d. per gallon has been countered by economies in fuel consumption, secured by the chassis-less car, and by improvements in the method of injecting petrol into the cylinders of the engine, a feature of the Vauxhall and Hillman models. It may be doubted, however, whether the industry as a whole has fully appreciated the importance of economy in a period of declining national prosperity. As usual, the space devoted at the Show to luxury and semi-luxury models is out of all proportion to the contribution this section of the trade has made or is ever likely to make to the industry's profits. The public shows a much better appreciation of the position by concentrating its interest predominantly on the stands where the popular models are displayed. Moreover, the number of models in production by the six largest concerns has increased from 43 to 45, and the smaller firms have also introduced a number of additional models. The only move towards the reduction of the number of independent manufacturing groups has been the purchase of Rileys by Lord Nuffield.

The Show will probably indicate which of the new models are likely to prove this season's winners. Standard has invaded the 8 h.p. market, and no doubt will meet with some success; the new Morris "10" will almost certainly tilt the balance of that section of the market in Morris's favour. A bold line has, however, been taken by Vauxhall in the 12 h.p. and 14 h.p. categories, where the lessons learnt last year with the Vauxhall "10" have been applied at very competitive prices, and it will be strange if, in a season when major changes are few, such initiative does not meet with its reward.

The motor industry's price policy for the coming year is a little difficult to understand. Prices in the 8 h.p. class have either been very slightly reduced or left unchanged, no doubt because sales in this category are much less sensitive to changes in the national income than those in any other class. A large number of models in the 10-14 h.p. categories have been reduced in price, by anything up to £10, and in one case by £26, presumably because of the need of giving some additional stimulus to sales in this range in order to check the transfer of demand to the 8 h.p. class. In contrast, high-powered cars, especially those produced to compete with American imports, have not been cheapened, and two models are actually dearer. The 25 h.p. Vauxhall has been increased from £315 to £345, and the 30 h.p. Ford from £260 to £280. The 25 h.p. Morris remains unchanged at £320, while the price of the 18 h.p. Wolseley, which in many respects must be considered as coming within the range of big cars, has been increased from £295 to £325. No doubt the new models show improvements over the old, but if the British-made high-powered car is to be competitive, and particularly if the

home market for such vehicles is to be expanded, reductions in price rather than increases are necessary, especially in times like the present. Until last year price reductions were relatively more marked in high-powered than in low-powered cars. It is difficult to understand what motives lie behind this somewhat sudden change of policy. At the new prices the British high-powered car costs about twice as much in this country as the American in the United States, and the price rise has occurred in precisely the section of the home market which suffered most severely from last season's setback to new car sales. Sales of new cars of 25 h.p. and over fell by 33 per cent., against a decline of only 15 per cent. in total sales. The British motor industry appears to have fallen into a vicious circle so far as high-powered cars are concerned; their high prices restrict sales and their low sales prevent the economies of large-scale manufacture being secured.

The evidence of the past season suggests that the first effect of a general decline in business activity is to reduce the sales of new cars but not to check the expansion in the total number of cars in use. New registrations fell from 320,000 in the year ended September, 1937, to 273,000 (estimated) in 1937-38. But the total number of vehicles licensed rose by 173,000, from 1,770,000 to 1,943,000 (estimated). Rather surprisingly, the increase in the number of cars in use in the past season was as great as in any of the preceding years of expanding economic activity. American experience has shown that, when prosperity is declining, the car is one of the last of his possessions with which the average motorist will part, but it is quite unprecedented for the number of car-owners to increase so rapidly at such a time. It is quite clear that cars are being used for a longer period than formerly, although their average age is still only eight years. This combination of an unusually high increase in the total number of cars in use with a reduced volume of new sales means that a smaller proportion of the year's output of cars was needed to replace cars withdrawn from use. This "replacement demand" was only 37 per cent. of the total sales of new cars, compared with 52 per cent. and 49 per cent. respectively in the two preceding years. This is contrary to the general trend, since, as the total number of cars on the roads reaches its maximum, the proportion of replacement demand to total demand will approach 100 per cent. The past year has thus had some surprising features. Any further fall in the national income, however, will inevitably check the increase in the number of people willing to be car-owners. This will affect, in the first place, the second-hand market. But any fall in second-hand prices reacts on new car sales, since the real cost of buying a new car depends upon the allowance given for the second-hand car offered in part payment.

Hitherto, the motor industry has taken very little collective action to expand the market for new cars. The purchase price, even of popular small models, is far too high compared with American standards, due largely to the excessive number of models produced by the larger firms, which itself is a direct consequence of the importance of the horse-power yardstick in the British motor industry; this affects not only the vehicle tax but also insurance premiums, and even in many cases repair and servicing charges and garage costs, where the horse-power rating is really quite irrelevant. Only by devoting a whole factory to the manufacture of one model, and by standardising that model in essentials for several years, as has been done in

the case of "The People's Car" in Germany, will it be possible for British manufacturers to compete effectively with American cars. More attention should also be paid to the question of insurance and repair costs, which are both very high in this country, quite apart from the irrational method of basing charges on the horse-power of cars, and to the financing of new and second-hand purchases by persons of limited means. The industry might also consider the possibility of operating in the second-hand market with a view to strengthening it, and thereby reducing the cash cost of a new car bought on a part-exchange basis. Finally—though this is beyond the means of the industry alone—there is scope for a good deal of more indirect development, which would ultimately be equally valuable as a means of extending the new car market. Such developments should include road modernisation, with a view to segregating different types of traffic, relieving congestion and speeding-up the flow of traffic, the construction of a number of new motor roads, and the simplification of signposts and traffic instructions in order to reduce the nervous strain of driving. While the planned development in Germany, first of motor roads and now of really cheap cars, and of a savings system to enable people to buy them, may be too extreme for British conditions, it should, nevertheless, be possible to find some half-way house between this and a completely happy-go-lucky approach to the problem of extending the market.

In the absence of an abrupt change in the economic outlook, some further recession in sales of new cars on the home market seems likely during the coming season, but the decline may not exceed 5 per cent. during the first few months. On the other hand, imports during recent months

have been less than 1 per cent. of new registrations, instead of the normal 5 per cent. Although this is partly due to the accumulation of unsold stocks, it may nevertheless be safely inferred that imports are unlikely to be a serious problem during the coming months. Exports, however, which last season reached some 75,000 units, compared with 78,000 units in 1936-37, have recently suffered a severe fall, and are now no more than 70 per cent. of those of a year ago; their recovery must await a general revival in world trade. Prices, however, are nowadays cut so fine on exports that they can make but little direct financial contribution to the industry.

The profits of the industry appear to have been as high per vehicle last season as in 1936-37. Last year's price increases thus appear to have taken care of the increased costs; the comparatively small price declines in the popular categories this year are probably well justified by the decline in costs, compared with a year ago, of most raw materials other than steel. In attempting to assess the trend of the total profits of motor manufacturers, as distinct from those attributable to the motor industry, sight must not be lost of the broadening of the motor manufacturers' activities; the most spectacular development has been their entry into the aircraft industry, but they are also benefiting from the growing importance of agricultural tractors, motor boats, motor yachts, and small internal combustion engines for many industrial and constructional activities. It may well be that the financial outlook for motor manufacturers during the new season is less unpromising than the prospects for the sales of new motor vehicles in either the home or export markets would suggest.

Wall Street and Recovery

WALL STREET has celebrated the peace in characteristic style. Business as usual, to many operators, means a return to chart-reading. On Wednesday of last week, only four business days after the Munich Conference, the mysteries of the chart-reader's craft were richly rewarded. For the Dow-Jones average of thirty industrial stocks was pushed above the highest previous figure of 1938, to the accompaniment of a turnover of 2½ million shares. Three days later, the strict canon of the Dow theory was fulfilled, for the rail stocks average, making game progress considering the industry's present difficulties, succeeded in breaking through the high point reached in July. For Dow theorists the market has given a definite signal. The bull market which began on June 23rd has been confirmed.

It may be difficult for the serious investor on this side of the Atlantic to measure the cosmic revelations of a pattern on squared paper, and there is some evidence in Wall Street's behaviour this week that Dow theorists alone do not determine the proximate course of the market. Stock prices pursued a less enthusiastic and rather irregular course, and the average level of twenty rail stocks in particular found some difficulty in maintaining its prescribed figure until the market obtained new support on Thursday. But it is not upon considerations of this sort that the case for or against American common stocks, either as a recovery medium or a war hedge, really depends. That case may be measured no less readily by normal methods of investment analysis.

So much is evident from the chart on the opposite page, which compares the course of industrial and railroad stocks with the fluctuations in industrial production since the beginning of 1937. The index of industrial production, after falling practically unchecked for twelve months, first showed decisive signs of recovery in July this year. At the end of May the average of industrial securities touched a secondary "low" of 107.74. For the next three weeks it showed an irregular modest recovery. By the beginning of July the average had jumped to 138.53, and towards the

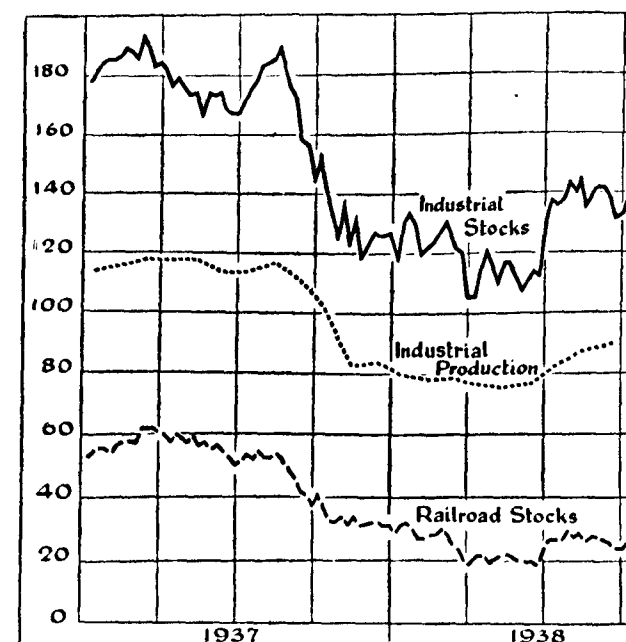
end of the month to nearly 145. The rail index did not reach its secondary trough until later in June, but within a month it had bounced from 19.68 to 30.38. These July and August "high" were superseded during the course of last week. And on Thursday, the industrial index spurted another three points to 152.46, and the rail average by a point, to 31.50, in a really active market. But their basis clearly lies in hard economic fact. Politics apart, the market recovery of the past four months has been identical in direction with industrial improvement and but little different in timing. But that is not to say that recovery in the stock market and recovery in industry have kept in relative step. Wall Street does not do things by halves, and it has certainly extracted every ounce of juice from the improvement in business which is so far statistically recorded.

It is the first task of the investor—as opposed to the nimble operator—to relate any given level of stock values to potential profits. And it cannot be doubted that American industrial stocks are now discounting a much more substantial improvement in earning power than is yet apparent. That is evident from the position of two major industries alone—steel and railroads. During the first half of this year, steel activity fluctuated cheerlessly about 30 per cent. of capacity. But since the beginning of July its progress has been steady; according to *Iron Age*, production this week has reached 51½ per cent. For little over three months that represents a very substantial advance. But the industry is still only on the fringe of earning profits. It is usually held that the American steel industry as a whole cannot operate profitably under the new price structure until operations reach between 55 and 60 per cent. of capacity. Hence it follows that, in the steel group at any rate, current share prices are looking forward to the earnings possibilities of next year, on the assumption that American industrial recovery is consolidated and extended. This fact in itself explains why U.S. Steel common stock has advanced only from 57½ to 64½ since the end of June; at that time the market was already

discounting more than the much-publicised autumn recovery. There is, after all, nothing surprising in this discovery, for the market leaders in Wall Street have always been generously valued, in good times and bad.

For the general list of American equity stocks, however, the earnings test may be more essential although such stocks are unlikely to receive the same degree of attention, either from the American operator or from the British investor, as the leaders. Two points immediately follow, and both imply some reservation regarding the present level of American stock prices. The first is that a switch from British industrials into many leading American issues

STOCK PRICES AND INDUSTRIAL PRODUCTION



Industrial and Railroad Stock averages: Dow Jones, weekly close. Industrial Production: U.S. Federal Reserve Board Monthly Index, seasonally adjusted.

must involve a conscious sacrifice of present income in the hope of greater capital reward. Secondly, the investor must make the closest calculation of prospective earnings on "side line" stocks, if, indeed, those are his choice.

That Wall Street is already enjoying support from European investors is evident from the continued flight of funds to New York, though of course Wall Street is not their only refuge. In no market is the impact effect of inflationary sentiment more quickly felt, and that sentiment has undoubtedly gained ground in Wall Street on considerations of re-arming peace and unbalanced Budgets. How far this sentiment will be proof against political fears is another matter. Wall Street is disposed to believe that the President is now more willing to seek co-operation with industry, to maintain control over the new Congress by suasion since he now lacks the power of compulsion, and to assist the inflationary process by "pump-priming" and price-raising schemes for wheat and cotton. That is the market's calculation, in its optimistic mood, but it sometimes forgets that the President has expressly abandoned not a single New Deal principle. To assume that he has suddenly discovered hitherto untapped wells of human kindness for the stock market appears to reflect a newfound credulity in Wall Street, rather than a reversal of political conviction in Washington.

On the assumption, however, that compromise will be the keynote of the Administration's policy, for the remainder of the Presidential term, what economic and investment pointers emerge? It is evident that powers of further industrial recovery should be released, subject, however, to certain conditions. The principal condition is an assurance of industrial peace, which can be assumed only with the same degree of optimistic faith as the President's disposition towards compromise. In the railroad

industry, for example, labour problems remain acute. The recent increase in railway traffics has enabled the Class I lines to achieve the highest net operating income since September last year. At the moment, indeed, it is possible that these lines as a whole are just covering their fixed-charge obligations. But meanwhile the railway unions are adamant in their opposition to the 15 per cent. wage-cut proposals, and their temper is shared by certain of the motor unions, which resorted to strike action last week.

But, in spite of these doubts, there is a mass of statistical evidence which may persuade the British investor at least to consider the prospect of further recovery and higher stock prices in the United States. Building activity, which remained virtually stable during 1936 and 1937, when other industries were forging ahead, has resisted the recession fairly successfully, and is now showing positive signs of improvement. It may be objected that this improvement is not a "natural" development; indeed, but for a 20 per cent. increase in public construction contracts during the first eight months of the year, the fall in building contracts would have been about twice the actual rate of 11 per cent. Residential building contracts have been reduced by 13 per cent. in the same period. But the effects of the Federal Housing Administration's 90 per cent. loan policy are evident in the more recent months, for the April-August period shows a gain this year of 12½ per cent. in residential building work.

If these early signs of improvement herald the long-awaited construction boom in the United States, the consequences for such stocks as Johns-Manville, U.S. Gypsum and American Radiator will be highly favourable. At the moment, however, the investor is well aware that this is Government-induced recovery. The demand for structural steel and rails is still low, and the volume of construction work undertaken by the utilities remains quite subnormal. In other fields, such for instance as retail trade, the effect of Government spending is not yet clearly visible. And the

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new automobile season, on which high hopes have been placed, is clearly too young to show how far recovery in demand will stimulate the further expansion of steel operations. The most decisive improvements in the American economic structure are evident in those parts where the power of the public purse is longest.

This fact is at once an encouragement and a warning to the British investor who is considering the relative attractions of London and Wall Street. If the American spending programme does in fact stimulate a substantial revival in private construction work—if it acts as a catalyst and not as a mere substitute—the present recovery movement could be carried to last year's peak level without difficulty. But booms based largely on Government expenditure have left investors nursing big losses in the past. Similarly, those who argue in favour of a coming inflationary rise in prices led by the United States might do well to recall that the President's outstanding success in the economic sphere was to prick the inflationary bubble in the spring of 1937. And if the war risk hedge is present

in the mind of the British investor, on the ground that American Agricultural Chemical, American Can, American Car and Foundry and Goodrich Rubber doubled in value between December 12, 1914 (when the Stock Exchange re-opened) and the Armistice, he might also recall that the Dollar Securities Committee intervened before these profits could be fully realised.

On balance, the probabilities suggest that American business, having climbed halfway out of recession, should be able to make up part, at least, of the remaining gap. The 1938 bull market should then be capable of further advance. It has already carried stocks halfway from the March "lows" to the "highs" of the previous year, despite the clearest indication that corporate earnings will not respond to any substantial degree until 1939 at the earliest. But in a market which is notoriously capable of giving greater weight to index numbers than to dividends, it may be pedantic for the mere individual to raise a warning voice while the bullish crowd around him is roaring to better effect.

The Market's Treasury Bills

THE Treasury bill has become so overwhelmingly the preponderant element in the supply of discountable paper in the London discount market that no calculation of the supply of bills of exchange can be regarded as complete unless it includes a fairly accurate estimate of the supply of Treasury bills which find their way to the market. In an article which appeared in *The Economist* of March 26, 1938, and in a subsequent Note on May 14, 1938, an attempt was made to estimate, on the basis of the Inland Revenue receipts from stamps on bills of exchange, the amount of such bills outstanding in this country. It could not be claimed that the whole of the amounts given as a result of these calculations (even making due allowances for inter-Allied war debt bills) represented the supply of commercial paper available for the London market. Many of the bills drawn remain in the portfolios of traders, or go direct to the banks from their customers, or in some other way avoid the London discount market. But the figures arrived at provided an incontrovertible measure of the total volume of commercial paper in this country, and their trend could be assumed to reflect changes in the amount of commercial paper coming forward for discount in the London market.

What of Treasury bills? The information concerning them is fuller than that on commercial bills. In the first place, we are given week by week the amount of bills outstanding. For a long time few people troubled to refine these data. After the establishment of the Exchange Equalisation Account it became evident that, as an index of the bills available for the market and the banking system, these figures of total bills outstanding were not merely uninformative but definitely misleading. As a result came the refinement of the total figures of Treasury bills into bills issued through the weekly tenders and, the balance, bills issued through the "tap," which was first worked out in *The Economist* in 1933.

As a measure of the supply of Treasury bills available for the market, however, the figure of bills issued through the weekly tenders has been almost as misleading as the figure of total bills outstanding. In the first place, there are substantial holdings of Treasury bills of semi-official character—bills held by central banks in the sterling area, for example—which are renewed, as they fall due, through the weekly tenders. The market is always aware of the incidence of these semi-official applications for bills which tend to recur with special severity at regular quarterly periods and which during those periods invariably restrict the amount of bills allotted to the market. Moreover, there has been clear evidence in recent months of the intrusion of even more official applications for bills at the weekly tenders. The Exchange Equalisation Account is held to have invested the sterling resources raised by its recent

sales of gold and dollars by way of purchases of bills in the open market—through the usual special channel—and also by participating in the weekly tenders. If this be so—and the market is of the strong opinion that the results of many tenders in August and September of this year can only be explained on this assumption—the figures of bills outstanding as a result of the weekly tenders are no criterion of the supply of bills issued to the market and to holders other than public departments. Incidentally, the assumption increases the difficulty of estimating the gold operations of the Exchange Equalisation Account by reference to the fluctuations in the outstanding amounts of bills issued through the "tap."

There is, however, a method for further splitting up the figures of bills issued through the weekly tender which provides a fairly accurate estimate of the supply of bills finding its way to the discount market. The origin of this method dates from the summer of 1935, when the market began to make a syndicated tender for Treasury bills. This tender is for an aggregate quota of about £30 millions. The quota is not adjusted week by week in accordance with the amount of bills on offer. It may have fallen slightly as a result of recent amalgamations in the market, since the quota for each individual firm is thought to bear some relation to its capitalisation; and unless amalgamations leave the aggregate capitalisation of the merging entities unchanged the merger should involve some reduction in the aggregate discount market quota. These minor adjustments cannot, however, have made a difference of more than a few hundred thousand pounds to the basic data on which the calculations are to be made. It then remains to determine what proportions of its quota the market obtains at the weekly tenders. The answer to this question does not provide so formidable a problem as might at first sight appear to be involved. The syndicated discount market tender for bills has with one solitary exception proved the determining factor in every weekly tender. The figure at which the syndicate has applied for bills has always been the figure representing the highest rate of discount at which bills have been obtainable at the tender in question—in other words, the lowest price accepted. Thus, after the tender of August 5, 1938 (to choose a date at random), it was announced that applications at £99 17s. 5d. per cent. had been accepted as to 40 per cent. of the amounts applied for, while applications at higher prices had been allotted in full. Regularly, week by week (with one exception), it has been the syndicate's bid which has received "proportionate" (i.e. less than full) allotment. The syndicate gets its bills more cheaply than the other participants at the tender, but it has to take what is left after these "outside" applications have been allotted in full. On August 5th it is safe to assume that the syndicate received £12

millions (i.e. 40 per cent. of £30 millions) of bills. A similar figure can be given for every week. With these figures we can then calculate—on the basis of a thirteen weeks' currency for Treasury bills—what is the outstanding amount of Treasury bills issued directly to the discount market syndicate.

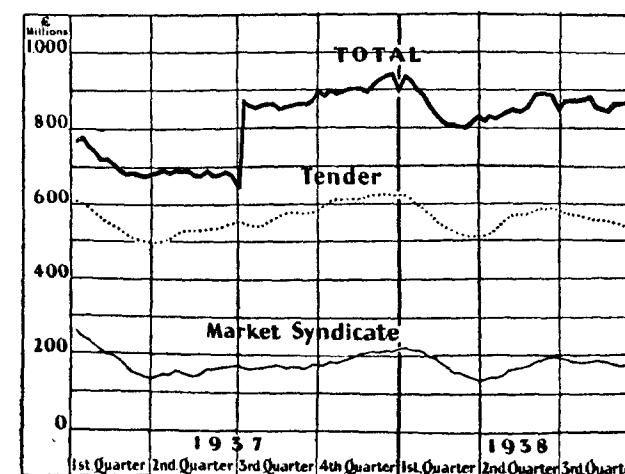
The single exception to which reference has been made was provided by the Treasury bill tender for May 28, 1937. This was the occasion of a revolt of most members of the syndicate against the rate—unduly low in their opinion—at which those who decide the syndicated application figure had dictated the tender for several consecutive weeks. The result was that for once the proportionate allotment did not in fact represent the figure at which all the market tenders were sent in. This solitary exception can, however, be disregarded from the point of view of our calculations. It is a genuine specimen of that much abused "exception which proves the rule." Mention must also be made of the two tenders made at the height of the recent crisis, namely, those on September 16th and 23rd. At these the cohesion of the syndicate was not disturbed, but many houses in the syndicate refused to participate at all. On these two dates it was still the syndicate's bid which received the "proportionate" allotment, but it was a bid not for £30 millions, but probably for about half this figure. This adjustment has been made in the appended chart, and the assumption that about half the syndicate quota was not utilised may be deemed to be fairly near the mark.

In the accompanying chart three sets of data have been plotted covering the period since the beginning of 1937. It shows, first, the total amount of Treasury bills outstanding, and, secondly, the total of bills issued through the weekly tenders. The margin between these two lines represents the amount of "tap" bills outstanding. Thirdly, there have been plotted the figures of bills issued to the discount market syndicate calculated on the basis explained above. The chart would have gained in interest had it been possible to plot a fourth set of figures representing Treasury bill portfolios held by the banks. The difference between these totals and the amounts of bills issued to the market syndicate would have provided a rough measure of the portfolios of Treasury bills run by the discount market itself. Unfortunately, only a minority of the clearing banks have seen fit to accept the recommendations of the Macmillan Committee for standardising the presentation of their balance sheets, and consequently the clearing banks' aggregate holdings of Treasury as differentiated from other bills is not disclosed—at least to the public eye. It is not to be implied from this that the bills issued to the market syndicate provide the sole channel from which the banks are fed with Treasury bills. In the first place, "special open market operations" (i.e. purchases by the Bank of England) have first call—though in normal circumstances it is not a heavy one—on the bills held by the market. Secondly, the banks are fed with bills not only from the

discount market proper but also from the "outside" sources which at times are known to present formidable competition to the market at the weekly tenders. These outside institutions—merchant bankers, colonial and foreign banks—are, in fact, on the fringes of the discount market, and at times they have provided almost as substantial a feeder to the clearing banks as the market itself.

It will be seen from the chart that the volume of bills going to the market syndicate at the beginning of 1937 represented rather less than half the amount of tender bills, and that this ratio has progressively declined over the inter-

TREASURY BILLS OUTSTANDING



vening seven quarters. Apart from this continued trend, which is due to the increasing outside competition for bills (until the recent crisis), and also to the increasing semi-official tenders placed on behalf of countries in the sterling area, the seasonal fluctuations in the market bills outstanding have corresponded with the fluctuations in the total amounts of bills issued by tender. This is to be expected. Though the syndicate tenders for an unchanged amount each week it is likely to be allotted a smaller proportion of its requirements when there are fewer bills on offer and when the competition for them therefore increases.

As for the outlook, there is good ground for anticipating a reversal of the long-term trend in the ratio of syndicate bills to total tender bills. For one thing, the flight of "hot" money from London must have encroached heavily on the funds which feed the outside applications for bills. And secondly, the total supply of bills seems likely to increase as a result of the progressive unbalancing of the Budget. The statistical methods outlined in this article will provide a means of measuring whatever changes there may be in the essential "raw material" of the discount market.

Finance and Banking

Recent Gold Movements.—The tables at the head of the next page give the details of British imports and exports of gold bullion during the "crisis" weeks. The period covered is from August 5th to October 6th, and is subdivided into the last four weeks of August, the first fortnight of September and the concluding three weeks to October 6th, which were the periods of greatest strain. In this way the growing intensity of the crisis is revealed. The United States took from us the prodigious sum of £126.7 millions, over half of which was shipped in the concluding three weeks. During the whole nine weeks American monetary gold stocks increased by \$787 millions, which, at \$4.866 to the pound, equals £162 millions. At a rough approximation, three-quarters of America's enormous gold acquisitions reached her from or through London. Other countries, however, also took gold from us on balance. A net £6,375,000 went to Switzerland and £1,150,000 to

Holland, while Sweden withdrew £7,212,000, Canada £3,297,000 and Eire £1,990,000. Clearly the sterling area had begun to draw in its gold. On the import side of the account, the big movement is £32.6 millions from Belgium, but this mainly represents gold transferred to London for safe custody, and does not indicate any change of ownership. Belgium apparently had greater faith in London's safety than had many other countries, and France held out until nearly the end of the crisis, when the sudden break in the franc is reflected in a gold loss of over £9,000,000. Arrivals of new gold from South Africa gradually dwindled away, probably because of the rise in war risk rates. Finally there is an importation of £4,210,000 from Germany. The Reichsbank's gold reserves remained unaltered during the whole period, so Germany must have been either re-exporting gold or drawing upon undisclosed reserves. Our total gold exports during the whole period amounted to

GOLD BULLION EXPORTS

	Aug. 5-Sept. 1	Sept. 2-15	Oct. 6	Total
United States	22,805	29,377	74,520	126,702
Sweden	2,276	3,178	1,758	7,212
Holland	829	1,716	613	3,158
Switzerland	2,194	1,584	3,711	7,689
Canada	...	30	3,267	3,297
Eire	...	...	1,990	1,990
Other countries ...	537	471	324	932
Total	28,641	35,956	86,183	150,780

GOLD BULLION IMPORTS

	Aug. 5-Sept. 1	Sept. 2-15	Oct. 6	Total
Belgium	6	11,863	20,793	32,662
France	92	...	9,187	9,279
Germany	1,241	2,969	...	4,210
Holland	13	19	1,976	2,008
Switzerland	43	104	967	1,114
South Africa	7,129	1,407	843	9,379
Russia	1,161	...	...	1,161
Australia	402	...	502	904
Other countries ...	1,177	261	279	1,717
Total	11,264	16,623	34,547	62,434

£150.8 millions, while, omitting the Belgian gold, our imports were only £30 millions. This margin of £120 millions gives a rough indication of the extent of our gold losses. Due allowance must be made for the gold dis-banded in London during the latter part of September and acquired by the Exchange Equalisation Account, but even so the Account's reserves of £297.8 millions, on March 31st last, must by now have become sadly depleted.

The "Neutrals" and the Crisis.—Many of the gold movements mentioned in the previous Note are visible from the various central bank returns. An examination of recent statements of the Belgian National Bank shows that in reality it strengthened its position during the crisis. Between August 11th and September 29th it gained Bel. 34 millions of gold and Bel. 111 millions of devisen. This helped to cover the expansion of Bel. 855 millions in its note circulation, but other deposits are depleted by Bel. 176 millions, while the Bank's rediscounts rose by Bel. 294 millions and its advances by Bel. 129 millions. The returns of the Netherlands Bank, over roughly the same period, show no change except an increase of Fl. 220 millions in the note circulation, met entirely by an equivalent decrease in deposits at the Bank. Obviously, the gold recently acquired has gone into the Dutch Exchange Fund. The Swiss National Bank has apparently been playing safe, for an increase of Frs. 55 millions in the gold holdings is off-set by a decrease of Frs. 83 millions in its devisen. Incidentally, Switzerland's gold imports from England are well in excess of the increase in the National Bank's stocks. This may indicate some private movements of hoards. The Swiss National Bank also had to meet a growth of Frs. 421 millions in its note circulation, so that deposits were run down by Frs. 296 millions, while rediscounts rose by Frs. 126 millions. Both the Belgian and Swiss National Banks have, therefore, had to give assistance to their markets. The Swedish Riksbank's return gives striking evidence of an enormous influx of funds. Between August 15th and September 30th, its gold reserves rose by Kr. 48 millions, gold held abroad and outside the reserve by Kr. 41 millions, and devisen by Kr. 123 millions. In the last week of September, steps

were taken to realise foreign bills and securities, for these items were reduced by Kr. 108 millions, but the proceeds were added to the Bank's foreign balances. On the other side of the account, the note circulation expanded by Kr. 176 millions, and bankers' deposits by Kr. 169 millions. Clearly Sweden, as well as the United States, was a magnet for liquid funds, but it is impossible to tell how much of this was a repatriation of Swedish money and how much the transfer to Sweden of foreign money.

September Clearing Bank Averages.—The September returns of the ten English clearing banks throw further light upon the consequences of the heavy transfers of funds from London to New York. Deposits have fallen since August by £29.0 millions, and were also £16.4 millions lower than they were in September, 1937. It is reasonable to assume that this decrease represents partly the direct withdrawal of foreign balances, partly the removal of funds derived from foreign realisations of British securities, and partly the depletion of balances held by foreign banks in London.

(In £ millions)

	Sept., 1937	May, 1938	June, 1938	July, 1938	Aug., 1938	Sept., 1938
Capital and reserves	132.5	136.0	136.0	136.0	136.0	136.0
Acceptances, etc.	114.2	115.8	115.8	114.9	115.5	121.9
Deposits (including undivided profits, etc.)	2,249.8	2,225.0	2,262.2	2,272.1	2,262.4	2,233.4
Total liabilities	2,496.5	2,476.8	2,514.0	2,523.0	2,513.9	2,491.3
Cash	234.3	227.9	243.2	241.0	237.8	230.7
Cheques, balances and items in transit	60.1	66.0	71.3	63.2	59.2	54.5
Money at call	157.4	141.2	149.6	154.9	150.2	145.6
Discounts	279.2	278.1	287.9	299.9	303.2	287.5
Investments	626.0	616.3	615.3	618.8	627.2	631.4
Loans and advances	957.5	963.8	963.3	962.8	953.1	951.9
Investments in affiliated banks	23.5	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	158.5	159.6	159.5	158.5	159.3	165.8
Total assets	2,496.5	2,476.8	2,514.0	2,523.0	2,513.9	2,491.3

The transfer of funds to New York was covered almost entirely by heavy gold sales by the Exchange Equalisation Account, and it proved impracticable to re-invest the proceeds of these sales in Treasury bills without a certain amount of delay. So long as this money remained uninvested, the banking system went a little short of cash. Thus it is not surprising to see that the clearing banks held £7.1 millions less cash in September than in August, and this contraction agrees very closely with the month's drop of £9.0 millions in bankers' deposits at the Bank of England. The Exchange Account's heavy bill purchases are equally responsible for the September decrease of £20.3 millions in the clearing bank's call and short loans and discounts combined; and this contraction again agrees fairly closely with the month's shrinkage of £24 millions in the volume of Treasury bills issued by tender. Advances show a further small drop, while investments are slightly higher. The chief significance of these movements is that the clearing banks apparently felt justified in giving some support to the gilt-edged market. The aggregate cash ratio of the clearing banks has shrunk from 10.49 to 10.31 per cent., which, in the circumstances, is a microscopic movement.

Forward Belga Tactics.—At the time of the climax of the political tension, the discount on forward belgas was as wide as 50 centimes for three months. Now it is down to 5 centimes. The discount has been contracting without interruption, and the movement has not been disturbed by the fluctuations of other European exchanges. To some extent the improvement of the forward belga was justified by the removal of fears of a sharp depreciation of sterling and the French franc, with all the repercussions that would have had upon the position of Belgium. But the discount on forward belgas continued to contract also on days when sterling and the French franc were distinctly

weak. The explanation lies in the tactics pursued by the National Bank of Belgium, which, during the last few days, has been a persistent buyer of forward belgas. One possible object of these efforts to bring about a contraction of the discount may be the desire to assist the Belgian Government in its effort to place the new loan of 1,000 million Belgian francs. The response to the loan at the beginning left much to be desired. One of the reasons for this was that a large proportion of Belgian liquid resources was employed in interest arbitrage with London, New York and Amsterdam. Owing to the large discount on forward belgas, it was profitable to transfer funds to these centres with the forward exchange covered. As a result of the deliberate reduction of the discount through official intervention, however, such swap operations have ceased to be profitable, and the funds engaged in such operations are gradually being repatriated. Consequently, more money is now available for subscription to the new internal loan.

Mr J. M. Keynes.—The announcement that Mr J. M. Keynes has resigned both the chairmanship and his seat on the board of the National Mutual Life Assurance Society has caused more regret in wider circles than is usual when even such an important office is vacated. Mr Keynes's friends have known that for many months he has been handicapped by serious illness, and he now finds himself compelled to contract the astonishingly wide circle of his activities. For the National Mutual the loss will be severe, for Mr Keynes has been a very active Chairman who has taken the lead in formulating the distinctive policies for which the office has become famous. For the general public the loss will be hardly less, for Mr Keynes's speeches at the National Mutual annual meeting have long been regarded as one of the events of the year. Few chairmen have shown a similar power to influence the trend of thought in the markets. The City will hope that its loss will be matched by a decisive gain to Mr Keynes's health.

MONEY MARKET NOTES

The Bank Return

THIS week £9.4 millions of notes have returned from circulation. Part of this, perhaps three millions, is the normal return movement following the quarter-day expansion in the currency. The remainder represents the partial return of the extra £21 millions withdrawn at the height of the crisis. As a fortnight has now elapsed since the Munich Agreement, it is fair to comment that these notes are returning very slowly.

	Oct. 13, 1937	Sept. 28, 1938	Oct. 5, 1938	Oct. 12, 1938
Issue Dept.:				
Gold	326.4	326.4	326.4	326.4
Notes in circulation	489.9	500.9	505.8	496.4
Banking Dept.:				
Reserve	38.3	26.9	22.0	31.4
Public Deps.	26.1	11.4	12.1	28.3
Bankers' Deps.	92.9	99.9	109.7	94.9
Other Deps.	36.4	40.2	37.1	36.6
Govt. Secs.	105.1	112.8	121.9	114.5
Discounts & Advances	9.2	7.3	10.2	9.6
Other Secs.	20.4	22.8	22.5	21.9
Proportion	24.6%	17.7%	13.8%	19.6%

In the banking department the Reserve has risen by £9.4 millions as the result of the contraction in the note circulation. Government securities, however, are £7.4 millions less than last week, when they were swollen temporarily by Ways and Means borrowing to cover the October 1st Conversion Loan dividends. Public deposits have increased by £16.2 millions. This is partly because of an excess of Treasury bill payments over maturities during the week ended October 12th, but the Exchange Account's gold sales are probably also responsible.

The Bullion Market

Now that the crisis is over, the London bullion market has reverted to its main function of an auxiliary to the Exchange Equalisation Account. There have been heavy dealings in gold this week, consisting mainly of official sales to arbitrageurs and the price has once more been fixed at a level which makes arbitrage practicable. The key to the week's happenings in the gold market once more lies in the foreign exchange market and more particularly in the current weakness of sterling.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in †	Cash	Two Mths.
1938	s. d.	d. m.	£'000	d.	d.
Oct. 7	145 0	1 pm	1,451	1912	1912
" 8	145 4 1/2	1 1/2 pm	750	1916	1916
" 10	145 10	par	834	1918	1918
" 11	146 1 1/2	1 1/2 dis	1,172	1918	1918
" 12	146 5	par	1,681	1914	1918
" 13	146 9 1/2	1 1/2 pm	1,623	1914	1918

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.
† At fixing.
The New York price of silver remained at 43 cents per ounce - 999 fine during the week.

The price of silver has continued to rise in sympathy with the dollar.

Foreign Exchanges

THERE has been a heavy demand for dollars all the week, which on Thursday became comparable with that of September 28th, when sterling fell to \$4.61. With practically no dollars on offer apart from arbitrage sales, the whole of the pressure fell upon the Exchange Equalisation Account. If its sales of dollars on the Continent and its gold sales in the London bullion market are added to its direct sales of dollars in the London Exchange Market, the Control's gold losses for the first four days of this week may possibly be in excess of £20 millions. It is no longer a question of the flight of hot money. Instead balances which have been held in London for years are now migrating to New York. Also most dealers have already bought so many dollars that they are now very short of sterling. The result is a definite stiffening of the forward rates for the chief Continental currencies, for, in order to obtain temporary supplies of sterling, dealers are selling guilders, belgas and Swiss francs spot and repurchasing them forward. During the week ended October 13th sterling depreciated from \$4.81 to \$4.73 1/2, and so long as this movement of funds to New York continues, the British Control can do no more than regularise the decline. Guilders similarly appreciated from Fl. 8.82 1/2 to Fl. 8.70, belgas from bel. 28.43 to bel. 28.00, and Swiss francs from Frs. 21.08 to Frs. 20.90. For

reasons explained above, three months' guilders were quoted on Thursday at 3 cents premium, bid, while the premium in Swiss francs has risen from 5 1/2 to 11 centimes. Three months' belgas were finally quoted at 10 cents discount. Still they were quoted at 50 cents discount only three weeks ago. French francs have been stronger at Frs. 178 1/2 and Frs. 178 1/2. Three months' francs have improved from Frs. 5 1/2 to Frs. 4 1/2 discount. The latest Banque de France return shows no fresh Government borrowing. Still the recent course of the franc does no more than to provide fresh evidence of the prevailing weakness of sterling.

The Money Market

THE dominating factor in the money market is that so far none of the funds which left London during the crisis have shown the slightest signs of returning. On the contrary, the departure of the hot money is now being followed by the transfer to New York of what hitherto had been regarded as permanent balances in London. The result is that there is still a shortage of outside money, and there is also much less outside competition for bills.

	Oct. 14, 1937	Oct. 6, 1938	Oct. 13, 1938
Bank Rate	2	2	2
London Deposit Rate...	1 1/2	1 1/2	1 1/2
Short Loan Rates:			
Clearing Banks	1 1/2-1*	1 1/2-1*	1 1/2-1*
Others	1 1/2-5/8	5/8-3/4	5/8-1/4
Discount Rates:			
Treasury bills	1 1/2	9/16-5/8	1 1/8
Three months' bank bills	1 1/2-3/4	5/8-1 1/8	1 1/8-3/4

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

The result was that by Thursday there had developed a keen demand for money. Treasury bill rates have become firmer. By Thursday January bills, which changed hands at 1/4 per cent. on Monday, were being freely offered at 3/4 per cent., and only taken at a firm 1/2. Three months' bank bills have equally hardened to 1 1/2-3/4 per cent., with six months' bills quoted at 1/4 per cent. It certainly looks as if the departure of foreign funds has brought to an end the regime of ultra-cheap money.

OTARD'S

EST. 1795

V.S.O.P.

LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

Investment

The Market's Caution.—The Stock Exchange has relapsed into that condition of inert nervousness which marked the early August weeks. Its present fears, however, are only half political. It is certainly less convinced than it was of the permanence of peace. But it stands in no need of conviction regarding the economic realities of future re-armament. The Funds have faced the burden of these brute facts. Once again the imminence of further defence borrowing is being canvassed, and thoughts are being cast forward to the cheerless Budget which lies in store next April. Meanwhile the continued pressure on sterling is providing the traditional bad advertisement for the gilt-edged market, which appears also to have suffered directly from an increase in foreign selling this week, though it would not be just to expatriate all the blame for the falls. The industrial market might have responded if the blaze in Wall Street which Dow theorists proclaimed had occurred, but it has instead relapsed to a listless condition, with no significant price movements in one direction or the other. It has missed, in particular, the inflationary sentiments which have stimulated moderate interest in rubber and base metal shares. One of the features of an indifferent market record, indeed, is to be found in the progress of Rhodesian copper shares this week. But even the Kaffir market seems unable to muster support on a sufficient scale to maintain consistently firm prices. The market, in short, has lost its nerves without regaining its confidence.

First British Mutual Fund.—Advance particulars of the First British Mutual Fund (not to be confused with the First British Fixed Trust) which were circulated this week opened with the claim that this is the first trust to translate into precise terms the main recommendations of the Anderson Committee on Fixed Trusts. From the succeeding description of the methods by which it is proposed to operate the trust, however, it was evident that this claim was subject to reservations on certain important points, and the "Declaration of Trust" and explanatory booklet which have now been issued do not remove these reservations. Perhaps the most revolutionary feature of the trust is that the managers and trustees will be "coincident." In other words, the directors of the management company (Mutual Investment Fund Managers, Limited) will also act as trustees. These gentlemen are Sir John Haslam (chairman) and Messrs Francis Lewcock and Julius E. Day (joint managing directors.) Hitherto, every unit trust formed in this country has enlisted the services of a bank or insurance company to act as trustee, and there is no lack of evidence that the public has been attracted to the unit method of investment largely for this reason. It has always been possible in theory to envisage the appointment of a board of trustees consisting of independent private persons, rather than a corporation constituted under the law of the United Kingdom, empowered by its constitution to undertake trust business, and having an issued capital of £500,000, of which not less than half has been paid up in cash. The latter conditions, however, were proposed by the Anderson Committee, which in paragraph 72 of its Report recorded its opinion that it is undesirable that the management company should be closely connected in any way with the trustee company, or vice versa. Without attempting to define the term "closely connected," the Committee specifically declared that neither company should control the other. It has been stated, in the present instance, that to identify the managers with the trustees removes any ambiguity which unit holders may feel regarding "the party to which they have to look to for the exercise of their rights." By this resort to identification, responsibility has indeed become clear-cut. But if the unit-holder labours under any misapprehension regarding the function of trustees, a careful study of the obligations which managers and trustees assume under the trust deed should remove it. It may be urged that

trustees should undertake more direct supervision of unit trust management; but that is not an argument for making trustees and managers identical.

New departures in investment policy also appear to be envisaged under the trust deed. There is no list of permitted securities, nor any restriction upon individual investments. According to the Declaration of Trust, the managers have full power to invest the moneys of the Fund in such securities as they may prescribe. That form of words would appear to cover both quoted and unquoted securities. On page 7 of the booklet, indeed, reference is made to the fact that "a portion" of the Fund will always be held in cash or readily realisable securities. It is also intended to obtain the certificate of a chartered accountant for daily selling prices, in order to ensure that the managers do not derive undisclosed profits from price adjustments. In this connection it is important that the basis of prices to be employed for these calculations should be clear. Many trusts already obtain certificates from stockbrokers confirming the quoted prices of their units, which are based on market dealing prices in the underlying securities. It is, of course, well known that if Official List "offer" prices are employed, uncovenanted price advantages may result to the managers, since dealings can usually be effected well below these quotations. Special arrangements would presumably have to be made (which have hitherto been unknown in unit trust practice) if unquoted securities were in fact to be included in the portfolio at any time.

Management Costs and Investment Policy.—Although from page 4 of the booklet relating to the First British Mutual Fund it would appear that no other fees or commissions are payable by purchasers apart from the initial commission of 5 per cent., the managers will be entitled to a payment of one-quarter of 1 per cent. of the value of the fund at each quarterly distribution date. Over the ten-year life of the trust the annual charge, expressed as a percentage of the initial price (calculated on the same basis as the figures given on page 14 of *The Economist's* unit trust survey of April 17, 1937) amounts to 1.604 per cent.—a higher figure than for any trust for which similar calculations were made on that occasion, although it appears to be lower than the annual management costs for at least one flexible trust formed since that time. Nor is it clear whether the managers intend to maintain a market, in the usual sense, in the units. Under the trust deed, and according to the explanatory booklet, the managers undertake to repurchase units for not less than the amount which would be realised by a sale of the appropriate proportion of the assets of the fund. This statement, of course, relates to the minimum amount receivable, and it is not inconsistent with a smaller dealing spread than, say, the half-crown difference between offered prices on an "open" basis and bid prices on a "liquidation" basis. The managers estimate that, although a yield of no more than 5 per cent. may be obtainable at the outset, they are of opinion that 6 per cent. is a reasonable return in current conditions, and that it is obtainable without incurring unnecessary risk. It is also stated, however, that the managers intend in their investment policy to give special attention to investment in debentures, since they offer a high degree of security and steady yield. In this connection it may be pointed out that the average yield on 41 industrial debentures included in the Actuaries' Investment index amounted to 4.22 per cent. on September 22nd. In short, the methods of operation and the investment policy which are proposed by the new trust represent in several respects a radical departure from established methods which have served the unit trust movement well in the past. No one—least of all *The Economist*—has ever

pretended that the unit trust movement had reached perfection. But it has made two legitimate claims to the investor's attention in the past—the services of independent trustees, and a specific statement of the limits of investment policy, within a range of quoted securities. And neither of these conditions is fulfilled in the First British Mutual Fund.

Declining Industrial Profits.—Industrial profits are now well past the peak. The small shortfall recorded in August grew last month to the significant extent of 10.31 per cent. Moreover, the September sample of 112 companies is both larger and more representative than the August list. The following table shows the results for each month over the past two years:—

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
Sept.	107	9,074,987	12.32	Oct.	177	14,884,260	26.97
Oct.	146	8,104,438	18.09	Nov.	206	23,579,407	20.25
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49				
1937		£	%	1938		£	%
Jan.	110	13,222,882	15.92	Jan.	107	13,832,382	19.90
Feb.	208	27,956,588	8.95	Feb.	202	29,792,378	5.52
March ...	307	53,554,168	12.52	March ...	337	56,721,336	9.19
April	245	31,712,217	23.36	April	225	28,481,318	17.19
May	255	25,053,946	14.09	May	320	45,915,238	11.42
June	265	43,924,563	21.19	June	260	38,076,415	11.09
July	193	15,260,299	19.62	July	181	16,530,811	3.44
Aug.	62	6,042,402	9.41	Aug.	81	8,300,386	a1.16
Sept.	81	7,269,607	27.80	Sept.	112	7,962,024	a10.31

* After debenture interest.

(a) Decrease.

Of the eighteen groups represented last month, only five showed improvement, usually of small dimensions. Profits of 21 iron, coal and steel companies held up fairly well, for their total was only £65,483 lower at £2,142,243. One-third of the total fall of £915,687 recorded last month was attributable to seven textile companies, whose profits were severely reduced from £428,765 to £123,070. Newspaper, rubber, and miscellaneous industrial earnings also fell considerably.

Company Notes

Callender's Cable and Crompton Parkinson.—In an official announcement on July 19th, confirming widespread market rumour, the secretary of Crompton Parkinson stated that negotiations were in progress for a closer working arrangement between Callender's Cable and Crompton Parkinson. The suggestion then under consideration was the formation of a new holding company, which would make an offer to shareholders of the two constituent concerns for an exchange of shares. Some possible consequences of the merger on the trading position of the two concerns were discussed in *The Economist* of July 23rd. At the end of last week, however, a statement from the same source disclosed that, "owing to the recent crisis and to the consequent unsettled condition of world trade and finance," the directors of the two companies had mutually agreed that it would be inadvisable to proceed with the negotiations. These reasons might explain a need for delay in reaching terms, but except on the most fatalistic view they hardly appear sufficient in themselves to call for the complete closure of the negotiations. The latter, it will be agreed, were in any case bound to be difficult, for Callender's Cable is a mature industrial giant, while Crompton Parkinson's expansion in activity and profits has been very marked in recent years. Given two parties, in different stages of maturity, the problem of valuing future profit expectations in arriving at a basis for merger terms must inevitably be acute.

Harrisons and Crosfield Meeting.—Although he spoke at a time when estimates even of the near future are more than usually difficult, Mr Eric Miller this week did not disappoint the numerous investors who look to his speech at the Harrisons and Crosfield meeting for an authoritative survey of the produce markets. Describing changes in tea consumption and stocks, Mr Miller referred to the surprise created last December by the Committee's decision to increase the quota by 5 per cent. during 1938. During the past twelve months, however, the price of common Indian tea has fallen from 1s. 2½d. to 11½d., and in his view it remains to be seen whether the extra supplies arising from the quota increase can be absorbed without a drop in prices to a level which would compel the Committee to reduce the export percentage. Incidentally, Mr Miller raised an interesting point of regulation technique when he pointed out, with satisfaction, that the new Tea Scheme allowed the Committee to change the quota at any time (instead of only one date in the year) and without previous reference to the Governments concerned. This alteration, he considered, should lead to smaller price fluctuations, since buyers would have to reckon with prompt action by the Committee if prices rose or fell unduly. The picture which Mr Miller presented for the rubber industry was rather more hopeful. Thanks to the steps taken by the International Committee, stocks had been reduced during the past six months, and even supplies in the U.K. had started to move downwards. There was now grounds for hoping that recovery would continue in the U.S.A. without further check, and that an improvement in tyre sales for replacement purposes would be linked to an expanded demand for new automobiles. But Mr Miller stressed that the "sheet anchor of the industry" was the power of the International Committee to regulate exports, and left the rubber shareholder to infer from the general tenor of his speech that improvement was well in progress.

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Murex Progress.—While the improvement in the latest Murex profits is at only a third of the rate recorded in 1936-37, an advance of 13 per cent. in total profits to £429,855 is clearly satisfactory. The directors' report reveals that in the latter part of the financial year a marked decline occurred in the general demand for the company's products. But the continued upward trend in profits appears to be due partly to good business in the first part of the year and to the fruits of technical progress which has followed the ploughing back of a substantial part of profits in past years. Such rapid progress, however, has brought its corresponding liabilities, and the effect of higher taxation and of the greatly increased provision for obsolescence is to reduce the earnings available for the ordinary shareholders from £280,017 to £254,197, despite the increase in total profits. The following table shows that the 20 per cent. dividend is again very generously covered, and the bulk of the surplus is devoted to increasing the general reserve to £323,000. This table and the ten-year chart vividly portray the rapid increase in earnings in recent years:—

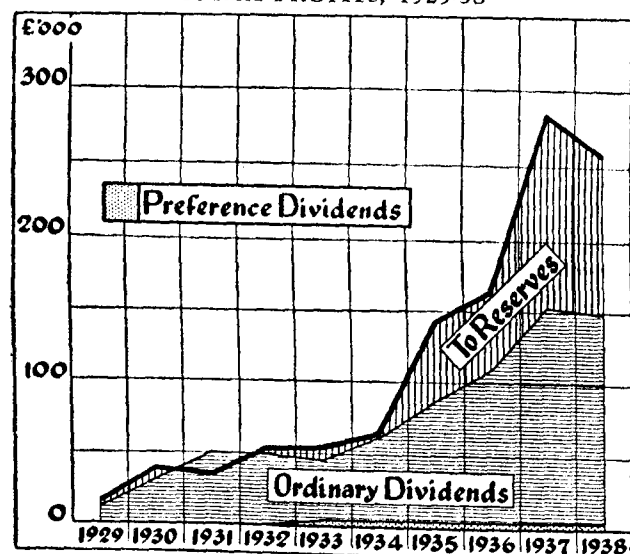
	Years ended June 30		
	1936	1937	1938
Total profit	£278,741	£381,550	£429,855
Obsolescence, etc.	56,519†	12,174	53,074
Tax and N.D.C.	50,000	78,000	111,450
Fees and expenses	7,579	7,859	7,634
Preference dividend	3,500	3,500	3,500

Ordinary shares:—			
Earned	161,143	280,017	254,197
Paid	105,541	149,997	145,000
Earned %	38.2	37.3	35.1
Paid %	25*	20	20

General reserve	100,000	50,000	100,000
Special debits		3,269	28,847
Carry forward	33,362	110,113	90,464

† Including £15,760 to investment reserve. * Also capital bonus of 66½ per cent. on £600,000.

MUREX PROFITS, 1929-38



It has been necessary to provide in the latest year for a loss of £28,847 on the sale of Local Loans, and trustee securities now stand in the balance sheet at only £46,250, compared with £335,629, while there is an equivalent increase in cash. The company's vigorous growth may be attributed partly to developments in metallurgical technique and partly to the company's own policy of extension and improvement over a decade or more. Shareholders will note that the report announces that additions to premises and plant undertaken during the past few years are virtually

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completed. In the past year alone the book value of plant and machinery rose from £272,103 to £379,995. While the prospects of a continued geometric rise in profits are perhaps less certain than in the past, the current yield of £5 7s. per cent. on the £1 shares at 3¼ does not appear to over-value the probability that a highly satisfactory rate of earnings will be maintained.

Rubber Company Results.—Recent rubber company results are of particular interest, for in the past few weeks published accounts have carried the story of rubber profits to the year ended June 30th—a period which covered a full year of falling prices and reduced demand. First impressions are, therefore, far from favourable, for most important companies have reduced their dividends. Malayalam, it is true, have repeated the 10 per cent. dividend, but this company is a mixed producer; about two-thirds of its revenue is derived from tea, and its financial year ended in March. On the whole, changes in output have been of small importance compared with fluctuations in rubber prices. The average exportable allowance for the year to June 30th was 77½ per cent., against 71¼ per cent. in the previous twelve months, but the average price realised for rubber seems to have been about 1¼d. per lb. less than in 1936-37 in some cases. Fluctuations in earnings (as opposed to dividends) for rubber shareholders are more favourable than the reduced distributions would suggest, as we show in the accompanying table. Thus the sharp reduction in Kamuning (Perak) distribution contrasts with an increase of 2 per cent. in earnings, and in

Company†	Rubber Crop	Total Rev.	Earned for Ord.		Div.	Current	
			Amt.	Rate		Price	Yield
	lbs. 000's	£	£	%	%		£%
Malayalam—							
1936	5,715	539,442	132,740	9.4	8	30.6x	6.56
1937	5,730	597,171	198,186	14.2	10	(£1)	
1938	6,120	686,661	206,731	15.3	10		
Brit. Rub. Est.—							
1936	1,957	89,609	Dr. 1,743	Nil	Nil	10½d. x	6.86
1937	3,201	152,753	37,819	5.4	5	(2/-)	
1938	3,009	129,797	22,167	3.1	3		
Tanjong Malim—							
1936	1,914	50,215	15,892	*3.2	*3¼	18.9 x	4.00*
1937	2,299	75,645	27,241	*5.4	*5	(£1)	
1938	2,372	79,047	26,632	*5.3	*3¾		
Kamuning (Perak)							
1936	1,251	43,562	20,602	10.3	10	2.9	5.45
1937	1,474	59,807	26,417	13.4	12½	(2/-)	
1938	1,553	58,362	26,625	15.4	7½		
Batu Rata (Sumatra)—							
1936	617	15,644	2,691	1.8	3¼	11½ x	8.88
1937	932	30,528	14,941	10.0	10	(2/-)	
1938	954	29,309	11,072	8.3	5		

* Tax free. † Years to June 30th, except Malayalam (March 31st).

no instance is the difference between earnings in 1936-37 and 1937-38 very striking. Rubber companies are clearly more anxious to conserve their resources in the face of the certain reduction in profits in the current year. Normally, fluctuations in rubber prices are a more important factor in profits than moderate alterations of, say, 5 or 10 per cent. in the quota. But under present conditions special emphasis must be laid upon the exportable allowance. Rubber now stands at 8½d. per lb., and, thanks to the expected improvement in the statistical position resulting from the September quota decision and from the satisfactory trend of American consumption, prices seem more likely to strengthen than weaken in the immediate future. But the burden on the producer remains heavy. For the second half of 1938, production is cut to no more than 45 per cent. of standard quotas—a drop involving difficulties of adjustment which will be reflected in higher costs per lb. To adopt the most conservative basis, if the quota remains at 45 per cent. throughout the year to June 30th next, and the average price obtainable is no more than 7d., while all-in costs are 1d. per lb. more than in 1937-38, Tanjong would earn

barely 1 per cent. on the ordinary stock in 1938-39, while Kamuning and Batu Rata would earn something near 2 and 3 per cent. respectively. (These percentages refer only to the profits attributable to rubber crops.) It is at present quite impossible to estimate the course of rubber prices and output in the first half of 1939, and the cautious distribution policy recently followed by rubber companies thus appears justified.

Roan Antelope Report.—The report of Roan Antelope Copper Mines for the year to June 30th reveals that total profits have been reduced from £2,078,203 to £1,816,380. During the year, production of blister copper increased from 69,560 tons to 75,253 tons. Copper sales (after adjustment of stocks) amounted to £3,421,707, against £3,549,042, while operating expenses increased to £1,492,379, compared with £1,355,573 in the previous year. Expressed as an average per ton, copper revenue declined from £51.022 to £45.469, while total costs (including obsolescence which is not included in the figure given above) were reduced from £25.496 to £24.809 per ton. The amount earned for dividend, after providing £512,000 for taxation compared with £456,500 in the previous year, amounts to £1,063,068, against £1,333,808. On the increased capital, this sum is equivalent to 28.1 per cent., and the 20 per cent. dividend is consequently well covered, the increased transfer of £250,000 being made to reserve. Capital expenditure during the year amounted to £200,659, while the depreciation and obsolescence account stood at £126,605 on June 30th, after transferring £200,000 from the current year's profits, and employing £587,574 for replacement expenditure during the year. It is estimated that approximately £750,000 will be expended on the Western Extension programme, which is designed to bring the output capacity up to 10,000 short tons of copper per month. Since existing cash holdings amount to £1,789,874, this sum will be comfortably covered. The company's basis quota at present amounts to 5,479 tons of fine copper per month. On the assumption that the new quota of 105 per cent. is maintained throughout the year, and that copper averages £45 per ton, earnings during the current year should represent approximately 25 per cent. on the 5s. ordinary shares, which stand at 19s.

Sub Nigel.—The effect of the further increase in the quantity of ore treated during the year to June last was rather more than counterbalanced by a reduction in grade and in the value of the gold produced. The average yield was 0.328 dwts. lower at 14.173 dwts. and the price of gold 10d. lower at 139s. 9d. per ounce. An additional 84,375 shares ranked for dividend; hence the dividend payment of 150 per cent. (against 165 per cent. for 1936-37) absorbed only a moderately reduced amount in cash. Taxation required £963,280, compared with the largely increased amount of £1,108,200 claimed for 1936-37, thanks to a change in the method of assessment. The carry-forward shows a small increase. Results in recent years are summarised below:—

	Years to June 30—		
	1936	1937	1938
Ore crushed..... tons	632,700	685,000	707,100
Yield per ton.....	107/4	101/11	99/-
Cost per ton.....	33/9	33/5	33/3
Profit per ton.....	73/7	68/6	65/9
Total working profit	£2,328,320	£2,345,720	£2,326,740
Dividends, amount	£1,434,370	£1,392,190	£1,328,910
Dividends, per cent.	170	165	150
Carried forward	£84,030	£107,480	£134,050
Development footage	119,700	120,370	130,120
Ore reserves	2,099,000	2,124,000	2,233,000
Average value..... dwts.	15.1	14.9	14.3

The expansion in the ore reserves appears hardly commensurate with the increased development footage, although payable ore averaged 42 per cent., against 39.4 per cent., while the inch-dwts. worked out at 537, as against 525. The details regarding underground work are of distinctly complicated character. It will be noted, however, that the consulting engineer expresses the opinion

that the persistence of the highly payable shoot zones at depth is particularly encouraging. Of the company's outside interests, the Vlakfontein holding has been slightly reduced to 424,463 fully paid and 93,637 partly paid shares, while the holding of 288,420 Spaarwaters is as before. Sub Nigel's new issue was made at £8—partly for meeting additional capital expenditure and partly for meeting calls on the Vlakfontein holdings, which at the date of the circular making the share offer included 336,540 partly paid shares. On the basis of the dividend for each of the past three half-years the yield is approximately 6¼ per cent. without adjustment for Dominion income tax, the 10s. shares being quoted at £12.

"West Wits." Group Finance.—One of the most important features in the latest reports of West Witwatersrand Areas and its two subsidiaries, Venterspost and the Libanon, is naturally to be found in their financial position. On June 30 the net cash resources of the parent undertaking amounted to no more than £176,500. The company's holding of Venterspost shares, after the sale of part of those originally received and the subscription of the company's portion of the recent new issue, stood at 1,120,000 shares. Some 975,000 Libanon shares were held, but only 9,280 Blyvooruitzicht shares. This holding represents merely the number left to be taken up under last year's offer at par. A further 636,500 will in effect be received as purchase consideration for the property. From these particulars, it may be inferred that an issue of "West Wits." shares may be necessary sooner or later to assist the company in financing further subsidiaries. The next of these is expected to take over Driefontein No. 118, upon which some encouraging discoveries have been made by diamond drilling. This property adjoins that of Blyvooruitzicht, which is controlled by Central Mining. Although development and drilling on the Venterspost property have been attended with highly satisfactory results, work has not yet reached the stage where an estimate of ore reserves can be made. Nevertheless, the position is considered to warrant the installation of a treatment plant having a capacity of 100,000 tons monthly; and on the assumption that the ore available will average 5 dwts., it is unofficially calculated that the divisible profits should represent something like 30 per cent. upon a capital of £2,450,000. As a result of the issue of 1,400,000 shares at 30s. last May, cash resources on June 30th amounted to almost £2,000,000. This sum should suffice to bring the company to the producing stage. The second subsidiary, Libanon, is in a much less advanced stage of development; if results are satisfactory, provision of further funds will follow. On June 30th the balance of liquid resources amounted to £615,000.

Trinidad Petroleum Development.—Though this company is an established oil producer, it has been known to the investor for less than two years. The first published results showed profits in excess of the prospectus estimates, and the report for the year to July 31st reveals that the rise in dividend from 7 to 12 per cent. has been accompanied by a 50 per cent. jump in trading profit to £395,078. These satisfactory results are due, of course, to the substantial increase in output from 1,485,512 to 2,598,680 barrels, for average realised prices for deliveries were lower than in the previous year. The balance sheet, no less than the production figures, shows the intensity of the company's

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activity during the past year. Wells and development account is more than £45,000 higher at £712,540, while plant now amounts to as much as £436,413, compared with £284,939 a year ago. These developments have necessitated the realisation of half the company's former holding of 2½ per cent. Funding Stock, the balance of which now stands at £91,070. Footage drilled during the year totalled 180,498 feet, against 142,150 feet, and fifty wells were completed. Between them, oil wells and development account, and appropriations for writing down plant, etc., have required £226,168, against £171,116. After bringing in sundry receipts and charging directors' fees, the balance available for the shareholders is thus £182,357, against £96,308, whereas the increase in the gross profit on oil sales is £134,000. Since equity earnings are nearly doubled at 20.6 per cent., the 12 per cent. distribution is conservative, and the reserve and carry forward are together increased by £62,357. Maintenance of production may be expected, for drilling during 1937-38 disclosed a satisfactory increase in the proved reserves of oil; indeed, during the second half of last year, production rose by 35 per cent. as compared with the first half, though the number of drilling strings employed had been reduced in the meantime. At present the £1 shares stand at 37s. 6d., and the yield of £6 8s. per cent. suggests confidence in the company's immediate future.

The Week's Company Profits.—This week 39 companies have issued reports, excluding three for which comparable figures are not available. Their total net profits

amount to £3,007,000, an increase of 24½ per cent., as compared with £2,414,000 earned by the same companies a year ago. The cumulative total for 1,906 companies reporting to date is £253,232,000, showing a rise of 11½ per cent., compared with £229,272,000 earned in the previous year. The week's results are discussed in preceding notes and on page 150 under the heading "Shorter Comments." Our usual analysis of profit and loss accounts appears on page 152.

Company Meetings of the Week.—Reports of company meetings will be found in this issue on pages 142 to 144. Mr Eric Miller's survey of rubber and tea prospects at the *Harrisons and Crosfield* meeting is discussed in a Note on page 128. At the *Indian Iron and Steel* meeting Mr Biren Mookerjee referred to favourable factors which would offset lower prices and other adverse conditions. These included forward sales at remunerative prices, satisfactory demand in export markets and an upward swing in America. Shareholders of *Carrier Engineering Company* learned from Mr S. L. Groom at the annual meeting that during the year one of the special departments had dealt with inquiries for work to the value of over £3,500,000, individual inquiries ranging from £100 to £30,000. Mr H. J. Welch, at the *Malayalam Plantations* meeting, informed shareholders that each 1d. per lb. net profit realised on the current year's estimated tea crop of 10,800,000 lb. would equal about 2½ per cent. on the issued capital, and on the estimated rubber crop of 6,000,000 lbs., 1.38 per cent.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
OCTOBER 25	OCTOBER 27

The London market has not given a robust performance this week. There has been intermittent activity in commodity shares, and some demand for armament issues, in particular aircraft shares. But for the most part, the market has been concerned increasingly with the political and economic repercussions of re-armament. Rumours of further borrowing, fears of increased taxation, doubts regarding the future of sterling, concern for the future of British trade in Europe—all these factors have exerted a restraining influence. Wall Street, again, has displayed a rather irregular tendency, despite the Dow signals recorded at the end of last week. In consequence, business has remained sub-normal, and almost every department, from gilt-edged to the most speculative commodity shares, has been unimpressive.

Herr Hitler's week-end speech made a disagreeable impression on the *gilt-edged market* at the opening. Business was poor, and selling became more pronounced on Tuesday. In mid-week, further and heavier losses were recorded. War Loan lost ¾ to close at 100½, and comparable falls were common throughout the list. War Loan fluctuated rather considerably on Thursday in unsuccessful attempts to rally, before closing at 100½. General liquidation was evident in the Dominion list, while the slight increase in interest in home Corporation stocks quickly evaporated.

In the *foreign bond market*, Japanese advanced at first, but prices gave way on the latest phases of the campaign near Hongkong. Further sharp falls were recorded in Czech bonds, which in

mid-week closed no higher than 45½, while German issues also fell, in company with most of the European market. Apart from a slight improvement in Chilean bonds, on the rise in copper, the South American list was featureless.

Home rail stocks remained depressed, partly on fears of the traffics (which on a strictly comparative basis, were better than might have been expected) and partly on the labour troubles at St. Pancras. Great Western ordinary, however, was the principal victim, on the fear that the usual 3 per cent. dividend will not be paid. After a firm opening, Argentine rail stocks turned dull.

Subdued conditions reminiscent of pre-crisis days have returned to the *industrial market*, which was inert throughout the week. Though changes were trifling, the tendency was for prices to sag slowly from sheer lack of interest rather than from selling pressure. Iron and steel shares began the week brightly on good trade reports and the higher steel production figures, and moderate advances in quotations were widespread. But the gains were not all held, and some irregularity developed towards mid-week. B.S.A. were well supported both before and after the dividend announcement. Coal shares recovered, and for the most part were higher on balance. Electrical equipment shares were weak, both Callender's Cable and Crompton Parkinson falling on news of the abandonment of negotiations between the two companies. Aircraft shares were among the most active features early in the week, and prices went well ahead on Monday. But a growing lack of general interest and a certain amount of profit-taking brought quieter dealings and lower quotations in mid-week. Motor shares turned dull and irregular after a fairly firm start. In the textile group, the trend was undecided, and Courtaulds reacted.

Tobacco shares were dull and mainly lower, while brewery issues, after starting well on provincial support, reacted on scattered selling by short-term operators and on taxation fears. Business in the stores group was small, but the undertone was steady. Provision and catering issues were inactive and irregular. Though movements in the miscellaneous section were varied, prices drifted slightly through lack of business. Early in the week Imperial Smelting went ahead, while Horlicks responded to the good results. Lever Bros. and Unilever lost ground. Shipping shares were inactive, but prices moved only within narrow limits.

Oil shares were dull, and the amount of business remained as small as ever. Prices gave way slightly on Monday on small sales, and the tendency towards firmer prices in mid-week was quickly checked by absence of business. Early in the week rubber shares showed signs of responding to the recent firmness in the commodity, and rises in quotations were general. Later, however, the group made a mixed showing, changes being fairly equally divided between rises and falls. Tea shares lacked support, movements being mostly downward.

Dull conditions prevailed in the *mining markets*, though prices held up fairly well, and more interest was displayed in base metals than Kaffirs. Through lack of buying support, Kaffirs were uninteresting and price changes small. Rhodesian copper shares were active on the improvement in the metal price and the 10 per cent. increase in quota, and though the volume of business dwindled towards mid-week, prices continued firm. Tin share prices were satisfactory, but the turnover was small. Lead-zinc shares behaved similarly, steady prices being accompanied by only a modest volume of business.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Oct. 7	6,085	6,190	82.8	126.2
Oct. 10	6,135	8,870	82.6	126.1
Oct. 11	6,485	9,035	82.0	126.0
Oct. 12	6,150	7,800	81.3	125.7
Oct. 13	5,945	9,020	81.0	125.1
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12	Feb. 4
			73.7	119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The levels reached after last week's recovery in prices have been held, the Actuaries' index of 151 industrial ordinary share prices standing on Tuesday last (October 11th) at 63.3, compared with 63.2 a week ago and 62.6 a month ago. The corresponding average yields are 5.94, 5.95 and 6.01 per cent. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Sept. 13, 1938	Oct. 4, 1938	Oct. 11, 1938	
Insurance (10)	115.6	115.1	116.5	121.5
Coal (9)	73.6	74.3	75.3	106.7
Elec. mfg. (12)	116.6	117.5	116.9	129.7
Iron & steel (17)	48.8	49.7	51.0	66.4
Motors (6)	33.1	33.8	34.6	39.0
Home rails (4)	37.8	38.8	35.5	71.0
Brew., etc. (20)	119.9	121.1	119.3	133.6

Group	Yields %			Prices 1938 Low
	Sept. 13, 1938	Oct. 4, 1938	Oct. 11, 1938	
Insurance	3.69	3.71	3.67	102.7
Coal	7.11	6.98	6.91	69.0
Elec. manufg.	5.79	5.73	5.77	108.0
Iron and steel	8.36	8.23	8.08	45.4
Motors	7.19	6.98	6.16	30.5
Home rails	9.17	8.89	9.82	34.2
Breweries, etc.	5.56	5.50	5.59	112.2

New York

In the course of a short week (the market being closed on Wednesday for Columbus Day) Wall Street remained uninspired, showing only moderate price changes on balance. A vigorous start was followed by profit-taking though there was marked recovery when the market reopened on Thursday. Though steel mill activity for the current week is estimated by the American Iron and Steel Institute at 51.4 per cent. of capacity, against 47.9 per cent., steel shares failed to respond, the improvement being attributed more to releases against old orders than to new business. Another depressing influence was the cut in steel sheet prices. Utilities were among the brighter sections of the market, but rails were neglected and fractionally lower until they staged a recovery on Thursday. Oil shares gave way on the cuts in crude oil prices in certain fields.

New York Prices

	Close Oct. 13, 1938	Latest Oct. 13, 1938	Close Oct. 13, 1938	Latest Oct. 13, 1938
1. Rails and Transport				
Atchafalaya	39½	40	36½	36½
Balt. & Ohio	85½	9	79½	81½
B.M.T.	10	10½	34	34
Can. Pacific	64½	61½	50½	50½
Ches. & Ohio	34½	35½	9½	9½
G.N. Ry. P.L.	23½	24½	10½	10½
Illinois Cent.	13½	14	22½	22½
N.Y. Central	17½	20½	25½	25½
Norfolk	12½	12½	52½	52½
Pennsylv. R.	21	21½	49½	49½
Southern Pac.	20½	20½	66½	66½
Southern Ry.	14½	17½	191	191
Union Pac.	97	96½	90½	96½
Greyhound	18½	18½	143	146
2. Utilities and Communications				
Am. W. Works	105½	117½	86½	89
C. & S. W.	114	118	23½	24½
Con. Edison	29½	30½	53	54½
Col. Gas & El.	7½	7½	48	46
El. Bond & Sh.	83½	95½	103	105
Nat. Pwr. & Lt.	75½	77½	27½	27½
N. American	22	23½	50½	55½
Pac. Gas & El.	22½	27½	45½	45½
Pub. Lightng	30½	31½	104½	104½
Pub. Serv. N.Y.	30½	31½	66½	64½
Stan. Gas & E.	41½	41½	109½	109½
United Corp.	27½	31	18	18½
Un. Gas Imp.	10½	10½	70½	70½
Amer. Tel.	148½	147½	99½	99½
Internat. Tel.	11½	11½	24½	24½
Westn. Union	30½	29½	112	124
Radio	7½	8½	23½	24½
" B. Pref	62	63½	298	298
3. Extractive and Metal				
Am. Rol. Mill	19½	19½	181	181
Beth. Steel	62½	64½	137	141
Beth. Steel P.	104½	107	53½	54½
Republic St.	19½	19½	53½	54½
U.S. Steel	62½	64½	17½	17½
U.S. Steel P.	117	120	76½	78½
Alaska Indus.	10	9½	17½	17½
Am. Metal	37½	41	17½	17½
Am. Smelting	51½	54½	48	48½
Anaconda	37½	39½	161	178
Bohn Alum.	27½	29½	36½	37
Cerro de Pas.	50½	54½	17½	17½
Int. Nickel	52½	54½	25½	25½
Kennecott	46½	49½	14½	14½
Patino Mines	12½	12½	75½	75½
Tex. G. Sul.	35½	34½	90½	89½
U.S. Smelt.	60½	70½	101	101
Vanadium	20½	21½	20½	20½
Atlantic Refg.	24	22½	44	44½
Phillips Petr.	42	37½	25½	26½
Shell Union	16½	14½	19	19½
Shell Un. P.L.	106	105½		
Socony Vac.	145½	13		
Stan. Oil Cal.	30½	28½		
Stan. Oil N.J.	54½	52½		
Texas Corp.	47½	42		
4. Manufacturing				
Briggs	36½	36½	36½	36½
Chrysler	79½	81½	79½	81½
Elec. Autolite	34	34	34	34
Gen. Motors	50½	50½	50½	50½
Hudson Mtr.	9½	9½	9½	9½
Nash Kelvin	10½	10½	10½	10½
Packard Mtr.	51½	51½	51½	51½
Bendix Avtn.	22½	22½	22½	22½
Boeing Airplan	25½	25½	25½	25½
Douglas Air.	49½	52½	49½	52½
United Aircrft.	29½	31½	29½	31½
Air Reduction	66	66½	66	66½
Allied Cheml.	190	191	190	191
Col. Carbon	90½	96½	90½	96½
Dupont	143	146	143	146
Gen. Carbide	86½	89	86½	89
U.S. Ind. Alc.	23½	26½	23½	26½
Allis Chalmers	53	54½	53	54½
Gen. Electric	44½	46	44½	46
West. Elec.	113	121½	113	121½
American Can	103	105	103	105
Addressograph	27½	27½	27½	27½
Caterpillar	50½	55½	50½	55½
Gen. Can.	45½	45½	45½	45½
Ingersoll Rand	101	104½	101	104½
Int. Harvester	66½	64½	66½	64½
Johns Manville	106	109½	106	109½
Am. Radiator	18	18½	18	18½
Corn Prods.	70½	70½	70½	70½
Case & Co.	99½	97	99½	97
Chidden	24½	24½	24½	24½
G. M. Trans.	50	54½	50	54½
Allied Stores	111½	124	111½	124
Calumet of A.	23½	24½	23½	24½
Ind. Rayon	29½	29	29½	29
Colgate Palm.	13½	14½	13½	14½
Eastm'n Kdk.	179	179½	179	179½
Gillette	9	9	9	9
Lambert Co.	13½	14	13½	14
Loews	53½	54½	53½	54½
20th Cen. Fox	27	27½	27	27½
5. Retail Trade, etc.				
Mont. Ward	50½	53½	50½	53½
J. C. Penney	83½	84	83½	84
Sears Roebck	76½	78½	76½	78½
Walgreen	17½	17	17½	17
Woolworth	48	48½	48	48½
Borden	161	178	161	178
Gen. Foods	36½	37	36½	37
Kroger Grcy.	17½	17½	17½	17½
Nat. Biscuit	25½	25	25½	25
Nat. Dairy	14½	14½	14½	14½
Stand. Brands	90½	89½	90½	89½
Am. Tob. B.	101	101	101	101
Lig. Myers B.	20½	20½	20½	20½
Reyn. Tob. B.	44	44½	44	44½
Nat. Distillers	25½	26½	25½	26½
Schenley Dis.	19	19½	19	19½
6. Finance				
Comel. Credit	57½	54½	57½	54½
Atlas Corp.	8½	8½	8½	8½
Com Inv. Tr.	53	59½	53	59½

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

WEEKLY AVERAGES				
1938		1937		
Low	High	Oct. 28, 1937	Oct. 5, 1937	Oct. 11, 1937
Mar. 30	Oct. 5			
347 Ind's...	75.9	111.4	100.0	111.4
32 Rails...	19.0	31.4	23.4	28.6
40 Utilities...	57.7	78.8	69.6	76.6
419 Stocks...	63.7	92.2	82.6	92.2
Av. yield %*	8.35	3.60	4.99	3.92
	High	Low		

* 50 Common Stocks. † January 12th.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Oct. 6	Oct. 7	Oct. 8	Oct. 10	Oct. 11	Oct. 12
127.7	128.0	129.3	128.1	127.3	Closed†
1938 High: 129.3 October 8th. Low: 83.6 March 31st. † Columbus Day					

TOTAL DEALINGS IN NEW YORK			
1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	000's
Oct. 6	2,450	11,550	331
" 7	1,460	8,740	166
" 8	1,110	4,820	138
" 10	1,660	7,120	244
" 11	1,530	7,370	261
" 12	Closed (a)	Closed (a)	Closed (a)
(a) Columbus Day. * Two-Hour Session			

Capital Issues

CAPITAL ISSUE TOTALS			
Week ending	Nominal Capital	Conversions	New Money
October 15	£	£	£
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	611,564	...	1,071,473
Sav. Certs., 8 days ended Oct. 8	Dr. 250,000	...	Dr. 250,000

Including Conversions			
Excluding Conversions			
Year to date			
1938 (New Basis)	237,832,671	217,941,708	
1937 (New Basis)	465,766,340	416,520,177	
1938 (Old Basis)	173,198,546	154,287,678	

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Oct. 12, inclusive		Name of Security	Price, Oct. 12, 1938	Change since Oct. 5, 1938	Yield, Oct. 12, 1938	Prices, Year 1938 Jan. 1 to Oct. 12, inclusive		Name of Security	Price, Oct. 12, 1938	Change since Oct. 5, 1938	Yield, Oct. 12, 1938
High	Low	High	Low					High	Low				
84 1/2	73 1/2	79 1/2	64	British Funds	73		£ s. d.	84 1/2	73 1/2	79 1/2	64		£ s. d.
113	105 1/2	111 1/2	98	Consols 2 1/2 (att. 1957)	107 1/2	-1 1/2	3 10 0	113	105 1/2	111 1/2	98		3 10 0
101 1/2	93 1/2	100 1/2	90	Conv. 2 1/2 1944-49	97	-1 1/2	3 10 0	101 1/2	93 1/2	100 1/2	90		3 10 0
103 1/2	97 1/2	103 1/2	92	Do. 3 1/2 1948-53	99 1/2	-1 1/2	3 10 0	103 1/2	97 1/2	103 1/2	92		3 10 0
106 1/2	99 1/2	104 1/2	90 1/2	Do. 3 1/2 after 1961	100	-1 1/2	3 10 0	106 1/2	99 1/2	104 1/2	90 1/2		3 10 0
108	105	105 1/2	100	Do. 4 1/2 1940-44	104 1/2	-1 1/2	3 10 0	108	105	105 1/2	100		3 10 0
117 1/2	111 1/2	115 1/2	102	Do. 5 1/2 1944-64	110 1/2	-1 1/2	3 10 0	117 1/2	111 1/2	115 1/2	102		3 10 0
92 1/2	89	91 1/2	81	Fund. 2 1/2 1956-61	88	-1 1/2	3 10 0	92 1/2	89	91 1/2	81		3 10 0
96 1/2	89 1/2	97 1/2	88	Fund. 2 1/2 1952-57	95	-1 1/2	3 10 0	96 1/2	89 1/2	97 1/2	88		3 10 0
101 1/2	92 1/2	99 1/2	90	Fund. 3 1/2 1959-69	97	-1 1/2	3 10 0	101 1/2	92 1/2	99 1/2	90		3 10 0
116 1/2	109	121 1/2	98	Fund. 4 1/2 1960-90	109	-1 1/2	3 10 0	116 1/2	109	121 1/2	98		3 10 0
99 1/2	96 1/2	101 1/2	92	Nat. D. 2 1/2 1944-48	98	-1 1/2	3 10 0	99 1/2	96 1/2	101 1/2	92		3 10 0
114 1/2	107 1/2	112 1/2	100	Do. 3 1/2 1954-58	108	-1 1/2	3 10 0	114 1/2	107 1/2	112 1/2	100		3 10 0
105 1/2	98 1/2	103 1/2	90 1/2	Victory Bonds 4 1/2	101	-1 1/2	3 10 0	105 1/2	98 1/2	103 1/2	90 1/2		3 10 0
118	114 1/2	118 1/2	108	War L. 3 1/2 af. 1952	101	-1 1/2	3 10 0	118	114 1/2	118 1/2	108		3 10 0
102	99 1/2	102	90 1/2	Local Loans 3 1/2	85 1/2	-1 1/2	3 10 0	102	99 1/2	102	90 1/2		3 10 0
72	62	68 1/2	55	Austria 3 1/2 1933-53	66	-1 1/2	3 10 0	72	62	68 1/2	55		3 10 0
85 1/2	74 1/2	82 1/2	68	India 2 1/2	66	-1 1/2	3 10 0	85 1/2	74 1/2	82 1/2	68		3 10 0
98 1/2	87	95 1/2	75	Do. 3 1/2	79	-1 1/2	3 10 0	98 1/2	87	95 1/2	75		3 10 0
119 1/2	112 1/2	117 1/2	110	Do. 4 1/2	115 1/2	-1 1/2	3 10 0	119 1/2	112 1/2	117 1/2	110		3 10 0
109 1/2	105	108 1/2	97	Dom. & Col. Govts.	105 1/2	-1 1/2	3 10 0	109 1/2	105	108 1/2	97		3 10 0
105 1/2	101	104 1/2	97	Austr. 5 1/2 1945-75	101 1/2	-1 1/2	3 10 0	105 1/2	101	104 1/2	97		3 10 0
111 1/2	104 1/2	115 1/2	109 1/2	Canada 4 1/2 1940-60	102 1/2	-1 1/2	3 10 0	111 1/2	104 1/2	115 1/2	109 1/2		3 10 0
110	104 1/2	108 1/2	98 1/2	Nigeria 5 1/2 1950-60	112 1/2	-1 1/2	3 10 0	110	104 1/2	108 1/2	98 1/2		3 10 0
107 1/2	103 1/2	107 1/2	97	N. Zealand 5 1/2 1946	102 1/2	-1 1/2	3 10 0	107 1/2	103 1/2	107 1/2	97		3 10 0
114 1/2	110 1/2	112 1/2	97	Queens. 5 1/2 1940-60	110 1/2	-1 1/2	3 10 0	114 1/2	110 1/2	112 1/2	97		3 10 0
103	93	96 1/2	73	S. Africa 5 1/2 1945-75	110 1/2	-1 1/2	3 10 0	103	93	96 1/2	73		3 10 0
105 1/2	97 1/2	102	23	Foreign Governments	86	-1 1/2	3 10 0	105 1/2	97 1/2	102	23		3 10 0
102 1/2	84 1/2	89	38	Arg. 4 1/2 Stg. Bds.	48	-1 1/2	3 10 0	102 1/2	84 1/2	89	38		3 10 0
102 1/2	84 1/2	89	38	Austria 1930 5 1/2	60	-1 1/2	3 10 0	102 1/2	84 1/2	89	38		3 10 0
89 1/2	37	37 1/2	13	Do. 4 1/2 1934-59	60	-1 1/2	3 10 0	89 1/2	37	37 1/2	13		3 10 0
95 1/2	54 1/2	60 1/2	40	Belgian 4 1/2 (36) 1970	92 1/2	-1 1/2	3 10 0	95 1/2	54 1/2	60 1/2	40		3 10 0
101 1/2	59	73 1/2	40	Bulgaria 7 1/2	34	-1 1/2	3 10 0	101 1/2	59	73 1/2	40		3 10 0
108 1/2	101 1/2	105 1/2	20	Brazil 5 1/2 Fd. 1914	18 1/2	-1 1/2	3 10 0	108 1/2	101 1/2	105 1/2	20		3 10 0
100	92 1/2	99	84	Chile 6 1/2 (1929)	17 1/2	-1 1/2	3 10 0	100	92 1/2	99	84		3 10 0
106 1/2	100 1/2	104	87	China 5 1/2 (1912)	45	-1 1/2	3 10 0	106 1/2	100 1/2	104	87		3 10 0
118 1/2	113 1/2	118 1/2	104	Do. (1913)	57	-1 1/2	3 10 0	118 1/2	113 1/2	118 1/2	104		3 10 0
66	52 1/2	56	20	Czechoslovakia 8 1/2	45	-1 1/2	3 10 0	66	52 1/2	56	20		3 10 0
49 1/2	35	40	20	Denmark 3 1/2	97 1/2	-1 1/2	3 10 0	49 1/2	35	40	20		3 10 0
40 1/2	30	34 1/2	25	Egypt Unified 4 1/2	100	-1 1/2	3 10 0	40 1/2	30	34 1/2	25		3 10 0
62	47 1/2	58 1/2	20	French 4 1/2 (British)	101 1/2	-1 1/2	3 10 0	62	47 1/2	58 1/2	20		3 10 0
88 1/2	53	60	35	Ger. Dawes Lm. 5 1/2	52 1/2	-1 1/2	3 10 0	88 1/2	53	60	35		3 10 0
94 1/2	61 1/2	64 1/2	38	Do. Young Lm. 4 1/2	39 1/2	-1 1/2	3 10 0	94 1/2	61 1/2	64 1/2	38		3 10 0
61 1/2	40 1/2	50	35	Greek 6 1/2 Stg. Lm.	31 1/2	-1 1/2	3 10 0	61 1/2	40 1/2	50	35		3 10 0
83	56	75 1/2	54	Hungary 7 1/2	52	-1 1/2	3 10 0	83	56	75 1/2	54		3 10 0
20 1/2	13	15 1/2	10	Japan 5 1/2 1936-65	54	-1 1/2	3 10 0	20 1/2	13	15 1/2	10		3 10 0
96 1/2	88 1/2	92	75	Do. 6 1/2 (24 red. 1959)	52	-1 1/2	3 10 0	96 1/2	88 1/2	92	75		3 10 0
118	111 1/2	115 1/2	101	Peru 7 1/2 1922	49	-1 1/2	3 10 0	118	111 1/2	115 1/2	101		3 10 0
95 1/2	82 1/2	87 1/2	75	Poland 7 1/2	65	-1 1/2	3 10 0	95 1/2	82 1/2	87 1/2	75		3 10 0
101	93 1/2	97 1/2	90 1/2	Roman. 4 1/2 Con. 1922	12	-1 1/2	3 10 0	101	93 1/2	97 1/2	90 1/2		3 10 0
104 1/2	100 1/2	105 1/2	94 1/2	U.K. & A. 3 1/2	84 1/2	-1 1/2	3 10 0	104 1/2	100 1/2	105 1/2	94 1/2		3 10 0
111 1/2	104 1/2	111 1/2	101	U.K. & A. 4 1/2	110 1/2	-1 1/2	3 10 0	111 1/2	104 1/2	111 1/2	101		3 10 0
95 1/2	82 1/2	87 1/2	75	Corporation Stocks	109 1/2	-1 1/2	3 10 0	95 1/2	82 1/2	87 1/2	75		3 10 0
101	93 1/2	97 1/2	90 1/2	Birmingham 5 1/2 1946-56	101 1/2	-1 1/2	3 10 0	101	93 1/2	97 1/2	90 1/2		3 10 0
104 1/2	100 1/2	105 1/2	94 1/2	Bristol 5 1/2 1948-58	109 1/2	-1 1/2	3 10 0	104 1/2	100 1/2	105 1/2	94 1/2		3 10 0
111 1/2	104 1/2	111 1/2	101	L.C.C. 3 1/2	83 1/2	-1 1/2	3 10 0	111 1/2	104 1/2	111 1/2	101		3 10 0
101	93 1/2	97 1/2	90 1/2	Liverpool 3 1/2 1954-64	81 1/2	-1 1/2	3 10 0	101	93 1/2	97 1/2	90 1/2		3 10 0
104 1/2	100 1/2	105 1/2	94 1/2	Middx. 3 1/2 1957-62	102	-1 1/2	3 10 0	104 1/2	100 1/2	105 1/2	94 1/2		3 10 0

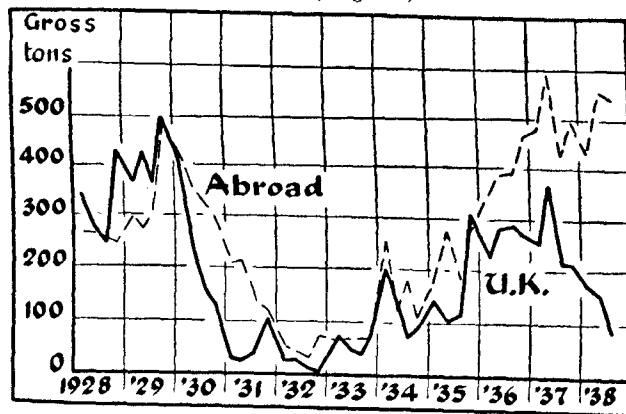
(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield worked on a 5 1/2% basis. (h) Yield based on 4 1/2% basis. (i) Yield based on 4% of coupon. (j) Yield based on 47% of coupon. (k) Yield based on 10% basis. (l) Yield based on 14% basis. (m) 1% paid free of income tax.

Prices, Year 1938 Jan. 1 to Oct. 12, inclusive				Prices, Year 1938 Jan. 1 to Oct. 12, inclusive				Prices, Year 1938 Jan. 1 to Oct. 12, inclusive				Prices, Year 1938 Jan. 1 to Oct. 12, inclusive							
Last two Dividends		Name of Security		Price, Oct. 12, 1938		Change since Oct. 5, 1938		Yield, Oct. 12, 1938		Last two Dividends		Name of Security		Price, Oct. 12, 1938		Change since Oct. 5, 1938		Yield, Oct. 12, 1938	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)
High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
25 1/2	20 1/2	Nil	Nil	Iron, Coal, &c.—cont.	25 1/2	+1 1/2	£ s. d.	25 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
26 1/2	21 1/2	1 c	Nil	Thornycroft, John L1	26 1/2	-1 1/2	5 6 0	26 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
27 1/2	22 1/2	3 1/2	7 b	U. States Steel 1000	27 1/2	-1 1/2	5 6 0	27 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
28 1/2	23 1/2	10 c	4 a	Un. Steel Cos. Ord. L1	28 1/2	-1 1/2	5 6 0	28 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
29 1/2	24 1/2	12 1/2	12 1/2	Vickers 10—	29 1/2	-1 1/2	5 6 0	29 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
30 1/2	25 1/2	14 1/2	12 1/2	Ward (Thos. W.) L1	30 1/2	-1 1/2	5 6 0	30 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
31 1/2	26 1/2	15 1/2	12 1/2	Weardale S. etc. Df L1	31 1/2	-1 1/2	5 6 0	31 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
32 1/2	27 1/2	16 1/2	12 1/2	Whitehead L. & S. L1	32 1/2	-1 1/2	5 6 0	32 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
33 1/2	28 1/2	17 1/2	12 1/2	Yarrow & Co. L1	33 1/2	-1 1/2	5 6 0	33 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
34 1/2	29 1/2	18 1/2	12 1/2	Textiles	34 1/2	-1 1/2	5 6 0	34 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
35 1/2	30 1/2	19 1/2	12 1/2	Bleachers L1	35 1/2	-1 1/2	5 6 0	35 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
36 1/2	31 1/2	20 1/2	12 1/2	Bradford Dyers L1	36 1/2	-1 1/2	5 6 0	36 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
37 1/2	32 1/2	21 1/2	12 1/2	Brit. Cel. Ord. 10—	37 1/2	-1 1/2	5 6 0	37 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
38 1/2	33 1/2	22 1/2	12 1/2	Calico Printers L1	38 1/2	-1 1/2	5 6 0	38 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
39 1/2	34 1/2	23 1/2	12 1/2	Coats, J. & P. L1	39 1/2	-1 1/2	5 6 0	39 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
40 1/2	35 1/2	24 1/2	12 1/2	Courtaulds L1	40 1/2	-1 1/2	5 6 0	40 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
41 1/2	36 1/2	25 1/2	12 1/2	English Swe. Ctn. L1	41 1/2	-1 1/2	5 6 0	41 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
42 1/2	37 1/2	26 1/2	12 1/2	Fine Cotton Spin. L1	42 1/2	-1 1/2	5 6 0	42 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
43 1/2	38 1/2	27 1/2	12 1/2	Linen Thread Sck. L1	43 1/2	-1 1/2	5 6 0	43 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
44 1/2	39 1/2	28 1/2	12 1/2	Patons & Baldwins L1	44 1/2	-1 1/2	5 6 0	44 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
45 1/2	40 1/2	29 1/2	12 1/2	Whitworth & Mit. L1	45 1/2	-1 1/2	5 6 0	45 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
46 1/2	41 1/2	30 1/2	12 1/2	Electric Light & Sck.	46 1/2	-1 1/2	5 6 0	46 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
47 1/2	42 1/2	31 1/2	12 1/2	Brazil Trac., no par.	47 1/2	-1 1/2	5 6 0	47 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
48 1/2	43 1/2	32 1/2	12 1/2	Bournmouth & Ple.	48 1/2	-1 1/2	5 6 0	48 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
49 1/2	44 1/2	33 1/2	12 1/2	British Pow. & Lt. L1	49 1/2	-1 1/2	5 6 0	49 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
50 1/2	45 1/2	34 1/2	12 1/2	City of London L1	50 1/2	-1 1/2	5 6 0	50 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
51 1/2	46 1/2	35 1/2	12 1/2	Clyde Valley Elec. L1	51 1/2	-1 1/2	5 6 0	51 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
52 1/2	47 1/2	36 1/2	12 1/2	County of London L1	52 1/2	-1 1/2	5 6 0	52 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
53 1/2	48 1/2	37 1/2	12 1/2	Edmundsons L1	53 1/2	-1 1/2	5 6 0	53 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
54 1/2	49 1/2	38 1/2	12 1/2	Lancashire Elec. L1	54 1/2	-1 1/2	5 6 0	54 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
55 1/2	50 1/2	39 1/2	12 1/2	London Ass. Elec. L1	55 1/2	-1 1/2	5 6 0	55 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
56 1/2	51 1/2	40 1/2	12 1/2	Metro. Electric L1	56 1/2	-1 1/2	5 6 0	56 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
57 1/2	52 1/2	41 1/2	12 1/2	Midland Counties L1	57 1/2	-1 1/2	5 6 0	57 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
58 1/2	53 1/2	42 1/2	12 1/2	North-East. Elec. L1	58 1/2	-1 1/2	5 6 0	58 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
59 1/2	54 1/2	43 1/2	12 1/2	North-West. Elec. L1	59 1/2	-1 1/2	5 6 0	59 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
60 1/2	55 1/2	44 1/2	12 1/2	Scottish Elec. L1	60 1/2	-1 1/2	5 6 0	60 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
61 1/2	56 1/2	45 1/2	12 1/2	Yorkshire Electric L1	61 1/2	-1 1/2	5 6 0	61 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
62 1/2	57 1/2	46 1/2	12 1/2	Gas L. & C. L1	62 1/2	-1 1/2	5 6 0	62 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
63 1/2	58 1/2	47 1/2	12 1/2	Imp. Cont. Sck.	63 1/2	-1 1/2	5 6 0	63 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
64 1/2	59 1/2	48 1/2	12 1/2	Newc.-on-Tyne L1	64 1/2	-1 1/2	5 6 0	64 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
65 1/2	60 1/2	49 1/2	12 1/2	S. Metropolitan Sck. L1	65 1/2	-1 1/2	5 6 0	65 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
66 1/2	61 1/2	50 1/2	12 1/2	Motors and Cycle	66 1/2	-1 1/2	5 6 0	66 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
67 1/2	62 1/2	51 1/2	12 1/2	Albion Motors Ord. L1	67 1/2	-1 1/2	5 6 0	67 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
68 1/2	63 1/2	52 1/2	12 1/2	Assoc. Equip. Ord. L1	68 1/2	-1 1/2	5 6 0	68 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
69 1/2	64 1/2	53 1/2	12 1/2	Austin 5—	69 1/2	-1 1/2	5 6 0	69 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
70 1/2	65 1/2	54 1/2	12 1/2	Birm. Sml. Arms L1	70 1/2	-1 1/2	5 6 0	70 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
71 1/2	66 1/2	55 1/2	12 1/2	Dennis 1—	71 1/2	-1 1/2	5 6 0	71 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
72 1/2	67 1/2	56 1/2	12 1/2	Ford Motors L1	72 1/2	-1 1/2	5 6 0	72 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
73 1/2	68 1/2	57 1/2	12 1/2	Lucas, J. (L1)	73 1/2	-1 1/2	5 6 0	73 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
74 1/2	69 1/2	58 1/2	12 1/2	Leyland Motors L1	74 1/2	-1 1/2	5 6 0	74 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
75 1/2	70 1/2	59 1/2	12 1/2	Morris Motors 5—Od.	75 1/2	-1 1/2	5 6 0	75 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
76 1/2	71 1/2	60 1/2	12 1/2	Rol. Cycle L1	76 1/2	-1 1/2	5 6 0	76 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
77 1/2	72 1/2	61 1/2	12 1/2	Rolls-Royce L1	77 1/2	-1 1/2	5 6 0	77 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
78 1/2	73 1/2	62 1/2	12 1/2	Stand. Motor 5—	78 1/2	-1 1/2	5 6 0	78 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
79 1/2	74 1/2	63 1/2	12 1/2	Shipping	79 1/2	-1 1/2	5 6 0	79 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
80 1/2	75 1/2	64 1/2	12 1/2	Clan Line Steam. L1	80 1/2	-1 1/2	5 6 0	80 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
81 1/2	76 1/2	65 1/2	12 1/2	Cunard L1	81 1/2	-1 1/2	5 6 0	81 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
82 1/2	77 1/2	66 1/2	12 1/2	Commer. Wmly L1	82 1/2	-1 1/2	5 6 0	82 1/2	17 1/2	10 c	+12 1/2	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d	25 1/2	+6d
83 1/2	78 1/2	67 1/2	12 1/2	P. & O.															

Industry and Trade

The Plight of British Shipbuilding.—The latest of *Lloyd's Register Shipbuilding Returns* concerning the activity of the shipbuilders at home and abroad are disquieting. In view of the recession in world economic activity between the summers of 1937 and 1938, which led to a fall of 13½ per cent. in the volume of international trade, and, consequently, to a break in freight rates, some decline in orders for mercantile shipbuilding tonnage was to be expected. Indeed, the tonnage of mercantile vessels commenced in the world fell from 964,000 tons gross in the second quarter of 1937 to 716,000 tons and 634,000 tons in the second and third quarters of 1938. The disturbing feature is not so much the decline in the aggregate volume of new orders as the fact that almost the whole of the reduction has fallen on the British shipbuilding industry. As the accompanying diagram shows, between 1928 and 1935 the shipping tonnage commenced in this country varied fairly closely with that on which work was begun in the world as a whole. Since then, however, the proportion of the world's shipbuilding orders secured by British concerns has fallen rapidly from 53 per cent. in the last quarter of 1935 to 14 per cent. in the third quarter of this

MERCANTILE TONNAGE COMMENCED
(Quarterly figures)



year. During July-September, for example, the tonnage commenced in the United States, Japan and Germany was substantially higher than the volume of orders received by British shipbuilders. This tendency, which seems to threaten the very existence of the shipbuilding industry in this country, cannot be explained by the fall in world trade and in freight rates. Nor, in view of the subsidies given to the shipbuilding industries of other countries, can the relative decline of the British industry be attributed to a decline in its efficiency. Nevertheless, there is a strong presumption that the diversion of orders to foreign countries has been accentuated by the increase in costs, over some of which, such as steel prices, the industry has no control. While naval work will ensure the employment of a substantial number of berths during the next few years, this is quite insufficient to prevent a serious slump in the industry in the absence of an increase in commercial orders, for even now some 46 per cent. of its capacity is idle.

Improvement in Exports.—The preliminary returns of our foreign trade in September are not as discouraging as might have been expected. The percentage fall in the value of imports between September, 1937, and the past month, at 14.6 per cent., was as big as in August, but exports showed a fall of only 10.0 per cent. compared with the corresponding month last year, against a decline of 14.6 per cent. in August. As a result, the excess of imports over exports last month was £7.2 millions smaller than a year ago. If allowance is made for seasonal variations, the volume of raw material imports showed a further de-

cline, and our index fell from 111½ (1935 = 100) in August to 105½ in September. On the other hand, our index of the volume of exports of domestic manufactures rose from 90 in August to 103 in the past month. Compared with a year ago, our September indices of the volume of raw

BRITAIN'S OVERSEAS TRADE

	(£ thousands)				
	1936	1937	1938	Change between 1937 and 1938	Per cent.
<i>September</i>					
Total imports	71,896	87,844	75,001	-12,843	-14.6
British exports	36,961	44,263	39,809	-4,454	-10.0
Re-exports	3,915	5,206	4,038	-1,168	-22.4
Total exports	40,876	49,469	43,847	-5,622	-11.3
Excess of imports over exports ..	31,020	38,375	31,154	-7,221	-18.8
Transshipments under bond	2,770	3,248	2,913	-335	-10.3
<i>Nine Months ended September</i>					
Total imports	607,979	742,566	691,110	-51,456	-6.9
British exports	320,092	385,652	346,660	-38,992	-10.1
Re-exports	45,713	59,375	46,344	-13,031	-21.9
Total exports	365,805	445,027	393,004	-52,023	-11.6
Excess of imports over exports ..	242,174	297,539	298,106	-567	-0.2
Transshipments under bond	20,579	27,747	23,868	-3,879	-14.0

material imports and of exports of domestic manufactures show falls of 27½ per cent. and 9½ per cent. respectively. The relatively greater fall in raw material imports may be ascribed partly to the previous accumulation of stocks. The improvement in the volume of exports of domestic manufactures, while welcome, does not necessarily portend a change of trend.

Rise in Steel Output.—There are indications that the efforts made by the iron and steel industry since the beginning of this year to adjust new supplies to the lower level of demand by the drastic curtailment of domestic production and imports are beginning to bear fruit. The output of pig iron fell from 443,000 tons in August to 429,800 tons in September, but the production of crude steel was stepped up from 658,900 tons to 754,700 tons. Between August and September, 1937, the output of pig iron rose by 1.8 per cent., against a fall of 3 per cent. this year. Moreover, the 14.5 per cent. increase in the production of crude steel in September was due mainly to seasonal influences, for during the corresponding period last year output rose by 17.8 per cent. Nevertheless, the figures suggest that the adjustment of new supplies to the fall in demand is nearing completion, for stocks of pig iron and semi-finished materials are understood to have been substantially reduced. Although the volume of new purchases remains comparatively small, the industry is now expecting a revival in demand which may permit an early increase in output without adding to stocks. A reduction in prices at the beginning of next year would probably help to stimulate demand.

The Steel Scrap Problem.—The friction over the administration of the steel scrap control scheme, established early last year, has not yet been removed. Some of the scrap merchants are still chafing under the restrictions imposed upon them by the terms of the agreement between the Iron and Steel Federation and the National Federation of Scrap Iron and Steel Merchants. A number of steel makers are aggrieved by an arrangement under which, regardless of their respective consumption of pig iron and scrap, a uniform levy per ton of steel ingot production is now being collected to cover the difference between the fixed British price and the higher prices at which large contracts were placed by the British Iron and Steel Corporation for supplies, chiefly from the United States, during the shortage of 1937. There have been no purchases of foreign scrap by the Corporation since November, 1937,

but by far the greater part of the material bought from the United States last year has been received in the first half of this year, when total imports were 686,000 tons, compared with 328,000 tons in the corresponding period of 1937. Since June, however, imports have shown a substantial decline. The present difficulties are due chiefly to the fact that these increased imports have coincided with a sharp decline in the demand for scrap as a result of the recession in the iron and steel industry. The reaction has been accentuated by the failure of many sheet users to accept delivery of large contracts for steel placed by them during the 1937 shortage in their then natural anxiety to secure future supplies. The control exercised by the International Scrap Convention has modified considerably the former relations between import and export prices. The extent to which import and export prices have diverged from their relations before the 1937 boom may be judged from the fact that, whereas in 1936 the average export price of scrap was £2 14s. 8d. per ton f.o.b. and the average import price £2 16s. 5d. per ton c.i.f., during the first eight months of 1938 export prices averaged £3 9s. 9d. per ton f.o.b. and import prices £4 7s. 7d. per ton c.i.f. The problem is receiving the attention of merchants and steel manufacturers, but while there is a natural desire to modify the arrangements made in 1937, there is, at the same time, a reluctance to abandon the principles of domestic and international co-operation which have been in operation during the past eighteen months.

Cotton Trade Agitation.—In Lancashire cotton trade circles there is increasing anxiety owing to the marked decline in the exports of manufactured cotton goods, shipments so far this year being 30 per cent. smaller than in 1937. The Cotton Trade League has this week sent a circular to all spinners and manufacturers, in which it is pointed out that the situation renders it imperative for the United Kingdom to make increased use of its

enormous bargaining power to secure better treatment in overseas markets. It is asserted that "only by regaining these markets can Lancashire recover its prosperity, and only the Government, by trade agreements with other parts of the Empire and with foreign countries, can bring about this recovery." The League, therefore, has decided to conduct a vigorous campaign of public meetings throughout Lancashire. Recently, another organisation, the Red Rose Campaign, was formed for the purpose of holding open-air meetings, of which several have been held, to draw attention to the depression and the loss of export trade. This agitation is presumably meant to stimulate the Government into early action.

United States Cotton Crop.—At the end of last week the Department of Agriculture of the United States Government issued its third forecast of the cotton crop for this season, the figure being 12,212,000 bales, against 11,825,000 bales a month earlier. The forecast was rather larger than expected, but prices in Liverpool and New York have been scarcely affected by the bearish estimate. It is significant that the officials at Washington have increased the figure of the condition of the crop from 65 per cent. of normal in September to 66 per cent. this month and that of the yield per acre from 214.1 lb. to 221.1 lb. With regard to world consumption, there has recently been some improvement in the United States, but in the absence of a general improvement it is probable that the quantity of American cotton required by spinners during the twelve months will be less than 11,000,000 bales. It is almost certain, therefore, that the carry-over of the American staple at the end of this season will reach the record size of between 13,500,000 bales and 14,000,000 bales. Prices would be much lower but for the Government's withdrawal of cotton from the market. However, the market in raw cotton has recently been firmer owing to less satisfactory advices relating to the Egyptian crop,

AUSTIN MOTORS

YEAR TO 31st JULY, 1938.

Dividends & Cash Bonus { 20% Preferred Ordinary Stock
30% Ordinary & 'A' Ordinary Stock
Debenture Interest & Dividends for year gross - - - £488,417

TRADING PROFIT Inc. £303,330 brought for'd. - - - £1,586,158
MAINTENANCE AND DEPRECIATION - - - 673,170
RESERVE (Contingencies) - - - 45,000
FEES, INCOME TAX & N.D.C. (£156,000 not due until 1/1/40) - - - 176,000
DIVIDENDS (net) & DEBENTURE SERVICE - - - 388,541
CARRY FORWARD - - - 303,447
£1,586,158

LIQUID ASSETS £2,666,408 - - - TOTAL ASSETS £8,623,009
RESERVE FOR DEPRECIATION of Plant and Equipment - - - 2,160,297
RESERVES & CARRY FORWARD - - - 1,467,147
CASH & SECURITIES - - - 1,313,648

TWELVE FINANCIAL PERIODS (11 years 10 months)

	1st Oct., 1926, to 31st July, 1938	Average p.a.
Gross Trading Profit	£15,041,194	£1,271,087
Maintenance & Depreciation	6,180,864	522,327
Capital Expenditure	3,703,690	312,988
Income Tax & N.D.C.	1,903,177	160,832
Debenture Interest & Divs. (Inc. Arrears) gross	5,765,960	487,264

and it is probable that the supply from that country will be about 30 per cent. smaller than last season. Demand for most kinds of cotton in the Liverpool market, but especially of South American qualities, has recently increased, and substantial purchases have been recorded.

* * *

An International Wheat Agreement?—When the life of the International Wheat Advisory Committee was prolonged for the 1938-39 and 1939-40 seasons in July last, the wheat market seemed to attach little significance to this decision. The Committee had been formed to operate the international wheat agreement of 1933, but the agreement lost its practical value since Argentina's resignation in 1935. There is now some evidence that the Committee's prolongation in July last was not just a routine matter. About a fortnight ago it was announced that Argentina had rejoined the Committee, and in the past few days Holland, Denmark and Finland have agreed to take part in its deliberations. In other words, vigorous efforts are being made to bring about a measure of co-operation on the international wheat market in order to prevent the disastrous slump in prices which would follow an attempt of the great exporting countries to market this year's bumper crops at any price. It is no longer a secret that the centre of these efforts lies in Washington. The United States Government was not only the moving power behind the committee's decision, last July, but it was also due to the American pressure that Argentina rejoined the Committee. In the course of a speech to Kansas wheat farmers at the end of September, Mr Wallace, the United States Secretary of Agriculture, pointed out that the U.S. Government is doing everything possible to persuade the other wheat exporting countries to accept a plan for the international regulation of exports. It is still premature to make any forecasts concerning the probable outcome of these endeavours. It must be recognised, however, that the last two crops have strengthened the influence of the United States on the world wheat markets to such an extent that all other exporting countries are likely to prefer co-operation to cut-throat competition. Indeed, it was reported last week-end that, according to the information of the United States Bureau of Agricultural Economics, the Government of Argentina would support an international wheat marketing agreement, although it would oppose acreage restriction. As Argentina's refusal to co-operate was the chief cause of the breakdown of the 1933 wheat agreement, her changed attitude provides a favourable omen for the new efforts to regulate wheat exports.

* * *

Increase in the Copper Quota.—The sustained recovery in the United States, as expected, is finding reflection in the upward trend of the prices of many raw materials. The extent of the American recovery is revealed by the Federal Reserve Board's index of industrial production (1923-25 = 100), which has risen from 76 in May to 90 in September. Since the previous weakness of the copper market was not due to over-production outside the United States but to the accumulation of heavy stocks in that country, copper was one of the first commodities to benefit from the recovery in America. As a result of the successful control over production outside the United States, stocks were kept at a low level, and visible supplies are now equivalent to less than two months' consumption. On the other hand, visible supplies in the United States have been very heavy; despite some reduction in recent months, they amounted to 315,000 short tons at the end of August, while consumption in that month was estimated at only 48,000 tons. But the accumulation of heavy visible supplies in the United States has been accompanied by a sharp fall in the stocks held by consumers. As soon as consumers felt assured of the revival of general business activity, they began to increase their stocks, thus initiating a rise in prices. At the beginning of this week the London price of

standard copper rose above £45 per ton. Since the co-operating producers appear to hold the view that a price in excess of £45 per ton would stimulate production by other concerns, they promptly decided last Monday to increase their output quota from 95 per cent. to 105 per cent. of the standard tonnages from October 15th. The fact that the price of copper remained above £45 per ton in spite of this decision augurs well for the copper and other raw material producing industries.

* * *

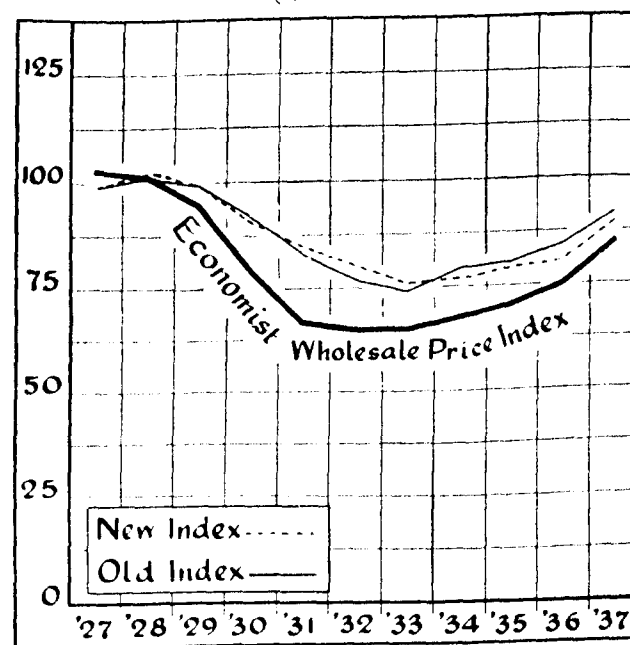
Higher Zinc Duty?—Late last week the Import Duties Advisory Committee announced that it has under consideration proposals for changes in this country's zinc import duty. The Government introduced a 10 per cent. *ad valorem* duty on foreign zinc in 1932 as part of the Ottawa Agreements. In August, 1935, this duty was reduced to 12s. 6d. per ton (equivalent to slightly over 4 per cent. of the current price of the metal) in order to facilitate the conclusion of an international zinc cartel. In its report to the President of the Board of Trade on July 2, 1935, the I.D.A.C. pointed out that "the new rate of duty proposed is low and in the absence of agreement with overseas producers to control production and sales it may prove inadequate to safeguard the home industry." The attempts at the formation of an international zinc cartel made at that time, as well as all the subsequent endeavours towards the same goal, have failed. The I.D.A.C.'s decision to hold an inquiry, therefore, cannot be regarded as a surprising step, particularly as the maintenance of the British zinc smelting industry is of considerable strategic significance. It may be that the inquiry will force the leading international zinc producers to hasten their negotiations, which were initiated only a few weeks ago. At any rate, the United Kingdom is by far the largest zinc importing country in the world, and this market constitutes a vital outlet for most of the producers in exporting countries. Nevertheless, it is expected in London metal circles that the I.D.A.C. will not delay its recommendation to increase the duty on foreign zinc, and it is even believed possible that, in the interests of national defence, Empire producers may be given effective preference. The basis for such a tariff was laid in the Anglo-Canadian Trade Agreement of 1937, and as the earning capacity of the Imperial Smelting Corporation, Britain's large zinc-smelting concern, has deteriorated in recent months, the I.D.A.C. may, in fact, feel inclined to extend the support against competition also to Empire metal.

* * *

Agricultural Prices.—The Ministry of Agriculture has now published its revised index of the prices of British agricultural products, which is to replace the index begun in 1913. The new index is both more comprehensive and more complicated than the old. Sugar-beet, tomatoes, cucumbers, grapes, beans and peas for human consumption have been included; the average of first and second quality prices for these and the other commodities will be used henceforth, instead of those for second quality only. The new index is based on the years 1927-29, the only three years since the war when agricultural prices have been fairly stable. But the most drastic change is in the system of weighting. The old index was weighted in accordance with the relative importance of the output of the various commodities in the year 1908, and these weights have never been altered, in spite of the changes in agricultural practice in the last thirty years. The weights of the new index will be re-calculated for each year in accordance with the relative importance of the individual commodities in the preceding five years. The diagram below shows the course of both the new and old indices (the latter re-calculated with 1927-29 as base), with *The Economist's* index of wholesale prices given as comparison. The revised index of the Ministry of Agriculture, which gives a greater weight to dairy

products than the old, registered a smaller fall in 1928-33 than the old index, since the slump in these years was concentrated on cereal prices. For the same reasons, the revised index has lagged behind the old one in the years of

MINISTRY OF AGRICULTURE PRICE INDICES,
1927-37
(1927-29 = 100)



recovery, which saw an abrupt rise in the price of grains. Further, the fall in the indices of the prices of domestic agricultural products from 1927-29 to 1932 was less steep than the decline in *The Economist* index of wholesale prices. Neither the general level of prices, as measured by *The Economist* index, nor the prices of domestic farm produce, have recovered to the pre-depression level. But both the old and new agricultural indices for 1937 are relatively higher compared with the average of 1927-29 than the more general index of *The Economist*, partly, no doubt, a consequence of agricultural protection.

* * *

Veterinary Education.—Nearly two years ago, the Minister of Agriculture appointed a committee to enquire into the facilities available for veterinary education and to make recommendations thereon. The appointment was partly due to the growing belief in agricultural circles that the training of veterinary surgeons was inadequate. The recently published report of the committee fully bears out the general criticisms. The committee points out that there has been in the past no co-ordination of any kind between the Royal College of Veterinary Surgeons, which conducts examinations and grants licences, and the four training institutes—the Veterinary Colleges at London, Edinburgh and Glasgow, and the Department of Veterinary Science at Liverpool University. They consider that the various courses in the curriculum which have been added piecemeal over the last twenty years have at present no logical sequence and give too little attention to the problems of maintaining health in farm animals, as distinct from curing various specified diseases. A knowledge of animal nutrition, of the hygiene of the farm and of the routine of good farm management is, they consider, essential if the future veterinary surgeon is to play his part in improving the standards of health and production on Britain's farms. The committee also consider that the teaching institutes are overcrowded, understaffed and financially starved; further, because they are all situated in large towns, away from farms, the students obtain an entirely inadequate training in the practical work of handling and observing animals, whether ill or well.

The committee's recommendations to meet these deficiencies are drastic. They propose that the constitution of the R.C.V.S. should be amended to permit the training centres to be represented on its council and that the college should be given powers to inspect and supervise the training given to students working for its examinations. A revised curriculum has been drawn up, and the committee also recommend increased financial provision from the Treasury to enlarge and re-equip the training schools. They recommend that each school should be supplemented by a field station of about 100 acres in extent which should carry a full complement of livestock. On this, students could obtain practical experience with farm animals. Closer co-operation with local veterinary surgeons is also urged, so that the students may come into contact with a larger number of sick animals. Finally, the committee recommend that two essential qualifications for the final degree of the R.C.V.S. should be a year's practical work, of which the student should spend one-half on a farm and the other half as an assistant to a practising veterinary surgeon.

* * *

Wholesale Price Movements.—There has been a further slight rise in British wholesale prices, which makes the total increase during the past month 1.4 per cent. for the complete *Economist* index and 2.2 per cent. for sterling prices of primary products. The past fortnight, however, has witnessed a slight fall in the American prices of primary products, which brings the index back to just below where it stood a month ago. The complete Irving Fisher index has also fallen fractionally during the past month. An examination of British and American price changes in the same commodities during the past fortnight gives no definite indications that this slight divergence between the two countries reflects the recent depreciation of sterling. French wholesale prices have moved upwards by approximately the same amount as British prices.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichamt
	British Complete Index (sterling)	Primary Products (sterling)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	95.4
1937 Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28	142.0	169.9	183.5	165.4	135.6	120.5	97.0
June 2	142.7	170.2	178.9	165.6	134.3	119.8	97.5
June 30	139.5	165.9	176.8	165.7	134.1	119.8	97.5
July 28	140.2	167.1	171.8	164.5	133.8	130.8	97.9
Aug. 25	137.9	164.4	165.3	164.2	133.0	133.3	98.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	139.4	97.6
Oct. 20	133.6	156.2	152.3	165.4	129.5	138.8	97.3
Dec. 1	127.5	145.4	138.9	164.8	125.1	134.0	97.0
Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	97.0
1938 Feb. 2	126.6	144.4	135.4	164.5	119.8	137.9	97.0
Mar. 2	125.1	143.1	138.7	164.5	120.3	138.1	97.2
Mar. 30	122.7	137.0	129.3	164.6	117.7	139.4	97.1
Apr. 27	121.4	137.8	127.5	164.3	116.9	139.9	97.0
May 25	119.6	132.2	121.9	165.5	117.2	145.6	96.3
June 22	119.3	133.2	121.8	165.8	117.6	147.3	96.9
July 6	120.8	135.7	124.7	165.9	117.7	148.7	97.0
July 20	119.5	137.4	128.6	166.5	118.2	147.8	97.1
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	97.5
Aug. 17	118.3	136.1	124.7	167.6	115.9	145.5	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	97.3
Sept. 14	115.2	133.0	126.9	170.6	117.0	145.8	97.0*
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	97.0
Oct. 12	116.8	135.9	126.8	172.3	116.7*	147.3*	96.9

* These figures relate to October 5th. † Monthly average.

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The following table shows the complete *Economist* index number in greater detail:—

The <i>Economist</i> INDEX (1927 = 100)				
	Sept. 18, 1931	Oct. 6, 1937	Sept. 28, 1938	Oct. 12, 1938
Cereals and meat...	64.5	92.3	72.4	73.3
Other foods	62.2	67.7	58.1	57.8
Textiles	43.7	64.3	53.9	54.1
Minerals	67.4	101.0	94.0	95.5
Miscellaneous	65.8	83.5	75.3	75.1
Complete index	60.4	81.6	70.2	70.5
1913 = 100	83.1	112.3	96.6	97.1
1924 = 100	52.2	70.5	60.7	60.9

Canadian wheat is cheaper than a fortnight ago, but there has been a sharp rise in the price of maize. Meat is dearer. In the other food group the most prominent movement is a decrease in the price of butter. Among textiles, American raw cotton and also yarn and cloth are slightly dearer. Wool is unchanged, but flax is lower. Jute is again firmer. There were appreciable increases in all non-ferrous metal prices. In the miscellaneous group, hides, linseed oil and creosote are cheaper, but leather is dearer, and there was a big increase in the price of rubber.

* * *

Germany's Ore Imports.—In recent years Germany has imported increasing quantities of metallic ores and residues, in order to reduce her foreign exchange requirements, to keep her smelters and refineries working to full capacity, to employ the maximum number of skilled workers and, not least, to pile up emergency reserves of "strategic" minerals. Statistics of ore imports, given in *Metal und Erz*, indicate that the Third Reich has a long way to go before attaining self-sufficiency even in base metals.

INDUSTRIAL REPORTS

THERE are indications that the flow of orders to industry is tending to increase. In view of the fact that many purchases were postponed during the crisis, an improvement was to be expected. The markets in coal have been more active, and demand for steel is expected to expand, for stocks of certain materials have been reduced by the drastic curtailment of imports and domestic production. Transactions in cotton goods were more numerous and the wool textile industry has also gained ground. Despite the steadier trend of freight rates in recent months, there has been no increase in mercantile shipbuilding orders. The Motor Show at Earls Court, which opened on Thursday, should give some indication of the demand for private cars during the next few months.

Coal

Sheffield.—Both the inland and export markets show a better tone, and demand generally tends to improve. There is a good demand for best qualities of household coal, and industrial fuels are making a better showing. Gas and electricity works are taking larger supplies. The coke position remains very unsatisfactory, although larger deliveries under contract for central heating are being made. The market in patent oven coke is fairly steady.

Australia is taking considerable quantities of hards, cobbles and trebles, as a result of the disputes at the coal mines there, and there are some good inquiries from Northern Europe. Gas coal is also in better request for ship-

ment. Bunkers continue to move slowly, and cokes are stagnant.

The quota for the Midland (Amalgamated) District was increased in October by 5 per cent. to 65 per cent. of the standard tonnage.

*

Newcastle-on-Tyne.—The feature of the North-East coal market this week is the firm position of steam coals, in particular Northumberland steam singles. In other respects conditions are much the same. The gas and coking section of Durham is quiet, there being little new export trade, whilst inland requirements give no indication of improvement. The export coke market, governed by the International Coke Cartel, is receiving a fair amount of inquiry from Scandinavian countries, but makers are unable to quote as they have exhausted their quota.

*

Glasgow.—Collieries in Scotland are now busier. This is due mainly to expansion in home trade, where, in addition to the seasonal improvement in business with household merchants and gas and electricity undertakings, industrial buyers have also been busier. Owing to the unsettled political position there seems to be a tendency to lay in extra stocks. Export trade has on the whole also improved to some extent, and Denmark, Sweden and Germany are now all taking up substantial tonnages. French and Italian markets are, however, more or less at a standstill. Another favourable development has been a broadening of the business with

GERMAN IMPORTS OF ORES
(In thousands of metric tons)

Item	1935	1937	Jan.-June, 1937	Jan.-June, 1938	Leading Suppliers in 1937
Copper	400.0	555.6	265.4	324.9	Holland, France, Cyprus, Belgium, Yugoslavia, Newfoundland, Peru, Australia, Poland, Mexico, Newfound-land, Australia, Bolivia.
Lead	81.0	126.8	45.1	73.6	
Zinc	117.3	146.3	41.5	107.7	
Tin	1.2	6.6	4.4	3.6	
Manganese	394.3	551.0	237.6	276.1	South Africa, British India, Russia, Turkey, South Africa, Greece, Canada, Burma, Brazil.
Chromium	95.4	132.2	59.7	67.0	
Nickel	29.0	20.0	10.3	11.3	
Tungsten	7.9	11.4	5.1	7.5	China, Burma, Bolivia, Spanish Africa, China, Turkey.
Antimony	0.4	0.9	0.2	0.5	
Pyrites	1,018.6	1,464.4	766.4	700.0	Spain, Norway, Cyprus.
Metal residues	10.8	13.2	5.6	6.9	Various European countries.

Germany has increased her manganese ore purchases from the Union of South Africa at the expense of Russia. Exports of S. African ore to Germany rose from 31,000 tons in 1935 to 290,700 tons last year, whereas those of Russia declined from 228,349 tons to 61,300 tons. In her barter agreement with S. Africa, to run from September 1, 1938, to August 31, 1939, Germany has contracted to purchase from that country manganese (for £450,000), vanadium (for £100,000), industrial diamonds (for £115,000) and substantial tonnages of chromium. Newfoundland has become a noteworthy supplier of lead and zinc ores to the Third Reich. Her exports of lead and zinc ores totalled 27,085 tons, and 21,539 tons last year, whereas they were nil in 1936. German imports of pyrites from areas controlled by General Franco in Spain have risen from 464,231 tons in 1936 to 835,700 tons in 1937. Germany obtains virtually the whole of her tin ore from Bolivia.

Australia and South America. Taken all round, collieries' stocks are moving away steadily, and the market remains firm in trend.

*

Cardiff.—Shipping movements and loading operations at the South Wales docks have been disorganised during the past week by the gales, and shipments were only 339,900 tons, compared with 418,300 tons in the previous week and 437,133 tons in the corresponding week last year. Many of the delayed vessels have now reached port, and early this week only about 13 shipment appliances were unoccupied, compared with 40 at one time last week. Inquiries for future supplies are a little more active, but there is little prompt new business in the market, and the quotations for smalls, of which the stocks are heavy, have been marked down 6d. per ton. Best large grades are being well absorbed and prices are unaltered. Of sized classes there is a shortage for early delivery. The market in coke and patent fuel continues weak.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that business is still restricted. Some encouragement, however, is derived from the fact that in some sections of the industry stocks have been materially reduced and that the volume of inquiry shows signs of expanding. The demand for pig iron is better and a number of contracts have been

renewed; but in the majority of cases buyers have limited their new purchases both as regards the tonnage and period of delivery. The stocks of foreign iron, however, appear to have been largely absorbed. As little foreign iron is now being imported the demand for British pig iron should gradually improve.

Stocks in the semi-finished steel section have been materially reduced and the demand for the British product is broadening. Some of the consuming works, however, are not well off for orders and are maintaining a cautious attitude towards fresh commitments.

Irregular conditions continue to prevail in the finished steel market and whilst the heavy steel works still have a fair tonnage of orders upon their books, comparatively little new business is reaching them. In the lighter section of the trade some improvement has been noticeable. The inquiry from overseas has shown signs of expanding and a moderate amount of new business has been transacted.

*

Sheffield.—Although the volume of business in the iron and steel market is limited, there is a better undertone, with a general expectation that matters will now show progressive improvement. Although many contracts will expire at the end of the year, there is very little readiness among pig-iron consumers to make renewals at present, purchases made being just sufficient to cover known needs. Deliveries under contract show some increase, but no great impression has been made on the heavy stocks at furnaces.

Forge iron is a weak market, and the call for foundry iron is erratic. On the other hand, basic iron is in fairly steady demand. There is not much doing in hematites, most users being well contracted to the end of the year. Special qualities meet with a better demand. Finished iron shows little or no sign of development.

There is some expansion in the steel market, and both basic and acid steel billets are coming into greater demand. Strip, stainless steel sheets and wire rods are more active. Prices show no variation.

Production of special steels is expanding, for makers are working to capacity, but in the cheaper qualities output is not at the high level of a few months ago. With the completion of an agreement between motor car and steel manufacturers concerning prices, more work on stampings, pressings and forgings is expected. Heavy engineering and machinery requirements are expanding, and a good number of overseas inquiries have come to hand during the last week or so.

*

Middlesbrough.—The market continues quietly confident, and whilst the volume of business passing is not great, this is explained by the fact that prices in all departments are fixed. Steel makers in this area continue busy on production of heavy steel for constructional purposes. Sheet makers have better order books than for some time, but mostly for home requirements. Makers are anxious to obtain more export business. Re-rollers are requesting heavier tonnages, as they are experiencing a slightly increased demand. Parcels of pig iron, both Cleveland foundry and East Coast hematite, con-

tinued to change hands for early delivery. Shipments of pig iron are so far maintained on last month's basis, with shipments of steel satisfactory. All the basic iron produced locally is being consumed at the steelworks here.

There is no change in the heavy steel scrap position, and buyers are still limiting deliveries. Whilst there is little demand for good Durham blast-furnace coke, producers are in a good position owing to the export demand for coke. No new business is being done in foreign ore, and imports are restricted.

*

Glasgow.—Rather more business has been placed with the heavy steel-makers this week and transactions in lighter materials have been more numerous. There has been no fall in the demand for galvanised corrugated sheets and re-rolling and galvanising operations are maintained at a fairly high level. Tank makers and sheet metal workers in the Glasgow area are all particularly busy and orders on hand will ensure many months of steady employment for men and plants. Work on the large aircraft carrier which, it is announced this week, is to be placed with the Fairfield Shipbuilding and Engineering Company, will provide employment over a long period for shipyard workers in the Govan district.

*

Cardiff.—The heavier branches of the iron and steel industry in South Wales show little improvement, but there has recently been slightly more activity in the tinplate and sheet re-rolling departments. As world stocks of these products have been greatly reduced, it is anticipated that recovery will become more marked during the next few months. Specifications for immediate supply are restricted, but several new orders have been placed for supplies extending up to the end of March, 1939. Prices of tinplates are unchanged and are based on 20s. 3d. per standard box for some competitive markets, and on 21s. 6d. for others more effectively under the control of the International Cartel. The current statistics of the tinplate industry are given on page 141.

Textiles

Cotton (Manchester).—There have been more serious attempts to do business with fairly active negotiations between buyers and sellers, but operations have been irregular. In the raw cotton markets the event of importance has been the third crop estimate of the American Government, the forecast of 12,212,000 bales being rather larger than expected, but prices have been very little affected. Owing to the limited world consumption, the carry-over at the end of the season will be of record dimensions.

An uncertain feeling has prevailed throughout the yarn market. Many irregularities still exist in the American section as a result of the recent breakdown of the price agreement for medium American ring beams. In coarse and medium American counts, however, sales have been more encouraging, and certain Egyptian spinners have had a better week.

The improvement in the inquiry for piece-goods has been maintained. An

increased inquiry has come through for India, and more contracts have been arranged, especially in light bleaching descriptions. Some encouraging orders have been secured for South America in printing and finishing styles, and more business has come from the Continent, especially Scandinavia, Germany and Switzerland. Clearances in the home trade are improving and buyers have been more prepared to give out replacement orders.

*

Wool (Bradford).—The raw wool markets are firmer than a fortnight ago, and wool is being bought abroad with a freedom causing surprise in manufacturing districts in the West Riding of Yorkshire. The firmer tendency of prices is ascribed to increased Continental competition, heavier purchases by Australian mills, and Japan's disposition to purchase more freely, particularly in Australia.

The home trade follows this improvement very reluctantly, and the top-making section in Bradford is having a struggle to obtain prices in harmony with the cost of raw wool. In fact, merino tops are, on the average, a good penny below the price it should be possible for them to realise, and the same can be said of yarns. There is slightly more machinery running, but the industry in the West Riding cannot be said to be anything like busy. It is doubtful if 75 per cent. of the machinery is running, and there is still much short-time working.

THE COMMODITY MARKETS

THE tendency of the prices of the principal materials was upwards; the rise was due, in the main, to favourable business reports from the United States and to the renewed fall in the rate of exchange between the pound and the dollar. There has been evidence of re-stocking, especially in the United States.

Wheat and raw sugar, which fell sharply in price after the conclusion of the Munich agreement, are unchanged on the week. Cotton rose in price despite the increase in the American Government's crop estimate. Non-ferrous metals advanced vigorously, and the decision of the co-operating copper producers to raise their output from 95 per cent. to 105 per cent. of standard output from October 15th failed to arrest the rise. The market in rubber remained firm.

In the United States, the commodity markets were closed on Wednesday. On Tuesday Moody's index of the prices of staple commodities stood at 143.3 (December 31, 1931 = 100), compared with 144.1 on October 5th. A month ago the index stood at 142.8 and a year ago at 172.2.

Metals

Copper.—Better trade news from the United States, the continued armament boom and an inflationary policy in a number of countries provided the basis for a revival in both speculative and consumptive demand. Wednesday's cash closing price of £45 18s. 9d. per ton, though below the best of the week, showed a net gain of £2 18s. 9d.

(Continued on page 144)

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				SUGAR (per cwt.)—cont.			
Oct. 5, 1938				Oct. 5, 1938			
Oct. 12, 1938				Oct. 12, 1938			
GRAIN, etc.—				Crushed			
Wheat—				Granulated			
No. 2, N. Ma. 496 lb.				Home Grown			
Eng. Gaz. av., per cwt.				TEA* (Auction Average) (per lb.)—			
Liv. Oct., per cental				S. India			
Flour, per 280 lb.—				Ceylon			
Straights, d/d London				Java			
Manitoba, ex store				Sumatra			
Barley, Eng. Gaz. av. per cwt.				Total			
Oats				TOBACCO (per lb.)—			
Maize, La Plata, landed, 480 lb.				Virginia stemmed and un-			
Rice, No. 2 Burma, per cwt.				stemmed, common to fine			
MEAT—				Rhodesian stemmed and un-			
Beef, per 8 lb.—				stemmed			
English long sides				Nyasaland stemmed and un-			
Argentine chilled hinds				stemmed			
Mutton, per 8 lb.—				East Indian			
English wethers				Stemmed			
N.Z. frozen wethers				Unstemmed			
Lamb, per 8 lb.—				COTTON (per lb.)—			
N.Z. frozen				Raw, Mid-American			
Pork, English, per 8 lb.				Sakellariadis, F.G.F.			
BACON (per cwt.)—				Giza, F.G.F.			
English				Yarns, 32's Twist			
Danish				40's Twist (Egyptian)			
Dutch				Cloth, 32 in. Printers, 75 yds.			
Irish				16x16, 32's & 50's			
HAMS (per cwt.)—				36 in. Shirtings, 75 yds.			
Canadian				19x19, 32's & 40's			
United States				38 in. ditto, 38 yds.			
OTHER FOODS				18x16, 10 lb.			
BUTTER (per cwt.)—				39 in. ditto, 37½ yds.			
Australian				16x15, 8¼ lb.			
New Zealand				FLAX (per ton)—			
Danish				Livonian ZK			
CHEESE (per cwt.)—				Pernau HD			
Canadian				Slanez Medium, 1st sort			
New Zealand				HEMP (per ton)—			
English Cheddars				Italian PC			
Dutch				Manilla, Nov.-Jan. "J2"			
COCOA (per cwt.)—				JUTE (per ton)—			
Accra, g.f.				Native 1st mks., c.i.f. H.A.R.B.			
Trinidad				Oct.-Nov.			
Grenada				Daisee 2/3 c.i.f. Dundee, Oct.			
COFFEE (per cwt.)—				SISAL (per ton)—			
Santos sup. c. & t.				African, Nov.-Jan.			
Costa Rica, medium to good				SILK (per lb.)—			
Kenya, medium				Canton			
EGGS (per 120)—				Japan			
English (15-15½ lb.)				Italian, raw, fr. Milan			
Danish (15½ lb.)				WOOL (per lb.)—			
FRUIT—				English, Southdown, greasy			
Oranges, S. African boxes				Lincoln hog, washed			
Brazilian Peras. boxes				Queensland, acd. super combg.			
Lemons, Naples boxes				N.S.W. greasy, super combg.			
Sicilian boxes				N.Z., greasy, half-bred 50-56			
Apples, Amer. (var.) barrels				Tops—			
California Gravenstein Boxes				Merinos 70's average			
Grapes, Almeria barrels				64's			
Grapefruit, S. African				Crossbred 48's			
Jamaica, Seeded				MINERALS			
LARD (per cwt.)—				COAL (per ton)—			
Irish, finest bladders				Welsh, best Admiralty			
U.S.				Durham, best gas, f.o.b. Tyne			
PEPPER, per lb.—				Sheffield, best house, at pits			
Black Lampong (in Bond)				IRON AND STEEL (per ton)—			
" (Duty paid)				Pig Cleveland No. 3, d/d			
White Muntok (in Bond)				Bars, Middlesbrough			
" (Duty paid)				Steel rails, heavy			
POTATOES (per cwt.)—				Tinplates			
English, King Edward, Siltland				NON-FERROUS METALS (per ton)—			
Centrifugals, 96, prpt. shipm.				Copper—			
c.i.f. U.K./Cont.				Standard cash			
REFINED LONDON—				Three months			
Yellow Crystals				Tin—			
Cubes				Standard cash			
* Weeks ended Sept. 29th and Oct. 6th.				Three months			
				Lead, soft foreign—			
				Cash			
				English, pig			
				Spot			
				Aluminium, ingots and bars			
				rolling billets			
				Nickel, home and export			
				Antimony, Chinese			
				Wolfram, Chinese			
				Platinum, refined			
				Quicksilver			
				Turpentine			

* Weeks ended Sept. 29th and Oct. 6th.

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

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-August	
	Sept. 24, 1938	Oct. 1, 1938	1937	1938
Northumberland	288.1	290.1	9,431.8	8,979.0
Durham	600.4	629.4	21,901.6	21,594.6
Yorkshire	828.2	846.4	29,667.1	28,190.3
Lancs, Cheshire and N. Wales	330.3	330.9	11,718.3	11,563.0
Derby, Notts & Leicester	582.2	624.3	22,174.8	21,883.5
Staffs, Worcs, Salop & Warwick	384.8	377.1	13,351.3	13,275.3
South Wales & Monmouth	713.0	751.2	24,987.0	24,620.6
Other English districts*	118.6	115.5	3,615.4	3,650.9
Sudan	605.8	614.8	21,200.4	20,280.8
Scotland				
Total	4,451.4	4,579.7	158,047.7	154,038.0
* Including Cumberland, Gloucester, Somerset, and Kent.				

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Sept. 30, 1938	Oct. 7, 1938	Aug. 1, 1937	Aug. 1, 1938
American	21.3	23.3	210	187
Brazilian	3.4	4.8	75	35
Peruvian, etc.	1.9	2.6	29	17
Egyptian	6.2	3.5	44	46
Sudan Sakel	3.8	4.2	33	25
East Indian	5.6	4.3	66	87
Other countries	3.3	2.6	43	23
Total	45.5	45.3	500	430

Metals				
SALES ON LONDON METAL EXCHANGE				
	Week ending		From Jan. 1 to Oct. 12, 1938	
	Oct. 12, 1938	Oct. 5, 1938		
Copper	10,100	15,000	372,425	
Tin	1,745	3,360	68,360	
Lead	7,000	15,150	295,350	
Spelter	5,400	10,150	238,850	

U.K. STOCKS			
	Oct. 1, 1938	Oct. 8, 1938	
Copper (Br. official w/houses):	Tons 5,717	Tons 5,207	
Refined	29,247	27,560	
Rough	8,373	8,273	
Tin (London and Liverpool)			

Tinplate Industry				
Production—per cent. of capacity	Week ended			Oct. 1, 1938
	Oct. 2, 1937	Sept. 24, 1938	Oct. 1, 1938	
	76.58	48.20	45.98	

Foods				
WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)				
From—	Week ended		Season to	
	Oct. 1, 1938	Oct. 8, 1938	Oct. 9, 1937	Oct. 8, 1938
N. America	692	722	3,696	5,485
Argentina and Uruguay	191	105	1,100	1,362
Australia	157	122	1,324	2,291
Russia	189	321	1,268	3,217
Danube and dist.	117	113	1,830	859
India	14	...	536	406
Other Countries	...	...	280	...
Total	1,360	1,383	10,034	13,620
To—				
U.K.	221	271	2,759	2,620
"Orders"	291	477	1,342	4,146
France	51	2	122	295
Belgium	121	89	1,234	1,118
Holland	80	97	596	922
Italy	42	27	243	220
Greece	15	7	284	241
Scandinavia	156	90	253	411
Other European Countries	103	146	1,035	1,146
Ex-European Countries	280	177	2,166	2,501
Total	1,360	1,383	10,034	13,620

World Shipments of Maize and Maize Meal ('000 quarters)				
From	Week ended		From Apr. 1 to	
	Oct. 1, 1938	Oct. 8, 1938	Oct. 9, 1937	Oct. 8, 1938
Argentina	489	529	23,865	7,274
Atlantic America	59	100	4	10,870
Danube Region	20	38	2,188	2,219
S. & E. Africa	43	47	3,042	736
Indo-China, etc.	42	40	724	1,059
Total	653	754	29,823	22,158

Other Foods				
	Week ended		Oct. 1, 1938	Oct. 8, 1938
	Oct. 1, 1938	Oct. 8, 1938		
BACON:				
Arrivals in London (bales)				
Danish	14,445	14,730		
Canadian	4,532	4,677		
Dutch	2,304	2,185		
Lithuanian	1,654	1,590		
Polish	3,105	3,458		
Cocoa:				
Movements in Lond. (bags):				
Landed	6,327	11,138		
D/d for home consumption	7,711	7,753		
Exports	8	250		
Stocks, end of week	186,704	189,839		

Miscellaneous Commodities				
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL				
Landed	Delivered	Stocks, end of week	Week ended	
			Oct. 1, 1938	Oct. 8, 1938
1,183	1,723			
2,001	1,907			
98,003	97,819			

World Shipments of Linseed ('000 tons)				
	Week ended		From Jan. 1 to	
	Sept. 24, 1938	Oct. 2, 1938	Oct. 2, 1937	Oct. 1, 1938
Argentina to—	3.9	4.9	390.1	213.0
U.K. and Orders	10.6	8.2	436.4	496.4
Continent	...	5.0	635.8	254.0
U.S.A. and Canada	...	...	...	...
Australia, Brazil, etc.	0.8	...	19.9	15.7
Calcutta to—	...	...	...	...
U.K. and Orders...	0.3	1.8	103.9	84.2
Continent	...	...	0.2	0.9
Bombay to—	...	...	...	...
U.K. and Orders...	1.1	1.0	47.9	118.7
Continent	...	0.8	10.9	7.1
Madras to U.K.	...	...	...	...
India to—	...	...	...	...
Australia, etc.	...	1.0	23.3	12.5
U.S.A.	...	...	...	...
Sundries	...	...	0.8	...
Total	16.7	22.7	1,669.2	1,202.5

AMERICAN WHOLESALE PRICES					
GRAINS (per bushel)—	Oct. 5, 1938	Oct. 11, 1938	METALS (per lb.)—cont.	Oct. 5, 1938	Oct. 11, 1938
	Cents	Cents		Cents	Cents
Wheat, Chicago, Dec.	64 1/4	*60 1/8	Tin, N.Y., spot	43.80	44.75
Winnipeg, Oct.	45 7/8	44 3/4	Lead, N.Y., spot	5.10	5.10
Maize, Chicago, Dec.	25 1/8	25	Spelter, East St. Louis, spot	4.95	4.95
Oats, Chicago, Dec.	43 1/8	42 1/8	MISCELLANEOUS (per lb.)—		
Rye, Chicago, Dec.	35 1/4	*37 7/8	Cocoa, N.Y., Accra, Oct.	4.93	4.73
Barley, Winnipeg, Oct.			Coffee, N.Y., cash—		
			Rio, No. 7	5 1/4	5 3/8
			Santos, No. 4	8	8
			Cotton, N.Y., Am. mid., spot...	8.40	8.55

COMPANY MEETINGS

INDIAN IRON AND STEEL COMPANY, LIMITED

(INCORPORATED UNDER THE INDIAN COMPANIES ACT, 1913)

CONTINUED PROGRESS AND DEVELOPMENT

MR BIREN MOOKERJEE'S SPEECH

The twentieth ordinary general meeting of The Indian Iron and Steel Company, Limited, was held, on the 21st ultimo, at the registered office, 12 Mission Row, Calcutta.

In the absence of Mr Leslie Martin (chairman of the company), Mr Biren Mookerjee (acting chairman) presided, and in the course of his speech said:—Your board, as well as the managing agents of the company, have every reason to be well satisfied with the progress which these accounts reveal. The accounts for the year 1937-38 contain the first complete year's record since the absorption of the Bengal Iron Company became effective, and it is pleasing to note that not only has the scheme of amalgamation with the Bengal Iron interests been fully justified, but it was brought into effect in time to take advantage of the period of great activity in the iron and steel trade and consequent enlarged demand for our products.

PROFITS AND DIVIDEND

The profits for the year under review amount to Rs. 1,73,49,804.10.0, or, taking into account the amount set aside for the repairs and renewals reserve, Rs. 1,79,93,311.0.7. These profits would have been very considerably increased but for certain unfortunate incidents.

Your works under normal conditions were estimated to produce 790,000 tons of pig iron, but the actual production was 701,160 tons only. The reduction in output was due to the two lightning strikes at the works in June and July, 1937. Although these lightning strikes lasted only eleven days, I want to emphasise that the loss was not limited to the tonnage lost in those few days only. In the iron and steel industry, where works are of a continuous nature, lightning strikes can cause a very serious loss, as for a considerable period after resumption of work, furnaces, coke ovens, etc., have to be carefully and gradually nursed before quality and conditions are again normal.

Another factor which has made an inroad into the profits was the sudden and arbitrary increases in freight of approximately 144 per cent. imposed by the East Indian Railway in July, 1937, and a further increase in March, 1938, on pig iron to the docks. This factor accounts for an increase in freight over the year of approximately Rs. 11½ lakhs. The increase made in freights from March 1, 1938, means in effect that the East Indian Railway have increased our freight by over 232 per cent. during the course of 14 months. We would state that this matter of increase in rates has been taken up with the railway board by your managing agents and is still under discussion.

The final dividend recommended for your acceptance is Rs. 2 per share, making a distribution of 35 per cent. for the year, the biggest in the history of your company.

PIG IRON PRICES AND EXPORT MARKETS

In his address last year your chairman dwelt at length on the position of your company as a pig iron producing unit *vis-à-vis* its markets, and he directed your attention to the measures adopted by the board for the purpose of diminishing the effects of cyclical changes to which this industry is subject. As you are perhaps aware, the price of pig iron reached a peak in the summer of 1937. General trade has since suffered a regression. This arrest of the trade recovery from the deep depression of 1931-34 has not left your company unaffected.

Owing to various internal causes the prices in the United Kingdom have so far remained stable, but the serious drop in American price levels has directly influenced world prices. Japan, one of our customers, has been most directly influenced, and, despite LARD (per cwt) intensity of her demand, she has been able to procure Irish, finest br requirements at American levels.

U.S. If of the current year saw no improvement in the PEPPER, per lb. ions, but during the last three months the American Black Lampson (in B. of not only to have been arrested but to have taken (Dut. the upward swing. These factors have exercised White Muntock (in upon the Japanese market, and as far as your " acts are concerned our export market shows a much POTATOES (per cwt) future now than was apparent three months ago.

English, King E of fact I am happy to announce that the estimated SUGAR (per cwt) of your company for the remainder of the current Centrifugals, 96" of your company for the remainder of the current c.l.f. U.K./Contly sold at fairly satisfactory prices. It is also satisfied LONDON—that while these forward contracts were being Yellow Crystals that the demand was for more iron than we Cubes.....

* Weeks ended Sept. 2

could supply. It is on this score particularly that the unfortunate prolonged strike at our works is to be highly deplored.

MARKET TENDENCIES

The difficulties of the present international situation militate against an accurate forecasting of the trend of the markets. Your board can only indicate the general tendencies in the markets for our products and assure you of our vigilance to take advantage of every factor in the world economy and whenever necessary to safeguard your company's interests as far as possible.

It will be rash to anticipate as good a year for your company as the one that is past. A slight drop in world prices as compared to the summer of last year, a possible contraction of certain markets, labour troubles and freight difficulties—these are factors one cannot ignore. There is, however, the other side of the medal; forward contracts at remunerative prices, satisfactory demand from our export markets, and an upward swing of the trade in America and stable conditions in the United Kingdom. On the whole, your board considers that the picture thus presented is favourable, and there is no ground for pessimism.

We have been approached on several occasions by investors and friends with the request to issue periodical reports on the company's position. Your board has considered this request very carefully, and they feel that as long as the fortunes of the company are linked up predominantly with an export market it would be extremely unwise for your company to issue periodical reports which would prejudice the future sales position of the company. Unless some such information is conveyed to the shareholders the issue of a colourless report would hardly serve any useful purpose.

GENEROUS EMPLOYMENT CONDITIONS

As is well known to you, there occurred a general labour strike at both your works in early June which lasted for six weeks. Through the good influences of the Honourable Mr Suhrawardy, the Labour Minister, work was resumed and a Conciliation Board was set up composed of a representative each of the management and the workers, with Mr T. H. Ellis, I.C.S., a senior judicial officer of the Government, as president. This Board has been at work for some weeks past now, and it is hoped that its report will be in the hands of the public very shortly.

In view of this investigation by an authorised tribunal, I hesitate to make any remarks about our labour problems, but, considering the local factors which led to the strikes, it would be hard for anyone to believe that this was a spontaneous movement by the workmen themselves labouring under serious economic grievances, particularly when during the past year very generous benefits were awarded to them, including the provision of a provident bonus and a retiring gratuity on termination of service, privilege leave each year with full pay, sickness and maternity benefits, and participation in the profits, which latter benefit for the year 1937-38 will mean an award of four weeks' wages to each workman at Kulti and Hirapur. We claim, without fear of contradiction, that our terms of remuneration and conditions of employment are inferior to no other similar industrial organisation.

It is hoped that the Conciliation Board will indicate the path of peace and bring home to our employees their great responsibilities and develop in them a sense of pride for the splendid organisation which they are helping to build up.

A QUESTION

In reply to the following question: "When the Steel Corporation gets going, what effect will that have on the company's output? Will it make the company any less dependent on foreign markets, and therefore will it help to safeguard and stabilise the company's future profits?"

The chairman said: It is expected that the Steel Corporation will take about one-third of the output of this company. In so far as the Steel Corporation provides a regular market for this company's production of pig iron, to that extent our dependence on foreign markets is reduced. This will largely protect the company from the effect of possible fluctuations in the export market for pig iron, and accordingly will have a valuable stabilising effect on the company's profits.

The report and accounts were carried unanimously.

HARRISONS AND CROSFIELD, LIMITED

TEA AND RUBBER POSITION

Presiding at the 30th annual meeting of Harrisons and Crosfield, Limited, held, on the 11th instant, at 19, Fenchurch Street, London, E.C., Mr H. Eric Miller, the chairman, after stating that the net profit was £333,870 and that they were proposing to pay a final dividend of 20 per cent. on the deferred ordinary stock, making 25 per cent. for the year, said: At the close of my remarks last year I ventured the opinion that prospects for producers seemed favourable, and looking back over what has actually happened in the twelve months it is fair to say that tea estates generally had a satisfactory season and were able to strengthen their financial position where necessary and to distribute higher dividends than for some years previously. The recent acute phase in the European crisis has helped to keep up prices in the tea auctions for the last four or five weeks, all buyers being anxious to augment their stocks in view of the uncertain outlook, and I see from the London Warehouse Returns that the clearances from bond in September, 1938, were almost 5 million lbs. heavier than for September, 1937. Under the current International Agreement, which has 4½ years yet to run, the regulating committee, instead of being tied to only one date in the year for announcing any variation in the exportable percentage for the ensuing year, are authorised to make changes in the permissible exportable amount at any time they consider that desirable, and they no longer have to make prior reference to the Government concerned, though, no doubt, they will take local considerations into account. I think this important change is a definite improvement in the scheme.

During the years 1924 to 1929 there was an average increase in the total world absorption of tea of between 3 and 4 per cent. each year, world consumption in 1929 being in the region of 910 million lbs. A slight decline was recorded in 1930 and 1931, but then the effects of the world-wide depression commenced to tell and consumption declined yearly until it had fallen to under 850 million lbs. in 1934, a loss to the industry of some 60 million lbs. of consumption. High duties in many countries and exchange difficulties in others all helped to curtail business, and unfortunately the industry is still subject to these disabilities. The trade here suffered an unpleasant shock when the tea duty was raised in the Budget last April.

THE RUBBER INDUSTRY

Absorption of rubber during the first nine months of 1937 proceeded at a rate well in excess of that during the corresponding period of 1936, and all doubts were being dispelled as to whether the producing countries would in fact be able to furnish the supplies released for export by the International Rubber Regulation Committee, which were then fixed at 90 per cent. of the basic quotas. The setback in business activity in the U.S.A. was beginning to make itself felt, but none of us had at that time any idea of the depths of depression to which they were to descend within a few months. The depression in the U.S.A. has affected adversely not only the absorption of rubber in tyre construction, but to an equal degree in other lines of miscellaneous rubber goods, which represent a quite appreciable off-take of the raw material. Fortunately there has been a change for the better in recent months, not only in sentiment but in actual business conditions over there, and had it not been for the uncertainties created by the crisis in Europe, the probabilities are that their demand for rubber would have been more insistent. I am glad to say that in the last few days buying has been resumed.

The critical days of the last week in September are still so near and their repercussions are not yet apparent to us; you will, therefore, not expect me to attempt to foreshadow what world absorption of rubber is likely to amount to even a few months ahead. One is, however, entitled to hope that the recovery of confidence in the U.S.A. may proceed without any further serious check. During the depression, tyres there have been kept on the road much longer than is ordinarily prudent, and as general business conditions improve, so should tyre sales increase for replacement purposes; while on the basis of the average age of the vehicles on the road there is room for considerable expansion in their sales of new automobiles.

The sheet anchor of the industry—in which I include not only producers, but distributors, manufacturers and consumers—is the power which the International Committee have to regulate the exports of rubber from producing countries to meet the needs of a vacillating world.

The International Agreement entered into by the Governments concerned has been renewed with minor modifications for five years from January 1st next and I do believe that there is now a much wider appreciation of its value.

The report and accounts were unanimously adopted.

MALAYALAM PLANTATIONS, LIMITED

STRONG FINANCIAL POSITION

MR H. J. WELCH'S REVIEW

The seventeenth ordinary general meeting of Malayalam Plantations, Limited, was held on the 13th instant at 19 Fenchurch Street, London.

Mr H. J. Welch, chairman of the company, after expressing regret at the loss which the company had sustained through the death of Mr John Mackie, one of the directors, proceeded to review the statistical position of the tea and rubber industries.

Owing principally, he said, to the depression existing in the United States in the second half of 1937, and to the maintenance during that six months of the exportable percentage of rubber at 90, the year under review had been disappointing for the rubber-producing industry. With the renewal of the Regulation Scheme and the increase of stocks permitted to be held by producers in the regulated areas, there was good reason to hope, provided a major war was avoided, that the severity of the depression for producers would prove to be only temporary and would not be repeated during the next few years.

It seemed highly probable that a considerably increased world consumption would take place during the next twelve months. Trade conditions appeared to be improving in the United States. Its stocks of tyres and tubes were relatively low, as were also stocks of crude rubber in countries other than the United States and the United Kingdom. He considered, therefore, that considerable improvement in the position of rubber producers would take place in 1939.

DIVIDEND OF TEN PER CENT.

The company's financial position was one of considerable strength. The directors recommended transfers of £64,000 to taxation reserve, £30,000 to reserve account, £40,000 to dividend equalisation reserve and the payment of a final dividend of 6 per cent., making 10 per cent. for the year. After making those appropriations the surplus assets amounted to £10 per planted acre, and if deducted from the total issued capital, showed a net cost of less than £35 10s. per planted acre of tea and rubber. The stock of 2,200,000 lbs. of rubber referred to in the balance sheet, most of which consisted of off-grades, had now been sold and realised over £9,000 above its valuation.

The restricted crop of tea harvested was 10,248,609 lbs. and the cost of production 6.62d. per lb. was the same as in the previous year and within one-tenth of a penny of the lowest cost ever achieved by the company. The rubber crop harvested was 6,120,337 lbs. and the average yield 386 lbs. per mature acre tapped was the highest yield ever recorded for the company. The cost of production still compared very favourably with estate costs in other countries of production. In sales of rubber for local use the company had at present to compete with supplies from Burma, which were allowed into India without export licences. If those exports should be prohibited after the close of the present year, Burma would not only receive a larger quota, but would, in addition, benefit considerably by the higher prices always obtainable for rubber when sold with licences. The company would benefit next year from the increase in the Indian exportable quota from 13,000 to 17,500 tons. It was pleasing to note the growing increase in local consumption in India and Burma, which had developed from 510 tons in 1933 to 7,172 tons in 1937.

THE CURRENT YEAR

For the current year the company estimated to produce about 10,800,000 lbs. of tea and over 6,000,000 lbs. of rubber. Each penny per lb. net profit realised on the estimated crop of tea this year would equal about £45,000, or 2½ per cent. upon the issued capital, and each penny per lb. net profit on rubber about £25,000 or 1.38 per cent. Forward sales of exportable rubber for the current financial year amounted to 301 tons at 10.45d. per lb. London equivalent, and 500 tons without export rights at lower prices. Although owing to the fall in the price of tea and the reduction of the export percentage for rubber the total profits would doubtless show a reduction, he saw no reason at present why the dividends paid for this and last year should not be repeated in respect of the current year.

The report and accounts were unanimously adopted; resolutions for the payment of dividend and for the other appropriations were passed unanimously and the meeting closed with a vote of thanks to the directors, agents and staff.

CARRIER ENGINEERING COMPANY, LIMITED

INCREASED PRODUCTION

LARGER VALUE OF ORDERS ON HAND

The annual general meeting of Carrier Engineering Company, Limited, was held, on the 10th instant, at Caxton Hall, Caxton Street, London.

Mr S. L. Groom (chairman of the company), who presided, said:—Ladies and gentlemen,—The accounts have been in your hands for some days and I propose to deal with them as briefly as possible. As you know, in June last the subscribed capital was increased to £275,000 by the issue of 75,000 5 per cent. cumulative second preference shares of £1 each. The figure of creditors shows an increase of £26,143 over the last year, due to the greater volume of business during the year. The reserve account is the same as last year and the profit and loss account balance is £2,312 greater than in 1937.

Amongst the assets, cash, debtors, uncompleted contracts and stock show a total increase over 1937 of £78,980. The additions to investments, land and buildings, machinery and plant and office furniture are clearly set out in the balance sheet and I think call for no further explanation. The only item to which I need make special reference is the stock on hand. Our policy has been to build up stocks not only to ensure speedier completion of contracts but also to enable us to carry on should a temporary shortage of materials arise. Recent events have, I think, justified this procedure. (Hear, hear.)

BENEFITS OF NEW EQUIPMENT

The additional equipment to which I referred in my speech to the shareholders in June last has been installed and has enabled us to increase production and adjust prices in keeping with the demand and we have been able to revise our quotations and estimates and to offer a reduction of more than 33 per cent. in the price of certain of our special equipment.

The profit and loss account shows a net profit of £82,345 as compared with £91,385 last year. During the year under review one of our special departments made thousands of surveys throughout the country, prepared many hundreds of drawings, estimates and quotations in respect of inquiries for work to the value of more than £3,500,000. These inquiries ranged from £100 to £30,000 each and involved heavy expenditure. There were many delays in the placing of contracts with this department for the work to which I

have just referred, but orders are now coming in. The whole of the cost of surveying and estimating has been charged in the accounts for the past year, and the benefit of this expenditure will, I believe, be reflected in the current year's figures.

At the present time the value of the orders on hand in connection with our general business is greater than at this time last year, and the special department is now engaged on work of national importance.

PROFIT AND DIVIDEND

As I have already stated the net profit for the year was £82,345, and after bringing in the balance from last year and deducting preference dividend to March 1, 1938, and the balance on taxation account, a sum of £105,974 is left to be dealt with, which is £2,312 more than last year.

We recommend that this balance be allocated by writing off the expenses of increasing the capital and providing for the dividend on the preference and second preference shares to June 30, and in paying a dividend of 25 per cent., less tax, on the ordinary shares, leaving a balance to be carried forward of £66,094.

The board has met on more than one occasion to consider the dividend which should be recommended to the shareholders and a decision was deferred until the 30th of last month. During our last meeting, which took place in the forenoon, we received the news that Czechoslovakia had declined to consent by noon that day to the Four-Power Agreement reached overnight at Munich. We were compelled to consider the effect of this upon the international situation and decided that the circumstances made it desirable for us to declare a smaller dividend than we would otherwise have done.

It will be evident to shareholders that the commencement of hostilities would seriously affect that part of our business which could not be regarded as of immediate importance and that work would have had to give place to work of a more urgent and national character. (Hear, hear.)

QUESTION OF INTERIM PAYMENT

Now that the immediate crisis is past the board will this week consider the declaration of an interim dividend for payment before the end of this month.

In conclusion the chairman expressed the board's appreciation of the loyalty and co-operation of the staff, which, of course, meant every man and woman in the company's employ, and his own appreciation of the splendid work of his co-directors.

The report and accounts were approved and a dividend of 25 per cent., less income-tax, on the ordinary share capital was declared payable. The auditors were re-elected and a vote of thanks to the chairman, directors, and staff brought the proceedings to a close.

(Continued from page 139)

The decision of the co-operating producers to increase their quotas from 95 per cent. to 105 per cent. of standard tonnages from October 15th is discussed on page 136.

★

Tin.—The improvement in the position on the tin market was also due to increased industrial activity in the United States, and as present quotas are well below current requirements, a revival of normal purchases would have a strengthening effect on prices. The standard cash price improved by £8 5s. per ton during the week and closed at £205 5s. per ton on Wednesday. Although the lower limit of the buffer pool scheme has been passed it is not expected that the pool will sell.

★

Lead and Spelter.—Both markets benefited from the strength of other metals and lead rose by £1 to close at £16 1s. 3d. per ton, while spelter gained 18s. 9d., closing at £14 18s. 9d. on Wednesday. Spelter was supported by favourable September statistics from the United States. Stocks declined to 130,700 short tons on September 30th, compared with 143,377 short tons a month earlier. Output at about 32,000 short tons showed little change, but deliveries, which increased from 36,507 short tons in August to 43,582 short

tons in September, reached their highest level since September, 1937.

Grains

ALL descriptions of wheat were freely offered and prices generally were lower. The important mid-season crops of the Southern Hemisphere are now influencing the trend of international prices. Complaints of damage by drought are being received from Australia, but in Argentina the crop outlook is very satisfactory.

Maize prices have continued their downward course.

Other Foods

Provisions.—With the end of the period for which provision prices were stabilised most commodities have been marked down slightly. Meat prices are also lower on the week, though bacon prices were unchanged, and eggs were dearer. Demand for most commodities was steady.

★

Colonial Produce.—Tea prices were all lower on the week, though there was a firmer tendency towards the end of the period, when demand was strong. Coffee and cocoa markets were quiet; sugar prices are lower on the week.

Fruit and Vegetables.—Trade in potatoes at the Borough was slow, with supplies plentiful and prices slightly easier. In other vegetables and fruit trade was brighter with prices unchanged or a little higher.

Miscellaneous Commodities

Oilseeds and Oils.—Business is recovering only slowly from recent unsettled conditions. Demand for linseed is small and mainly for Calcutta. Better offers by Argentine shippers are assisting demand, but about 300,000 tons of the crop remains for sale before mid-December, when the new crop is expected to be ready for export. Vegetable oils are in fair demand and steady; linseed is unchanged on the week and cotton oil easier. Buyers are covering only immediate requirements. Demand for oilcakes continues to improve.

★

Rubber.—There has been no very marked activity on the rubber market during the week, but the trend on balance has been upward. There was a considerable number of trade inquiries and a slight revival of speculative interest in the more distant positions on Monday. The buyers' price of standard sheet on the spot closed at 8½d. per lb. on Wednesday, an advance of ½d.

CURRENT STATISTICS

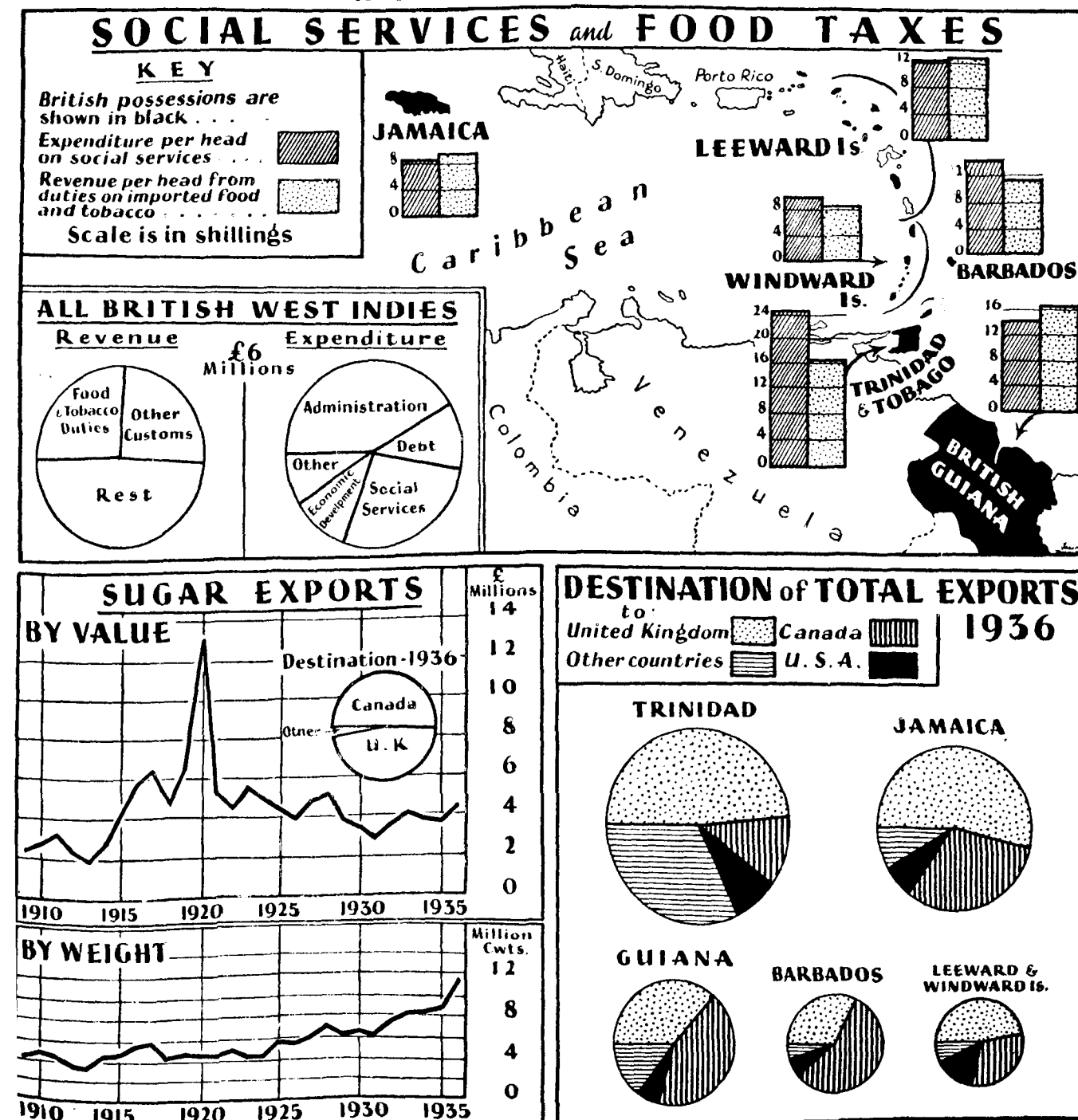
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue

The British West Indies

We present below a series of charts on the British West Indies, which should be read in conjunction with the leading article on page 104. The figures of revenue and expenditure and sugar exports refer to British Honduras and Guiana as well as to Britain's insular possessions in the West Indies. The diagrams in the upper panel relate to 1936.



Finance

GOVERNMENT RETURNS

For the 8 days ended October 8, 1938, total ordinary revenue was £18,399,000, against ordinary expenditure of £37,023,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £184,916,000, against a deficit of £112,380,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 9, 1937	April 1, 1938, to Oct. 8, 1938	9 days ended Oct. 8, 1938	8 days ended Oct. 8, 1938
ORDINARY REVENUE					
Income Tax	£341,150	61,505	63,073	7,172	7,709
Sur-tax	62,000	6,900	8,710	190	310
Estate, etc.	88,000	48,730	38,960	1,710	1,340
Duties	24,000	10,610	9,770	510	...
N.D.C.	20,000	...	7,250	...	430
Other In.	1,250	150	590	...	...
Rev. Duties	...	...	...	...	...
Total I. Rev.	536,400	127,895	128,353	9,582	9,789
Customs	227,950	117,132	117,980	6,069	6,333
Excise	116,150	56,800	57,400	1,700	1,800
Total Cust. and Excise	344,100	173,932	175,380	7,769	8,133
Motor Duties P.O. (Net Receipt)	36,000	8,748	8,643	139	139
P.O. Crown Lands Rec. from Sun. Loans	8,670	5,610	4,040	Dr 50	100
Misc. Rec.	2,400	640	630	...	...
Total Ordinary Revenue	944,650	328,174	324,613	19,312	18,399
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,442	37,290	39,060	1,400	1,250
Total	1,025,092	365,464	363,673	20,712	19,649

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 9, 1937	April 1, 1938, to Oct. 8, 1938	9 days ended Oct. 8, 1938	8 days ended Oct. 8, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	125,166	126,322	17,077	17,271
Payments to N. Ireland and Other Cons.	8,900	3,673	3,970	257	277
Fund Serv.	5,239	1,886	1,416	221	3
Total...	244,139	130,725	131,708	17,555	17,551
Supply Serv.	702,409	309,829	377,821	15,601	19,472
Total Ord. Expend.	946,548	440,554	509,529	33,156	37,023
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	37,290	39,060	1,400	1,250
Total...	1,026,990	477,844	548,589	34,556	38,273

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £144,786 to £2,707,660, the other operations for the 8 days (as shown below, but excluding £399,000 issued to sinking funds) raised the gross National Debt by £19,168,000 to about £8,330 millions.

EIGHT DAYS' CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC.	
Treasury Bills	16,717	Nat. Sav. Certs.	250
Bk. England Adv.	4,000	P.O. & Teleg. (Mon.)	500
Public Dept. Adv.	150	N. Atl. Shipping	35
Land Settlement	6	Tithe Act	920
Total	20,873		1,705

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to October 8, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	509,529	Ordinary Rev.	324,613
Increase in bal.	344	Eire receipts*	10,000
		Gross borr.	180,670
		Less	
		Sinkg. Fds.	5,410
		Net borrowing	175,260
	509,873		509,873

* Receipts under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT

(£ millions)		(£ millions)	
Date	Treasury Bills	Ways and Means Advances	Total Floating Debt
1937			
Oct. 9	581.0	297.3	878.3
Dec. 31	889.7	41.8	931.5
1938			
July 9	851.0	42.4	893.4
16	568.0	302.3	870.3
23	568.0	304.1	872.1
30	565.0	309.1	874.1
Aug. 6	560.0	320.1	880.1
13	555.0	303.4	858.4
20	555.0	296.2	851.2
27	555.0	294.0	849.0
Sept. 3	550.0	316.9	866.9
10	545.0	324.2	869.2
17	537.0	334.5	871.5
24	526.0	345.5	871.5
30	521.0	379.1	900.1
Oct. 8	521.0	379.1	900.1

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

TREASURY BILLS

(£ millions)		(£ millions)	
Date of Tender	Offered	Applied for	Per Cent. Allotted at minimum Rate
1937			
Oct. 8	50.0	81.7	50.0
Dec. 31	50.0	80.5	50.0
1938			
July 1	45.0	84.8	45.0
8	45.0	85.2	45.0
15	45.0	90.7	45.0
22	45.0	88.3	42.0
29	40.0	82.4	40.0
Aug. 5	35.0	78.6	35.0
12	30.0	76.8	30.0
19	35.0	82.2	35.0
26	40.0	87.6	40.0
Sept. 2	45.0	74.6	45.0
9	45.0	63.1	42.0
16	40.0	55.8	37.0
23	40.0	58.2	40.0
30	45.0	68.8	45.0
Oct. 7	50.0	71.6	50.0

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On October 7th applications at £99 16s. 4d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 60 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 16s. 5d. per cent. and above were allotted in full. £50.0 millions of Treasury bills are being offered on October 14th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
38 weeks to —		
Sept. 25, 1937†	23,544,582	17,658,436
Sept. 24, 1938	23,716,528	17,787,395
Week to —		
Sept. 25, 1937	543,744	407,808
Sept. 17, 1938	503,999	377,999
Sept. 24, 1938	465,698	349,273

* Net Exchequer receipts, week ended Sept. 24, 1938, £450,000. † After adjustments to June 19.

BANK OF ENGLAND RETURNS

OCTOBER 12, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt...	11,015,100
In circula.	496,381,790	Other Govt.	...
In Bnk. De-	3,097,764	Securities...	188,717,357
partment	30,032,483	Other Secs...	256,450
		Silver coin	11,093
		Amt. of Fid.	200,000,000
		Gold Coin &	326,414,273
		Bullion	326,414,273
	526,414,273		526,414,273

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. capital	14,551,000	Govt. Secs.	111,551,164
Rest	3,097,764	Other Secs.	...
Public Deps.*	28,267,261	Securities...	9,554,095
Other Deps.	94,858,900	Notes	31,407,540
Other Accs.	36,579,333	Gold & Silver	30,032,483
	131,438,233	Coin	1,385,071
			177,356,258

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments	Amt. Oct. 12, 1938	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	496,382	+ 9,402	+ 6,523
Deposits: Public	28,267	+ 16,212	+ 2,208
Bankers	94,859	+ 14,844	+ 1,938
Others	36,379	+ 562	+ 166
Total outside liabilities	656,087	+ 8,596	+ 10,835
Capital and rest	17,651	+ 22	+ 15
COMBINED ASSETS			
Govt. debt and securities	314,264	+ 7,525	+ 9,767
Discounts and advances	9,554	+ 651	+ 306
Other securities	22,110	+ 439	+ 1,093
Silver coin in issue dept.	11	Same	1
Gold coin and bullion	327,799	+ 41	+ 345
RESERVES			
Res. of notes & coin in banking department	31,418	+ 9,443	+ 6,850
Proportion of reserve to outside liabilities—			
(a) Banks, dept. only	19.6%	+ 5.8%	+ 5.0%
(b) Gold stocks to deposits and notes	50.0%	+ 0.7%	+ 0.9%
("reserve ratio")			

COMPARATIVE ANALYSIS

(£ millions)		1937		1938	
		Oct. 13	Sept. 21	Sept. 28	Oct. 5
Issue Dept.:					
Notes in circ.	489.9	479.2	500.9	505.8	496.4
Notes in bank-					
ing dept.	36.5	47.2	25.5	20.6	30.0
Govt. debt and securities	199.4	199.3	199.4	199.9	199.7
Other sec.	0.6	0.6	0.5	0.1	0.3
Gold	326.4	326.4	326.4	326.4	326.4
Deposits:					
Public	26.1	18.4	11.5	12.1	28.3
Bankers	92.9	100.9	99.9	109.7	94.8
Others	36.4	39.4	40.2	37.1	36.6
Total	155.4	158.7	151.6	158.9	159.7
Bkg. Dept. Secs:					
Government	105.1	97.6	112.8	121.9	114.5
Discounts, etc.	9.2	6.1	7.3	10.2	9.5
Other	20.5	24.6	22.8	22.5	21.9
Total	134.8	128.3	142.9	154.6	145.9
Banking dept. reserve	38.3	48.7	26.9	22.0	31.4
"Proportion"	24.6	30.6	17.7	13.8	19.6
Reserve ratio†	50.9	51.4	50.2	49.3	50.0

† Gold stocks in both departments to deposits and notes in circulation. ‡ At this date, Government debt was £11,015,100; silver coin in Issue Department, £11,093; capital, £14,553,000; rest, £3,097,764.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28th last. The latest return of the Banks of Danzig and of Portugal appeared in The Economist of Sept. 24th; Egypt, Java, Yugoslavia, Lithuania and Norway, of October 1st; International Settlements, Federal Reserve Reporting Members, Australia, Canada, Estonia, Finland, India, Latvia and New Zealand, of October 8th.

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS		Oct. 14, 1937	Sept. 15, 1937	Oct. 13, 1938	Sept. 13, 1938
RESOURCES					
Gold certis. on hand and due from Treas.	9,127	10,630	10,967	11,020	11,020
Total reserves	9,430	11,019	11,344	11,393	11,393
Total cash reserves	294	379	367	363	363
Total bills discounted	23	7	7	7	7
Bills bt. in open mkt.	26	7	7	7	7
Total bills on hand	20	16	15	16	16
Industrial advances	2,526	2,564	2,564	2,564	2,564
Total U.S. Govt. sec.	2,572	2,587	2,587	2,589	2,589
Total bills and sec.	12,774	14,475	14,679	14,716	14,716
LIABILITIES					
F.R. notes in actual circulation	4,291	4,201	4,263	4,281	4,281
Aggregate of excess m.					
bank res. over reqts.	990	3,130	3,020	3,050	3,050
Deposits — Member-bank reserve account	6,919	8,425	8,321	8,400	8,400
Govt. deposits	83	346	770	703	703
Total deposits	7,469	9,389	9,437	9,479	9,479
Cap. paid in and surplus	306	309	309	309	309
Total liabilities	12,774	14,475	14,679	14,716	14,716
Ratio of total res. to deposit and F.R. note	80.2%	82.3%	82.8%	82.8%	82.8%
LIABILITIES					
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary gold stock...	12,784	13,421	13,812	13,869	13,869
Treasury and Nat. Bk. currency	2,601	2,733	2,741	2,744	2,744
LIABILITIES					
Money in circulation...	6,585	6,550	6,640	6,667	6,667
Treasury cash and deposits with F.R. Bks.	3,717	3,105	3,579	3,515	3,515

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

BANK.—Million \$'s				
	Oct. 14, 1937	Sept. 15, 1937	Oct. 6, 1938	Oct. 13, 1938
Total gold reserves ...	3573.0	4601.2	24682.7	4713.5
Total bills discounted ...	14.6	2.3	2.7	4.5
Bills bt. in open mkt.	1.0	0.2	0.2	0.2
Total U.S. Govt. secs.	725.0	780.1	815.4	815.4
Total bills and securs.	745.4	786.3	822.0	825.1
Deposits — Member- bank reserve account	3040.0	4131.1	4118.3	4161.4
Total res. to dep. and Fed. Res. note li- abilities combined ...	84.4	86.7	86.4	86.5

BANK CLEARINGS

LONDON

(£ thousands)

	Month of September			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Oct. 13, 1937	Oct. 12, 1938	Oct. 13, 1937	Oct. 12, 1938
Number of wkg. days:	26	26	%	6	6	239	240
Town	2,731,208	2,811,089	+ 2.9	716,151	608,798	29,149,682	26,438,356
Metropolitan ..	157,067	148,471	- 5.5	41,037	41,337	1,704,754	1,628,476
Country	298,533	275,728	- 7.6	74,837	77,536	2,993,208	2,884,005
Total	3,186,808	3,235,288	+ 1.5	832,025	727,671	33,847,644	30,950,837

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of September			Week ended Saturday		Aggregate January 1 to	
	1937	1938	Change	Oct. 9, 1937	Oct. 8, 1938	Oct. 9, 1937	Oct. 8, 1938
No. of working days:—	26	26	%	6	6	237	238
BIRMINGHAM ..	9,744	7,817	-19.7	2,399	2,743	105,377	93,502
BRADFORD	3,708	2,887	-22.1	927	41,987	31,424	...
BRISTOL	5,446	5,247	-3.6	1,386	1,355	51,608	50,491
HULL	3,588	3,245	-9.5	1,036	920	36,733	33,527
LEEDS	3,929	3,540	-9.9	832	1,037	40,648	38,267
LIVERPOOL	3,113	2,733	-12.2	722	808	30,400	27,927
LIVERPOOL	25,894	20,745	-19.8	6,468	5,046	280,255	208,570
MANCHESTER ..	43,404	34,405	-20.7	11,033	10,786	443,540	368,433
NEWCASTLE	6,297	5,634	-10.5	1,517	1,818	59,548	60,401
NOTTINGHAM ..	1,869	1,845	-1.3	476	613	20,747	19,835
SHEFFIELD	4,264	3,802	-10.8	1,094	1,781	44,231	43,488
Total: 11 Towns	111,256	91,903	-17.3	27,890	27,799	1,155,074	975,865
DUBLIN	...	...	...	6,740	6,599	233,972	255,301

† Based on average working day.

‡ 41 calendar weeks.

MONEY RATES

LONDON

	Oct. 6, 1938	Oct. 7, 1938	Oct. 8, 1938	Oct. 10, 1938	Oct. 11, 1938	Oct. 12, 1938	Oct. 13, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount:							
60 days' bankers' drafts	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
3 months' do.	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
4 months' do.	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
6 months' do.	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Discount Treasury Bills:							
2 months'	9½-10	9½-10	9½-10	9½-10	9½-10	9½-10	9½-10
3 months'	9½-10	9½-10	9½-10	9½-10	9½-10	9½-10	9½-10
Loans—Day-to-day ..	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwances: Bk.	12	12	12	12	12	12	12
Discount houses at call ..	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%	%
Sept. 15	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Sept. 22	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Sept. 29	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Oct. 6	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Oct. 13	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Oct. 13, 1937	Sept. 14, 1938	Sept. 21, 1938	Sept. 28, 1938	Oct. 5, 1938	Oct. 12, 1938
Call money	114	114	114	114	114	114
Time money (90 days' mixed coll.)	114	114	114	114	114	114
Bank acceptances:—						
Members—eligible, 90 days ..	12	12	12	12	12	12
Non-mem.—eligible, 90 days ..	12	12	12	12	12	12
Commercial accept., 90 days ..	12	12	12	12	12	12

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Oct. 7, 1938	Oct. 8, 1938	Oct. 10, 1938	Oct. 11, 1938	Oct. 12, 1938	Oct. 13, 1938
New York, \$	4.862½	4.78½-4.78½	4.78½-4.78½	4.75½-4.75½	4.75½-4.75½	4.73½-4.73½	4.73½-4.73½
Montreal, \$	4.862½	4.82-4.84	4.81½-4.81½	4.79½-4.79½	4.79½-4.79½	4.77½-4.77½	4.77½-4.77½
Paris, Fr.	124.21	178½-178½	178½-178½	178½-178½	178½-178½	178½-178½	178½-178½
Brussels, Bel.	35.00a	28.34-44.28	27.32-28.12	28.12-32.09	28.12-32.09	28.05-11.27	28.05-11.27
Milan, L.	92.46	91-91½	90½-91	90½-91	90½-91	90½-91	90½-91
Zurich, Fr.	25.22½	20.99-20.99	20.97-20.97	20.90-20.90	20.90-20.90	20.91-20.91	20.91-20.91
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl.	12.107	8.80-8.81	8.78-8.81	8.76-8.80	8.75-8.77	8.74-8.76	8.74-8.76
Berlin, Mk.	20.43	11.93-11.93	11.90-11.90	11.85-95	11.84-90	11.83-88	11.78-86
Br. India Rup.	†18d.	53½-58½	54-59	55-60	55-60	54½-59½	54½-59½
Hong Kong, \$	†	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$	†	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½
Rio, Mil.	†5.899d.	21½-22½	21½-22½	21½-22½	21½-22½	21½-22½	21½-22½
B. Aires, \$	11.45	19.00-19.00	19.00-19.00	19.00-19.00	19.00-19.00	19.00-19.00	19.00-19.00
Valparaiso, \$	40	16-12½	16-12½	16-12½	16-12½	16-12½	16-12½
Montevideo, \$	†51d.	19½-20½	19½-20½	19½-20½	19½-20½	19½-20½	19½-20½
Lima, Sol.	17.38	22½-23½	22½-23½	22½-23½	22½-23½	22½-23½	22½-23½
Mexico, Pes.	9.76	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Manila, Pes.	†24.66d.	24½-25	24½-25	24½-25	24½-25	24½-25	24½-25
Moscow, Rbls.	...	25.44-25	25.34-25	25.28-25	25.19-25	25.80-25	25.09-25

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (b) Per cent. discount. (c) Latest "export" rate. (d) Official rate is 15 sellers. (e) Average remittance rate for importers. (f) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debits. (g) Nominal. (h) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Oct. 7, 1938	Oct. 12, 1938	Oct. 13, 1938
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200(1)	100-200(1)	100-200(1)
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Budapest, Pen.	27.82	24-24½	23½-24½	23½-24½
Prague, Kc.	8164½	138-140	137-139	137-139
Danzig, Gul.	25.00	25½-25½	25-25½	25-25½
Warsaw, Zl.	48.38	25½-25½	25-25½	25-25½
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei	813.8	655-675	655-675	655-675
Constantinople, Pst.	110	605k	600k	600k
Belgrade, Din.	276.32	208-218	207-217	207-217
Kovno, Lit.	48.66	28-29	27½-28½	27½-28½
Sofia, Lev.	673.66	380-410	380-410	380-410
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$	†28d.	27½-28½	27½-28½	27½-28½
Batavia, Fl.	12.11	8.77-81	8.73-81	8.67-81
Bangkok, Baht	†21.82d.	22½-23½	22½-23½	22½-23½

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

LONDON—FORWARD

(Closing quotations)

London on	Oct. 7, 1938	Oct. 8, 1938	Oct. 10, 1938	Oct. 11, 1938	Oct. 12, 1938	Oct. 13, 1938
New York, cent. {	1 Month	7½-9½	7½-9½	7½-9½	7½-9½	7½-9½
Paris, francs {	1 Month	2-2½	2-2½	2-2½	2-2½	2-2½
Amsterdam, cent. {	1 Month	114-112	114-112	114-112	114-112	114-112
Brussels, cent. {	1 Month	2-4	2-4	2-4	2-4	2-4
Geneva, cent. {	1 Month	2-1	2-1	2-1	2-1	2-1

(p) Premium.

(d) Discount

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Oct. 6, 1938	Oct. 7, 1938	Oct. 8, 1938	Oct. 10, 1938	Oct. 11, 1938	Oct. 12, 1938
London:—*	Old Par	4.77½	4.77½	4.77½	4.75½	4.74½	4.74½
60 days	4.866	4.79½	4.78½	4.78½	4.75½	4.75½	4.75½
Cables	4.804	4.78½	4.78½	4.78½	4.75½	4.75½	4.75½
Demand	8.237	4.808	4.78½	4.78½	4.75½	4.75½	4.75½
Paris, Fr.	6.63	16.90½	16.90	16.90	16.91	16.92	16.92
Brussels, Bel.	23.67	22.80	22.79	22.79	22.74	22.72	22.72
Switz'd. Fr.	8.91	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Italy, Lira	40.33	40.05	40.05½	40.06	45.05	45.05	45.05
Berlin, Mk.	23.82	...	...	...	...	...	...
Vienna, Sch.	32.67	...	...	...	...	...	...
Madrid, Pt.	54.41	54.38	54.36	54.31	54.30	54.30	54.30
Amst'd'm Gldr.	21.44	21.36	21.36	21.25	21.23	21.23	21.23
Cop'h'gn, Kr.	24.12	24.05	24.05	24.05	24.05	24.05	24.05
Oslo, Kr.	145.37	24.73	24.65	24.65	24.52	24.50	24.50
St'hm, Kr.	1.29	0.88½	0.88	0.88	0.87½	0.87½	0.87½
Athens, Dr.	169.31	99.310	99.150	99.150	99.125	99.125	99.125
Yokohama, Yen.	84.40	28.00	27.92	27.92	27.80	27.77	27.77
Shanghai, \$	...	16.80	16.70	16.70	16.65	16.65	16.65
B. Aires, Peso	...	29.79	29.67	29.67	29.62	29.49	29.49
Rio, Ms. †	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T.

* Dollars per £1.

† Official

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended October 13, 1938

Imports				Exports			
From		Bullion	Coin	To		Bullion	Coin
GOLD		£	£	GOLD		£	£
British S. Africa	...	68,653	...	Eire	...	13,155	875
British E. Africa	...	42,780	...	Channel Islands	...	123,350	...
Germany	...	422,254	...	Holland	...	264,530	...
Holland	...	606,566	3,529	Belgium	...	208,488	...
Belgium	...	6,952	...	France	...	35,949	...
France	...	5,797,006	...	Switzerland	...	7,722	46,991
Switzerland	...	215,112	159,170	U.S.A.	...	9,837,351	...
Total*		7,176,415	167,199	Total*		10,196,277	351,627
SILVER		...	...	SILVER		...	...
British S. Africa	...	89	...	Aden & Dependencies	...	...	22,742
Hong Kong	...	14,440	...	Bombay & other ports	...	108,920	...
Germany	...	8,855	...	Norway	...	2,581	...
Holland	...	10,440	163	Denmark	...	4,495	...
Belgium	...	...	...	Hungary	...	8,530	...
France	...	2,805	...	Germany	...	38,230	...
Switzerland	...	...	38	U.S.A.	...	56,775	...
Total*		32,407	412	Total*		221,491	24,120
* Including other countries.							

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Oct. 9 (£'000)					Aggregate Gross Receipts 40 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total	Passenger	Merchandise	Coal & Coke	Total Goods	Total
L. M. & S.—										
1937	507	553	260	813	1,320	21,427	19,672	10,124	29,796	51,223
1938	482	482	269	751	1,233	21,461	19,774	9,894	27,868	49,329
L. & N. E. (a)—										
1937	318	357	255	612	930	13,965	13,500	9,819	23,319	37,284
1938	314	328	244	572	886	13,871	12,557	9,331	21,888	35,759
Great Western—										
1937	295	217	111	328	534	9,089	7,471	4,437	12,408	21,497
1938	204	204	111	315	522	9,022	7,391	4,258	11,649	20,671
Southern—										
1937	296	66	28	94	390	13,493	2,529	1,213	3,742	17,235
1938	297	60	28	88	385	13,443	2,425	1,198	3,623	17,066
Total—										
1937	1,327	1,193	654	1,847	3,174	57,974	43,672	25,593	69,265	127,239
1938	1,297	1,074	655	1,729	3,026	57,797	40,347	24,681	65,028	122,825

(a) Week ended Oct. 8.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, second half 1937, over second half 1936	+ 1,413	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 750	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,114	- 887	- 508	- 64
Weekly Figures				
Av. weekly decrease, 2nd half 1938, latest week compared with 1937	- 79.57	- 63.35	- 36.28	- 4.57
Latest week compared with average 1927-30	- 87	- 44	- 12	- 5

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Oct. 7 (£'000)			Aggregate Gross Receipts 40 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.9	0.5	2.4	108.7	19.4	128.1
1938	1.9	0.5	2.4	105.0	17.5	122.5
Great Northern—						
1937	10.9	8.7	19.6	460.7	379.5	840.2
1938	11.0	8.6	19.6	456.3	357.1	813.4
Great Southern—						
1937	33.5	46.9	80.4	1,516.2	1,627.2	3,143.4
1938	34.8	49.4	84.2	1,518.5	1,583.4	3,101.9

SUEZ CANAL RECEIPTS

(For headings, see Overseas Traffic table.)

	1938	1937	1936	1935	1934	1933	1932	1931	1930
Transit Receipts†	38	38	38	38	38	38	38	38	38
Sept. 30	234,500	234,500	234,500	234,500	234,500	234,500	234,500	234,500	234,500
† 10 days.									

SHORTER COMMENTS

Company Results of the Week.—As a result of reduced tin mining activity, PERAK RIVER HYDRO-ELECTRIC operations in 1937-38 were on a lower scale, and the dividend has been lowered from 7 to 6 per cent., gross sales revenue falling from £569,415 to £500,662. Reductions in operating expenses and the saving of the Prior Lien Debenture Stock interest, however, were responsible for an increase of £10,000 in net profits, to £283,638. Profits of ELEPHANT TRADING (SOUTH AFRICA) HOLDINGS have been satisfactorily maintained; net earnings of £97,362 for the past year compare with £106,169 for a period of approximately 13 months. The execution of a considerable volume of Admiralty as well as mercantile marine orders has provided a substantial rise in PARSONS MARINE STEAM TURBINE net profits from £36,654 to £51,134. The reduction in the S.S. CARS dividend from 12½ to 5 per cent. is attributed entirely to delays in obtaining deliveries of material ordered. The works were unable to operate at full production until the last three months of the year, and a large number of

orders were unexecuted at the end of the season. The latest profits of ELLERMAN LINES have reached £1,177,906, compared with £731,108, but as the accounts cover the calendar year 1937, they do not fully reflect the subsequent change in shipping conditions. Substantial progress is also reported by WEST HARTLEPOOL STEAM NAVIGATION, whose tax free dividend for the year to March 31st is raised from 25 to 35 per cent. The second report to be issued by HORLICKS, LTD., shows net profits of £160,772 for 1937-38; this appears to represent a satisfactory improvement, since the net trading profit of £243,099 for a year compares with £246,757 for the initial 15-month period. SENTINEL WAGGON WORKS (1936) whose profits amount to £31,495 against a loss of £8,798, have cleared off the debit balance, preliminary expenses and income notes, and hope next to be able to deal with preference arrears. Although the number of meetings was slightly lower than in 1936-37, the higher average attendance per meeting has contributed to the rise in SOUTH LONDON GREYHOUND RACECOURSES net profits from £64,057 to £91,052 in the year to September 30, 1938.

London and Thames Haven Oil Wharves.—The directors have accepted the resignation from the board of Mr T. C. I. Burgess, chairman and joint managing director. Mr A. C. Adams, the other joint managing director, has been appointed chairman provisionally.

Perak River Hydro-Electric Power Company.—Net revenue for year to July 31, 1938, £331,893 against £339,753. Guaranteed debenture interest, £48,255 (£50,600). Sinking fund, £49,240 (£46,895). To depreciation, £50,759 (£68,105). To staff fund, £4,000 (£8,000). To reserve, £20,000. Ordinary dividend reduced from 7 to 6 per cent. Carry-forward raised from £8,908 to £24,921.

Horlicks, Ltd.—Profit for year to March 31, 1938, £238,099, against £245,506 in fifteen months to March 31, 1937. Tax and N.D.C., £77,327 (£58,604). Dividends equalisation reserve, £25,000 (£40,000). To general reserve, £20,000 (£37,623). Ordinary dividend, 30 per cent. for year. Carry-forward raised from £19,199 to £19,554.

(Continued on page 152)

INDUSTRIAL PROFITS
SUPPLEMENTARY TABLES
(See Leading Article on Page 106)TABLE (A).—RATES OF INTEREST AND DIVIDEND
(Quarter ended September 30, 1938)

Group	Debt Capital	Rate of Int.	Preference Capital	Rate of Int.	Ordinary Capital	Rate of Div. a year ago†
Breweries	13,264,483	4.2	16,415,147	4.8	30,795,669	17.3
Canals and docks	40,000	4.0	100,000	5.0	30,000	6.6
Electric lighting, etc.	Nil	...	2,000,000	8.4	2,500,000	11.2
Financial land, etc.	10,856,836	4.8	11,753,406	5.6	15,233,857	6.6
Gas	187,000	4.0	Nil	...	883,719	8.0
Hotels and rests.	310,000	4.3	151,950	4.3	400,000	0.2
Iron, coal and steel	12,995,048	4.4	13,684,797	4.3	35,312,895	10.8
Motor and aviation	Nil	...	1,446,644	4.5	5,669,930	10.6
Oil	1,091,132	6.4	32,368	7.3	13,783,138	6.9
Rubber	Nil	...	2,282,015	3.4	6,648,605	3.6
Shipping	3,442,488	4.7	10,589,661	6.3	3,546,100	11.2
Shops and stores	193,357	6.6	434,500	6.4	1,830,315	6.4
Tea	3,505,500	4.1	6,497,204	2.4	6,858,371	2.4
Textiles	10,341,025	4.6	6,250,000	Nil	2,700,000	Nil
Tramway and om.	16,615,200	4.2	11,174,509	4.1	11,563,809	4.7
Trusts	268,560	5.0	1,787,000	6.4	2,653,989	9.7
Waterworks	636,000	4.4	7,999,569	4.8	9,154,165	7.7
Building materials	Nil	...	900,000	6.7	1,132,747	12.1
Food, confection, etc.	843,516	4.7	4,009,295	6.7	2,860,806	11.7
Electrical equipment	2,200,000	6.3	3,340,000	11.6	3,400,000	11.6
Newspapers, print, etc.	404,767	9.8	856,551	8.6	56,551	8.6
Tobacco	13,231,022	4.7	27,069,686	5.6	24,075,201	9.1
Miscellaneous	88,248,934	4.5	128,644,020	5.1	188,485,905	9.1
Total						

* 374 Companies.

† 337 Companies.

TABLE (B).—PROFITS BY INDIVIDUAL GROUPS
(Quarter ended September 30, 1938)

Group	No. of Cos.	Total Profits (after Debenture Interest)		Division of Total Profits (= 100)		
		Previous Year	Latest Year	Prof. Div.	Ord. Div.	To Res., etc.
		£	£	"	"	"
Breweries	27	8,016,750	7,855,188	9.9	67.9	22.2
Canals and docks	1	10,743	13,228	37.8	15.1	47.1
Electric lighting, etc.	1	586,365	612,629	27.7	45.9	26.4
Financial land, etc.	35	2,119,080	2,094,171	33.2	47.9	18.9
Gas	1	22,236	63,304	Nil	111.7	Dr. 11.7
Hotels and restaurants	3	28,964	27,668	23.8	3.9	72.3
Iron, coal and steel	43	5,363,968	6,290,283	9.4	48.1	42.5
Motor and aviation	12	957,463	1,200,398	5.4	51.3	43.3
Oil	5	415,467	368,849	22.8	9.4	67.8
Rubber	66	1,331,973	1,403,327	0.2	67.5	32.3
Shipping	3	703,223	701,973	11.1	33.9	55.0
Shops and stores	7	1,528,872	1,343,987	29.6	20.8	33.5
Tea	8	143,403	224,663	12.3	54.2	Dr. 3.9
Textiles	16	846,219	310,250	49.7	54.2	Dr. 3.9
Tramway and omnibus	1	Dr. 481,638	Dr. 503,314	Nil	Nil	Dr. 100.0
Trusts	25	1,214,220	1,249,043	36.8	44.1	19.1
Waterworks	2	10,634	7,006	14.1	105.7	Dr. 19.8
Building materials	13	720,645	539,144	21.3	47.6	31.1
Food, confection, etc.	13	1,477,199	1,363,990	27.9	51.7	20.4
Electrical equipment	6	266,627	271,537	22.3	50.5	27.2
Newspapers, printing, etc.	9	971,552	998,140	27.3	33.6	39.1
Tobacco	3	537,205	537,626	25.9	72.2	1.9
Warehouse and trading	4	177,516	176,722	22.1	42.5	35.4
Miscellaneous	70	6,236,807	5,643,429	27.0	38.9	34.1
Total	374	33,255,493	32,793,241	19.3	51.2	29.5

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
RAILWAYS					Dancer and Hearne				
Assam Ry. "A" Stk.	4	4	...	0	Delaney (John)	7½	10	...	10
London Transport "C"	2½	4	Oct. 31	4½	Doxford (Wm.) & Sons	5½	10	Oct. 26	7½
Madras & S. Mahratta	3½	7½	Jan. 2	8½	Duckham (A.) & Co.	5	10	Oct. 14	5
BANKS					Elephant Trading				
Bank of Adelaide	2½	...	Nov. 2	2½	English Sewing Cotton	8½	15	...	15
INSURANCE					Ever Ready Tst. Ord.				
Royal Exchange	11*	...	Nov. 7	11*	Do. Deferred	2½	3	Nov. 1	3
World Marine, etc.	10*	...	Oct. 31	10*	Filley's Toffee	3*	...	Nov. 1	3*
TEA & RUBBER					Fleming & Ferguson				
Caledonian Tea, etc.	4	...	Oct. 21	6	For. Am. & Gen. Invest.	9½	12	...	12
Craighead Tea	3*	...	Nov. 8	5*	Fourth British Fixed	1*	...	Oct. 20	7½
Durian Sebatang Rbr.	5*	...	Nov. 8	5*	Trust	30.40 d	...	Nov. 15	£3.80 d
Eastn. Prod. & Estates	3½	...	...	10	Francis (F.) and Sons	4*	...	Nov. 1	4*
Hevea Rubber	3½	...	...	5	Hammerton (C.)	5*	...	Nov. 15	5*
Johore Rubber Lands	2½	...	...	10	Hodgson's Kingston	11½	15	Oct. 27	15
Kadientena Tea	5	Oct. 26	5	5	Brewery	11½	15	Oct. 27	15
Lewa Rubber	3½	...	...	3½	Holbrooks	11½	15	Oct. 27	15
Mooloya Estates	4	Nov. 1	5	5	Horlicks, Ltd.	16½	30(e)	Nov. 8	26½
Nannakula Tea	5½	8	Nov. 11	7½	Hughes-Johnson Stgs.	15½	22½	Oct. 31	20
Sengat Rubber	3½	Oct. 27	8½	17½	Imp. Cont. Gas	4*	...	Nov. 15	4*
South Perak Rubber	7½	...	...	17½	Lambert Bros.	10½	15	...	9½
Strathisla (Perak) Rbr.	7½	...	...	17½	London Trust	5*	...	...	5*
Tambora Rubber	7½	...	...	17½	Madras Electric	2½	...	...	2½
United Sui Betong R.	6*	...	Nov. 8	7½*	M'Kellar (John C.)	5	5	Oct. 28	5
MINING					Mansfield				
Bangrin Tin	5*	...	Nov. 4	5*	Matthews (J. & G. H.)	2½	10	Nov. 15	9
Boulder Perseverance	20*	...	...	20*	Max Stone	7½	10	Nov. 1	17½
Empress Mines	10½*	...	Nov. 10	10*	Metal Agencies	7½	10	Nov. 1	7½
Geevor Tin Mines	10*	...	Nov. 4	10*	Morris (Herbert)	27½	33½	Oct. 28	27½
Lake View & Star	12½	50	Nov. 24	50	Murray (D. & W.)	4½	8	Oct. 26	3
Do. (on account of 1938-39)	12½	...	Nov. 24	12½	Oriental Gas	4½	8	Nov. 18	8
Mawchi Mines	30*	...	Nov. 1	40*	Oriental Telephone	5	10	Oct. 31	4
North Kaliguri	37½	...	Nov. 25	37½	Ragusa Asphalt	10½	13½	Nov. 4	11
Pahang Consol. Ord.	10½	20	Nov. 9	50	Real. & Deb. of Scot.	10½	13½	Nov. 4	11
Do. Pref.	11½	15	Nov. 9	15	Rosario Drainage	5	3	Oct. 31	3
Pari Tin	2½	...	Oct. 25	15	Rugby Portland Cement	5	3	Oct. 31	3
Rhodesian Anglo-Am.	(o)9½	(d)15	...	2½	Scottish & Doms. Tst.	5	3	Oct. 31	3
Sio Tinto Co. (5% P.)	2½	...	Nov. 1	2½	Scottish Greyhound	5	3	Oct. 31	3
St. John Del Rey	33½	...	Nov. 11	33½	(Def.)	10*	...	Nov. 4	10*
Siamee Tin	15*	...	Nov. 4	15*	Skefco Ball Bearing	15	17½	...	17½
Sione Tin (F.M.S.S.)	4½	...	Nov. 2	15	Sneyd Collieries	1*	...	...	1*
South West Africa Co.	5	...	...	15	Somerset Collieries	2½	4	Nov. 8	4
United Exploration	15	...	...	12½	Stnn. Stockholders Inv	2½	4	Nov. 8	4
INDUSTRIALS					S.S. Cars				
Aberdeen Stadium	2*	...	Nov. 1	2*	Standard Motor	22½(c)	...	...	12½
Alliance Invest.	2*	...	Nov. 1	2*	Sunday Pictorial	3½	...	Nov. 18	3½
Anglo-Continental	...	...	...	7½	Thompson Br. (Bilston)	10½	15	Nov. 1	15
Guano	10	...	...	14	Thompson (J.) Eng.	5*	...	Nov. 1	5*
Anglo-Scott. Amal.	6	...	...	5	Trinidad Sugar	2½	...	Oct. 31	2½
Anglo-Scottish Invest.	3½	...	Nov. 10	5	Tube Investments	133½	233½	Dec. 7	233½
Atkinson-Oates Motors	(b)20½	40b	...	60b	Vasaveur (J. H.)	2½	...	Oct. 25	2½
Austin Reed	5*	...	...	5*	Warne Wright, etc.	5*	...	Oct. 25	10
Babcock and Wilcox	4*	...	Oct. 28	2½	Wellworthy Piston	10½	15	Oct. 25	15
Berry (Henry) & Co.	10	...	...	2½	Whites (Timothy), etc.	7½	...	Oct. 15	...
Brian Small Arms...	...	...	...	3	Wickham (A. C.)	5*	...	Nov. 1	...
Brit. Empire Land	...	...	...	Nil	Wilson (G.) Gas Meters	...	15	...	10
British Overseas Stores	5	...	...	3*	Wilson's Brewery	6*	...	...	6*
Calcutta Electric	4*	...	Nov. 15	4*	Wood (Edward)	6½	...	...	6*
Can. & Foreign Invest.	1½*	...	Oct. 28	1½*	Wright Saddle	7½	12½	...	...
Castle Bros. (Furniture)	2½	...	Nov. 1	3*					
Clayton Dewandre	3*	...	Oct. 15	3*					
Clydesdale Supply	4*	...	Nov. 1	5*					
Colman (J. & J.)	5*	...	Nov. 1	5*					
Continental Un. Tst.	1½*	...	Nov. 25	1½*					
Corn Exchange Bldgs.	...	8	...	8					
Daily Mirror	2*	...	Nov. 18	33*					

† Free of income tax.

(a) Paid on a larger capital

† Free of South African income tax.

(c) Equals

£147,600 net.

(d) Equals £184,000 net

(e) Equals £110,417 net.

(f) Equals £99,125 net

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Dis- tribution	Appropriation					Corresponding Period Last Year	
					Prefce. Amount	Dividend		Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Divi- dend
						Amount	Rate				
Banks											
Com. Banking of Sydney ...	June 30	£ 119,232	£ 365,975	£ 485,207	£ ...	£ 331,731	% 7	£ 35,000	£ 118,476	£ 342,042	% 64
Electric Lighting, etc.											
Perak River Hydro-Electric	July 31	3,908	283,638	287,546	62,500	76,125	6	124,000	24,921	273,153	7
Financial Land, etc.											
Elephant Trdg. (S. Africa)											
Hldgs.	June 30	25,262	97,362	122,624	16,500	54,000	15	28,656	23,468	6106,169	15
Freehold Props. of S. Africa	June 30	2,420	21,016	23,436	5,672	4,062	4	10,906	2,796	17,627	6
New London Properties.....	June 24	42,071	27,602	69,673	12,000	...	...	13,200	44,473	30,684	Nil
Tecka (Argentina) Land ...	June 30	19,871	19,487	39,358	...	20,000	10	...	19,358	39,488	10
Iron, Coal and Steel											
Parsons Marine Steam	June 30	33,468	51,134	84,602	...	21,128	10(d)	55,640	7,834	36,654	10
Stothert and Pitt.	June 30	11,741	66,231	77,972	2,942	22,656	12½	41,000	11,374	65,218	12½
Motor, Cycle and Aviation											
S.S. Cars	July 31	6,941	37,943	44,884	6,500	6,000	5	25,725	6,659	41,370	12½
Oil											
Trinidad Petroleum Devlpt.	July 31	46,818	182,357	229,175	...	120,000	12	50,000	59,175	96,307	7
Rubber											
Batu Rata (Sumatra)	June 30	3,008	11,378	14,386	...	7,500	5	3,806	3,080	15,678	10
British Borneo Para	Apr. 30	Dr. 2,664	2,472	Dr. 192	...	...	...	...	Dr. 192	3,258	Nil
British Estates of Java	June 30	18,233	29,556	47,789	...	21,570	3	7,389	18,830	50,466	5
Durian-Sebatang	Mar. 31	1,307	1,762	3,069	...	1,125	2	...	1,944	3,009	4
Federated (Selangor)	June 30	897	7,217	8,114	...	3,757	6½	3,100	1,257	9,446	12½
Johore Rubber Lands	Mar. 31	7,857	3,343	11,200	...	2,744	2½	...	8,456	6,888	5
Morib	June 30	2,731	4,937	7,668	...	3,500	5	1,500	2,668	5,970	7½
South Perak	June 30	1,175	5,235	6,410	...	2,250	3½	3,000	1,160	6,341	8½
Tambira	June 30	4,150	14,047	18,197	...	7,333	7-291	6,000	4,864	17,566	7-291
Tanjong Malim	June 30	5,796	35,632	41,428	...	18,750	3½†	14,000	8,678	37,241	5†
Shipping											
Dene Shipping	July 31	...	(c) 40,751	40,751	...	34,988	10	...	5,763	(a)	(a)
Ellerman Lines	Dec. 31	1,874,321	1,177,906	3,052,227	75,650	80,000	10†	1,000,000	1,896,577	731,108	Nil
Manchester Liners	June 30	28,844	51,849	80,693	22,886	24,207	7½	...	33,600	48,826	7½
West Hartlepool Steam ...	Mar. 31	27,365	105,813	133,178	47,575	36,925	35†	15,000	33,678	77,776	25†
Shops and Stores											
British Overseas Stores	June 30	15,860	19,547	35,407	...	13,714	5	...	2,837	18,676	Nil
Mappin Stores (Brazil)	Feb. 28	733	14,685	15,418	...	...	...	12,581	21,693	8,792	2
Tea											
Lanka Plantations	June 30	2,576	16,922	19,498	1,800	11,250	7½	3,500	2,948	16,838	7½
Trusts											
Second American	Aug. 31	10,176	24,079	34,255	21,656	...	...	...	12,599	28,151	Nil
Staveley Trust	July 31	7,203	27,321	34,524	...	...	...	...	34,524	35,658	7½
Other Companies											
Arnott & Harrison	June 30	...	21,689	21,689	...	9,516	12½	7,063	5,110	(a)	(a)
Brown, Hopwood & Gilbert	June 30	11,403	15,602	27,005	1,604	11,896	12½†	1,000	12,505	13,752	12½†
Erinoid, Ltd.	July 31	4,846	21,297	26,143	2,434	3,988	2	10,900	8,821	29,483	8
Fletcher & Cartwright	July 31	15,969	27,189	43,158	...	18,000	6	5,500	19,658	26,689	6
Horlicks, Ltd.	Mar. 31	19,199	160,772	179,971	...	110,417	30	50,000	19,554	(a)	(a)
London United Laundries...	June 25	6,426	8,771	15,197	...	4,235	7	4,185	6,777	8,527	7
McCarthy, Rodway	June 30	977	25,270	26,247	...	13,750	10	8,490	2,007	42,477	20
Murex Limited	June 30	81,266	422,222	503,488	3,500	145,000	20	264,524	90,464	370,422	20
Phosferine Products	June 30	1,912	2,577	4,489	...	2,120	20	...	2,369	4,104	20
Sentinel Waggon Works ...	July 30	Dr. 13,024	31,495	18,471	...	...	...	16,467	2,004	Dr. 8,798	Nil
S. London Greyhound	Sept. 30	6,387	91,052	97,439	4,425	65,875	65	20,000	7,139	64,057	60
Tebbitt Brothers	June 30	6,386	Dr. 8,859	Dr. 2,473	...	...	...	...	Dr. 2,473	5,044	3½
Wade Potteries	July 31	829	Dr. 123	706	1,800	...	...	...	Dr. 1,094	3,621	5
Ward (George) Barwell ...	June 25	4,349	30,024	34,373	...	21,750	15	...	12,623	26,849	15
Wilson (G.) Gas Meters.....	June 30	2,372	15,127	17,499	2,024	5,438	15	...	10,037	(a)	(a)
Total Profits, 1938, in £'000s :	No. of Cos										
To October 8	1,867	68,986	250,225	319,211	41,033	131,452	...	71,228	75,498	226,858	...
To October 15	1,906	71,315	253,232	324,547	41,322	132,299	...	72,978	77,948	229,272	...
† Free of Income Tax											

† Free of Income Tax.

(a) No comparable figure.

(b) May 19, 1936, to June 30, 1937.

(c) October 7, 1937, to July 31, 1938.

(d) Also special distribution 15 per cent., tax free, out of profits on sale of Government securities.

SHORTER COMMENTS

(Continued from page 150)

Ismay Industries, Ltd.—Owing to continued ill-health, Mr John Ismay has resigned his directorships in the Ismay group. Messrs Price, Waterhouse and Company, on the instructions of the board, have for the past two months been investigating the company's affairs. While this investigation has not yet been completed, it is already apparent that there are investment losses which will have to be written off. Changes in the directorates will be formally announced in due course. The next accounts of the company are being prepared by the company's auditors, Messrs Franklin, Wild and Company, in conjunction with Messrs Price, Waterhouse and Company, and will be made up to the end of October to enable the board to submit the fullest possible report at the annual general meeting at the end of December.

Eno Proprietaries, Ltd.—We dealt with the proposed acquisition of this company by Beechams Pills, Ltd., in *The Economist* of October 8th, page 80. It is pointed out in a circular dated October 7th issued by Eno Proprietaries that profits before income tax were: 1935, £205,418; 1936, £204,756; 1937, £182,450. The board anticipate that profits for 1938 will be less than for 1937. The directors have accepted the Beechams Pills offer in respect of their own holdings, and recommend shareholders to do the same.

South London Greyhound Race-courses.—Profits for year to September 30, 1938, £118,509, against £84,613. Final dividend, 65 per cent., making 90 against 60 per cent. for year.

Indian Iron and Steel Co.—Speaking at the annual meeting in Calcutta on September 21st, Mr Biren Mookerjee

reported that the estimated pig iron production for the rest of the current year had been sold at fairly satisfactory prices. The demand for iron was more than the company could supply, while the export markets for the company's products looked much more promising than three months ago. Mr Mookerjee added that when the Steel Corporation comes into full operation, it is expected to take about one-third of the company's pig iron production.

Pacific Steam Navigation.—At a meeting of the court of directors on October 12th, the court was reconstituted as follows: Lord Essendon (chairman); P. G. Mylne Mitchell (deputy chairman); E. James (managing director); S. Malcolm Baird; C. C. Barber; Frank Charlton; Walter C. Warwick. It was announced last week that the company had been acquired by Royal Mail Lines, Ltd. All the above directors, except Mr E. James, are on the board of Royal Mail Lines.

THE ECONOMIST

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National Organisation

THREE weeks after its signature the Munich Agreement continues to dominate the discussion of public affairs. On its meaning and import, on its rightness and wrongness, the British people is still deeply divided, and only the most optimistic would predict a speedy end to their disagreements. But there is a surprising unanimity in drawing from diametrically opposite arguments the same practical conclusion: that we must greatly increase the speed and volume of our re-armament. It is as well that this agreement should be recognised without its importance being exaggerated. Sincere and passionate differences on policy are likely to prevent the formation of that Government of National Unity to organise the nation's forces for which voices are crying on both sides. But it is of the essence of democracy that all parties should be able to work together for the cause on which they are agreed, without stifling their differences where they are not agreed.

The problem of organising the forces of the nation has derived a new and twofold urgency from the crisis of September. In the first place, those anxious days when war seemed imminent revealed serious deficiencies in our armaments—deficiencies both absolute and also in relation to the strength of Germany. Sir Thomas Inskip has admitted to "serious gaps," and hair-raising stories are in circulation of the woefully inadequate state of our defences against air attack. These must be put right immediately. It may or may not be true that A.R.P. and anti-aircraft

guns have been the Cinderellas of the defence programme hitherto; but in any case they must be given an urgent priority now. Secondly, not only have the events of September revealed the incomplete extent to which our existing plans have been carried out; they have made those plans themselves inadequate. Until the Conference of Munich it was always reasonable to assume that war, if it

THE ECONOMIST

The Board of Directors of The Economist Newspaper Limited has accepted, with very great regret, the resignation of Sir Walter Layton from the Editorship of *The Economist*, which he has held since the beginning of 1922. Sir Walter Layton, who will remain a Director of the company, has found that the growing weight of his other responsibilities compels him to give up the active direction of the paper.

With the approval of the Trustees, Mr Geoffrey Crowther, hitherto Associate Editor, has been appointed Editor.

An article by Sir Walter Layton, reviewing the seventeen years of his Editorship, appears on page 157.

came, would be a war of the world against the aggressors. That is not so now. We have now to contemplate the possibility of a war in which Britain and France would alone have to face Germany and Italy. Save for Portugal, Egypt and Iraq, there are no countries in the world which are pledged to be with us from the start. This is an entirely new position in which we and the French find ourselves—the most dangerous that either country has had to face in half a century. This particular war may never come; diplomacy may succeed in rallying allies to us. But it is the realisation that this war of two against two has to be envisaged as a possibility that accounts for the new urgency of re-armament.

In any such alignment, it must not be supposed that Britain and France are the weaker side. On the contrary, a very brief glance at some of the chief elements of national strength shows that potentially they are the stronger. The combined metropolitan population of France and Great Britain is, it is true, 28 millions less than that of Germany and Italy together. But there are reserves of man-power in the overseas possessions which more than redress the balance; and in any case machine-power is, with every year that passes, increasingly more important than man-power. In the productive capacity of their steel industries the two pairs of countries are equal. But Britain and France produce on their own territories six times as much iron ore and one and a half times as much coal as Germany and Italy. If peace-time production of automobiles is a measure of war-time capacity to produce aeroplanes, then Britain and France have an advantage of almost two to one. When to these facts is added the mastery of the seas and the ability to draw on all the riches of the whole wider world, there can be no lingering doubt of the potential superiority in military strength of the Western democracies. If they had the further advantage of confining the land struggle to the defence of short fortified lines where metal counts more than men, the argument would be complete.

These calculations, however, are of *potential* strength. Before it can be deployed, the potential strength must be organised into actual strength. Organisation of the national forces has, therefore, become the most urgent necessity of public policy. The extent to which this organisation has already been carried in Germany and Italy makes it necessary for us, if we are to compete successfully, to put ourselves also on a war basis in peace-time. That is a hard saying, but it is ineluctable. There are already signs that, within the Governmental machine, some of the decisions which had been postponed until the actual outbreak of war are now being taken. There is talk of new Ministries of National Service, of Supply, of Shipping, and the ordinary citizen may hope that the existing departments will now realise that the emergency is grave enough to warrant a disturbance of the even tenor of their ways.

It is obvious to all that the great enterprise of organising the nation has innumerable aspects; and there is some danger lest an undue share of attention should be concentrated on one only of these aspects—and that not the most difficult to solve. To the man in the street, with his memories of the last war, national organisation means one thing only—conscription; and if the Prime Minister is pledged against conscription in peace-time, then we must have its pale relative, a National Register, in which the individual capacities of the community can be entered and codified. This is, indeed, very essential; though the organisation of man-power takes a different form to-day from that of 1914-18. Then, the difficulty was, more and more, to comb men out for the Army. Now, it is, as much as anything, to prevent those who could be more usefully employed elsewhere from joining the Army in the first flush of the desire to serve. In particular, there is grave need for the mobilisation of brains. Nothing was more disquieting in the crisis days than the discovery that little or nothing had been done to arrange for staffing the new

Ministries that would be required in time of war; and that the plentiful supply of intellectual, administrative and business ability that offered itself could not be told what it would be wanted to do. Between now and the next crisis all this must be arranged, so that the vast war-time machine can be manned as rapidly as the anti-aircraft guns.

Enormous and complex though it is, however, the organisation of man-power is neither the sole nor the most difficult aspect of the problem, and public attention might well be focused on some of the other aspects. Pre-eminent among them is the organisation of industry. Hitherto, our re-armament programme has been pursued without more disturbance to normal industry than arose out of the inevitable competition for supplies of certain varieties of materials and skilled labour. We have produced for the defence forces and for the normal market together. In war-time every industry would have to work primarily for the Government; the normal market would be allowed to have only what could be made with the productive capacity not required for armaments. Our present task is to find some middle position. The motor industry is obviously the one chiefly affected. In war-time, it is safe to predict that nobody would be allowed to buy, or even to run, a car for purely private purposes. If we are to take our national mobilisation seriously, we shall soon have at least to restrict the supply of cars to the private market. This sort of problem is clearly productive not merely of technical difficulties but of political and social problems. It takes but a moment's thought to see that it can only be done if defence orders are centralised and co-ordinated through a Ministry of Supply, equipped with the powers of the war-time Ministry of Munitions and led by a Minister with Mr Lloyd George's driving energy.

Another whole range of difficult problems is raised when we start to discuss the organisation of finance. In one sense, the problem is more difficult than it was in 1914, since if we now went to war we should start with an income tax of 5s. 6d. in the £ and a debt of £8,000 millions. But in the fundamental sense the problem is the same now as then: it is that of securing control for the State of a very high proportion of the current output of the nation; and the task of public finance, now as then, would be that of translating into money terms this perfectly soluble economic problem. Foreign trade and the movement of capital would come under strict control as soon as war broke out. Both in this direction and in finance, we may find that we have to impose some of the war-time controls in the present half-peace if we are to catch up with Germany.

That we can catch up is beyond doubt. We are the far richer nation; we are not straining ourselves to equip an army of millions; and we still have the advantage, which Germany has now used up, of a considerable unused capacity of men and materials. This last factor may prove decisive. For though the Nazis can now produce no more guns without entrenching on their supplies of butter, we still have men and capital standing idle that could produce wealth to the value of at least £500 millions a year.

Our problem is to organise these riches for war, and in doing so we shall have to breed the same forgetfulness of any other object, the same disregard of vested interests, the same willingness to abandon cherished notions, as would be evoked by war itself. It is a bitter tragedy; indeed, a double tragedy, for not only is this energy and effort to be harnessed to the purpose of potential destruction, it is *only* for such a purpose that we are ready to do it. No high-sounding words can lessen this feeling of futility and frustration, of anger and disillusionment. But if the balance sheet of war itself has some items on the credit side—courage and service and comradeship and the demonstration that liberty is not weakness—then we may hope that the war-without-fighting on which we now seem doomed to enter may also bring some gain to offset its cruel waste.

Swedish Democracy

THE last few years have been a time of profound disillusionment for the progressively minded people in Great Britain who have been demanding large changes in our social and economic structure. Where ten years ago there was firm if not enthusiastic confidence in the future, there is to-day a paralysing sense of frustration. Our normal habits of party politics have taken on a curious air of artificiality. The reason is not far to seek. We had hardly recovered from the shock of the great financial crisis when we found ourselves face to face with the sudden rise of Nazi Germany, which was bound, sooner or later, to threaten the very foundations of our security. In such conditions it is but natural that envious eyes should have been turned towards the northern part of the Continent, where democracy shows remarkable driving force in the pursuits of peace, and particularly towards Sweden, which closely resembles our own in political and industrial traditions.

There has perhaps been a tendency among people with a superficial knowledge of Sweden to indulge in uncritical admiration, so that the real significance of what is happening there is lost in a haze of eulogy. Clearly it is important to have a first-hand knowledge of the facts; and for this reason it was a welcome step on the part of the New Fabian Research Bureau to send over a party of members in the summer of 1937 to study the character and achievements of Swedish social democracy. The results are presented in a volume entitled *Democratic Sweden*, edited by Mrs Cole and Mr Charles Smith, which makes available for the first time in this country a comprehensive survey of the political, industrial and social aspects of the life of this Scandinavian community.* Quite recently, in commemoration of the tercentenary anniversary of the first settlement of Swedes in America, there was published in the *Annals of the American Academy of Political and Social Science* a symposium, under the title "Social Problems and Policies in Sweden," written by leading Swedish economists and politicians and edited by Professor Bertil Ohlin.† These two publications, though they inevitably cover almost the same ground, do so in a way which makes them supplement each other. The two volumes taken together afford the English reader a valuable source of enlightenment on a subject which has hitherto been only partially explored.

Sweden, like the other Scandinavian countries, bases the whole of its policy on the assumption of neutrality in the next, as in the last, European conflict. This is not to say that Sweden has no problems of defence; on the contrary, much anxiety and a considerable amount of money have been devoted to the subject. But it does mean that it is still possible in Sweden for the problems of peaceful social progress to occupy the centre of the political stage. Both the books under review give an account of the system of social services; but the treatment in the *Annals* volume is more detailed, separate chapters being devoted to the administration of social welfare, the care of the indigent, maternal and child welfare, public health and medical care, social insurance, the treatment of criminals and the temperance movement and home ownership. Though Swedish health insurance is not an elaborate compulsory system like our own, it is unquestionable that the institutions promoting health on several fronts in Sweden are

more effective than in this country. It is refreshing to find a Government acting vigorously on the philosophy that "the costs of health services represent an *investment* in the most valuable productive instrument of all, the people itself." (Ohlin, p. 5.)

Closely connected with health matters is one of the most important recent departures in Swedish social policy, namely, the State's attitude towards the population trend. Mr D. V. Glass, in his interesting discussion of population policy in the N.F.R.B. volume, shows that, according to the conditions of fertility in Sweden in 1932-33, each woman was bearing 1.7 children instead of the 2.3 needed to maintain the population constant. Since the appearance of an arresting book on the population problem by Prof. and Mrs Myrdal in 1934, the attention of the public has been directed unceasingly to the causes and ultimate implications of this low reproduction rate. The Government took heed, and appointed a Royal Commission to examine the whole problem. In his essay in the *Annals* volume Prof. Myrdal provides a succinct account of the motivation behind the new policy. He argues that liberal neo-Malthusianism is not only out of date but a positive menace, and that a shrinking population will have very serious effects on the rate of investment in a capitalistic society. "The trend in population is one of the strongest forces promoting the socialistic ideas of State control in business and production."

But let no one think that the Labour Party in Sweden is occupied in spinning out a strategy for the "nationalisation of the means of production." This has never taken very deep root in Scandinavian political thought. Their originality lies in that they are planning a "nationalisation of consumption" which will serve both to promote the egalitarian ideal of socialism and to avoid the dismal prospect of a declining population. In other words, there must be a twofold redistribution of income—horizontal as between different types of families and vertical as between different social classes. And the practical solution, in Myrdal's words, is: "certain services free for all children and for families without a means test, planned as a rational co-operation among citizens in a democratic country on the principle of national solidarity, financed through the national budget, and therefore paid for according to the prevalent principles for distributing taxation according to capacity and ability." A cardinal feature of all this is that the subsidies, which have already been christened "internal dumping," must be in kind and not in cash. The forward-looking groups in British politics who have lost their old faith and are searching for new inspiration would do well to study this new trend in Swedish social policy.

Everything, however, is far from being of the best in the best of all possible democracies. Sweden may be without grimy slums; but it suffers from overcrowding to an extraordinary degree, even when measured on its own easy-going standards. Until recently this had been an ugly skeleton tucked away in the Swedish cupboard; but with the publication of the general report of the Population Commission it is no longer possible to hide it. A full and frank account of this and of the unequal distribution of income is to be found in two papers in the *Annals* volume. The number of dilapidated dwellings is estimated at 120,000 in rural areas and 30,000 in urban areas. No less than 13 per cent. of all dwellings in urban districts are overcrowded; and these accommodate 21 per cent. of the housed population. Unfortunately, it is not possible to explain this, as one of the authors tries to do, by referring to the rigidity of housing habits and regarding it as "a

* "Democratic Sweden": A Volume of Studies prepared by members of the New Fabian Research Bureau. Routledge. 12s. 6d.

† "Social Problems and Policies in Sweden." The *Annals of the American Academy of Political and Social Science*. Volume 197, May, 1938. \$2.50.

still fairly strong tradition from a not very distant time when the general standard of living in Sweden was much lower than to-day." The birth-rate before the War was high and the rate of interest comparatively low; and it therefore should have been feasible to build houses of a more spacious character. The Government now has an enormous housing problem to face, and it will require all its resourcefulness to tackle it successfully.

No account of Swedish achievements in the present decade would be complete without a reference to financial and monetary policy, which is dealt with in the N.F.R.B. book by Mr Geoffrey Wilson and Mr Hugh Gaitskell, and in the other volume by Mr Wigforss, the Finance Minister who is responsible for the whole experiment. The technique of budget balancing over a period is now being practised in Sweden: a Budget Equalisation Fund has been

established, and early this year an Emergency Budget was passed by the Riksdag empowering the Government to spend up to 230 million kronor on public works if and when it deems it desirable. The Finance Minister is in the enviable position of possessing a complete inventory of the public investment plans of central and local authorities for the next few years; and private investors know that the Government has both the firm intention and the resources to prevent the trade recession from going very far. Mr G. D. H. Cole, in his chapter on foreign trade, rightly emphasises the huge reserves of foreign exchange which have been accumulated. The country is in a strong position to combine budgetary and monetary measures in the interests of stabilising business activity; and Swedish experience in this field will continue to attract deep interest in other countries.

Branded Goods

IT has paid to advertise in retail trade ever since shopkeepers ceased to wait in their back-shops for customers to come in, and began to dress their windows to attract passers-by. With the harnessing of the inventor's skill to the business of advertisement, the speeding-up of communications and the growth of a popular Press, the pace of publicity has been immeasurably quickened; and shops and shopkeeping have undergone radical changes in consequence. By no means the least important sign of the revolution which is still taking place in retail trade is the spreading sale of packed and branded goods. Commodities are no longer exposed for sale, loose and in bulk, to be sold and wrapped and priced by the shopkeeper. They lie on the shelves and the counter, packed in tins, cartons or packets by the manufacturers, labelled with the maker's name and stamped with his prescribed retail price.

Indeed, our grandmothers would find shopping nowadays a strange and unfamiliar operation. In their day, they bought milk in an open can; we buy it at the door in a bottle or carton. They purchased peas by the pint; we buy them in packets or tins. They got their salt in a block and their coffee in the bean; now they are sold ready made up in containers. Sugar, washing soda and butter they bought from bulk and had it wrapped on the spot; we find these articles ready packaged to be taken away. Our grandmothers were trained in the *expertise* of buying, as the pages of Mrs Beeton bear witness. To-day shoppers seldom see what they are buying; they ask for a tin or packet or carton of whatever they require; and, what is more, they usually specify Somebody's named brand.

There were, of course, some branded goods even in grandmother's day. Doncaster Butter Scotch and Farrar's Harrogate Toffee are nearly a century old, and Lea and Perrin's Worcester Sauce, "from the recipe of a gentleman in the county," dates still further back. Two generations ago Epp's Cocoa, Mazawatee Tea, Epsom Salts and Pears' Soap were quite extensively sold. The branded soaps were almost the founders of national advertising; Pears' picture of "Bubbles" and Wright's Coal Tar baby who "won't be happy till he gets it" are still famous. But, for the most part, the grocer made up his own small packets of tea and sugar; the chemist lined his shop with jars and small drawers containing the galenicals and other drugs he compounded to his customers' request or to their doctors' prescriptions; and the widespread sale of branded goods is a comparatively recent growth. Before the last Great War, some 95 per cent. of the dry grocery goods then sold were taken from bulk and broken into small lots in the retailer's shop; it is estimated that in 1936 only 25 per cent. of these goods were dealt with in this way; and, in the sale

of confectionery, tobacco, cigarettes, toilet preparations and pharmaceutical goods, branded lines have come to play almost as important a part as in groceries, though no accurate figures are known. The spread of branded goods is a logical stage in the development of advertisement. Indeed, the proprietary brand is almost the only way by which advertising can be applied to the supply of household wants. The packet with its advertising matter attracts custom, while the name on the packet retains it, so that the branded packet becomes in effect the manufacturer's silent but efficacious salesman. Customers come to know one brand and ask for it always. In the old days manufacturers relied upon retailers to distribute what they made, paying special sales bonuses to the sellers of their goods to push their sales. They still do over a wide field of articles, but, more and more, they tend to rely upon advertising to increase their sales, for the simple reason that it is more effective and more profitable.

Nor is this all. Retail trade has lately become a battleground in which the manufacturers are struggling for control of the process of distribution with the large retailers—that is, the multiple shops, the co-operative societies and the department stores, who are also big enough to invoke the power of advertising. One potentate of West End retail trade, for instance, has laid it down that retailers, because they come into direct contact with customers, form the essential link in the distributive chain: that they know what customers want and, interpreting those requirements, they should direct and rule the manufacturers. Many large retail establishments have their own brands or put their names to the goods they sell; all goods within the growing compass of their activities are fitted into their own price and turnover policy; and by virtue of their size and resources they impose stringent terms on the manufacturers they deal with. The co-operative movement, the multiple shops, chemists like Boots and grocers like the Home and Colonial have even gone into the field of manufacture. The branded article is the independent maker's counter-attack; it enables him to hold a large share of the smaller shops' trade and, in some cases, even to force his way into the big department stores and chains. To an increasing extent, distribution is falling into two spheres: one in which the big retailer dominates the anonymous manufacturer, and the other in which the manufacturer's brand dominates the small retailer's activities; and in each case the dominant party buttresses his position by the publicity his large size makes possible.

From the manufacturer's point of view, therefore, branded goods are a weapon and a protection. They enable him to impose his own price policy on part at least of the

retail market; and the setting up of the maximum number of selling points, or outlets for the sale of his goods, is encouraged by popularising widely his brands. Indeed, the multiplication of selling points is a striking index of the spread of branded goods, for the shopkeeper needs no special skill to sell them. A Trial Census of Distribution covering Kidderminster, Chorley, Wycombe, Stafford, Weymouth and Jarrow revealed only 230 grocers and 25 provision dealers who could be described as professional full-time retailers; but there were 1,248 retail outlets for canned goods and 901 for pre-packed provisions. In the whole country there are only 41,000 true tobacconists' shops and no more than 60,000 confectioners; but there are 560,000 tobacco and cigarette licences and probably 250,000 confectionery outlets. There are more than 160,000 sellers of patent medicines and only 14,000 true chemists.

In fact, the business of the small independent shopkeeper has been turned topsy-turvy by the distribution of branded goods on a wide scale. Branded goods can be so easily sold that a shopkeeper is now often little more than a storekeeper or commission agent. The number of shops has grown greatly; the part-time retailer flourishes; and the trained shopkeeper is losing his craft. Yet the craftsman is by no means the rule, and many retailers are helped much more than they are hindered by having to handle branded goods packed and priced for them. Shopkeeping is, in fact, made easier.

Shopping, too, has been made easier by branded goods. There is a mass demand for cheap luxuries and cheap

varieties of clothing and foodstuffs. It is a demand stereotyped by publicity and well served by cheap articles, widely known by name and quality. Customers pay extra for the amenity of convenient and hygienic packaging; they pay, too, for the somewhat disingenuous service of advertisement; and, in return, they get the benefits of large-scale production.

In fine, while the manufacturer clearly gains from the spreading use of branded goods and the small retailer, on balance, probably loses, the consequences for the customer are less easy to define. It may, of course, be argued that the customer is always in a position to call the tune, since he pays the piper and can place his patronage where he wills. Yet it is also true that the shopper's preferences are almost entirely determined by an unending barrage of publicity. He is told, plausibly, persuasively and insidiously, what he wants and needs: more often than not, he buys it. In many cases his real interests are genuinely served in this way. But in a small but not inconsiderable number of cases the branded goods which are thrust upon him, so to speak, by a process akin to hypnotism, are at the best not worth the price, and at the worst they may be definitely deleterious. Advertisement and the branding of goods have given great power to manufacturers and their salesmen. The consequences for the community at large depend almost entirely upon the standards of good faith and honest service which the makers of branded goods set for themselves—as well as upon the common sense and discrimination of the purchaser himself.

From Washington to Munich

By Sir Walter Layton

IT is a tradition of *The Economist* that once, and once only, during his term of office the Editor is permitted to draw aside the veil of anonymity and address a personal message to his readers. The occasion is that on which he says farewell.

The seventeen years during which it has been my privilege to occupy the chair of James Wilson and Walter Bagehot have been ones of great and rapid change in the world's affairs. The first article that I wrote after my appointment was one recording the success of the mission of the late Lord Balfour at the Washington Naval Conference. My editorship closes with the Agreement of Munich. It began with high hopes of world appeasement inspired by a great practical measure of disarmament; it ends with a hair's breadth escape from world war and a precarious truce.

Three features stand out from the history of the post-war decades. The first is the great progress in science, in the arts of production and in the living conditions and well-being of the masses of the people in most countries of the world. But this encouraging record is marred by two sinister influences. One is the deterioration of political relationships which has reduced the League of Nations to impotence and has divided the world into two rival camps; the other is the failure to establish economic relationships on a reasonable basis—with the result that we have suffered one of the worst depressions in history and seem unable to build up lasting prosperity. Millions of citizens in the richest countries of the world without a means of livelihood, armies of refugees whom no country will harbour, with millions more to come, the mills of industry frantically grinding out weapons of destruction—these things are a cynical commentary on civilisation in the middle of the twentieth century.

In these dark days it is well to remember what material

advantages we now possess if we only knew how to use them. In this country the standard of living has risen almost continuously since 1920. In spite of depression in certain areas real wages are good, the standard of housing is immeasurably superior to that of pre-war days, social services have been expanded, pensions have been extended to widows, the maintenance of the able-bodied unemployed on the "dole"—which ten years ago was widely regarded as a symptom of our economic decay, has been reorganised as a central Government service and is taken as a model by other countries of the world.

New amenities have been brought within the reach of masses of the people—including the popular motor car and the radio, which dates in this country from no longer ago than 1922. In the sphere of industrial organisation, transport has been reorganised in London and on the main railways and roads of the country, major industries such as the coal, steel and cotton trades have come together with Government help or stimulus and superseded competition by co-operative marketing and production. After a series of industrial upheavals which culminated in the General Strike of 1926 (during which the editorial and advertisement staffs of this paper contrived to maintain our unbroken record of publication with the help of a hand press), relations between Capital and Labour have settled down on a harmonious basis and for over ten years the course of economic activity has been very little disturbed by industrial disputes.

In the political sphere, the franchise has been extended to every adult; the perennial unrest of Ireland has been allayed by the curious device which includes a republic under the British Crown; while by the Statute of Westminster the Dominions have been made equal partners with Great Britain and are free to come and go in the Commonwealth. Even India, after much travail and political

upheaval, is at last enjoying autonomous government in the Provinces and is on the threshold of federal self-government. In important spheres democracy has extended its domain, while in great States the status of the workers has made important progress. Experiments in living and in the social structure have been made on the grand scale. Indeed, one of them—in the Soviet Union—covers by far the largest single territorial unit in the world.

Unfortunately, those to whom has fallen the responsibility of directing the political destinies of the world have not risen to the height of their opportunities and have failed to eradicate the seeds of hatred and of ambition which were sown by the war and its aftermath.

In its attitude to the problems of our time the policies advocated by *The Economist* have been in line with its liberal tradition. It was natural that the paper which was started nearly a hundred years ago to support the repeal of the Corn Laws should in these post-war decades have emphasised the importance of restoring the freedom of commerce. In the early 'twenties there was a tendency to regard currency stabilisation as a golden key for restoring prosperity. At the time of the Austrian and Hungarian reconstruction schemes this paper was almost alone in urging that to stabilise currency and to provide foreign capital for distressed countries would be futile unless in Central Europe tariffs and other restrictions on trade were drastically reduced. It stressed the necessity of commercial agreement in Danubia, pleaded for permission to these States to make preferential arrangements, and urged that we should modify our most-favoured-nation rights in order to enable them to do so. Even after the World Economic Conference of 1927, when the delegates from over fifty nations unanimously endorsed the plea for freer trade, nothing was done except the conclusion of a few bilateral treaties in which some very minor modifications of the existing system were effected.

Again, with almost painful reiteration, *The Economist* pleaded for a more rational attitude towards Reparations and International Debts which were helping to create a gross distortion of international payments and a maldistribution of gold. This paper approved the return of Great Britain to the gold standard in 1925 in the belief that in a world where commerce was flowing freely the general level of prices that then obtained would continue. It was not foreseen that the French monetary inflation would be followed by stabilisation of the franc at a level which undervalued it in relation to the £, and that for a number of reasons there would be a long deflationary drag upon the price level in this country.

The later years of the nineteen-twenties were ones in which Britain was forced to readjust its industrial life to a new equilibrium in which foreign trade represented a much smaller percentage of our national activity than was formerly the case. Surveyed in retrospect, the economic historian will probably conclude that the difficulties which this country faced in the years 1925-30, and the restraint which they imposed on the rate of our economic advance, were partly responsible for the fact that when the great depression came in the early 'thirties this country suffered less than others. But in the world as a whole there can be no doubt that the five years preceding 1930 were ones in which a great chance was missed of rebuilding prosperity on the sound basis of international economic collaboration.

If this was the case in the economic field, it is even more glaringly true that in the political field the decade and a half that succeeded the war were years of lost opportunities. The unwise policy of keeping Germany weak and encircling her with an overwhelming force manifested itself in many ways; but it is epitomised most clearly in the sorry tale of procrastination in the matter of disarmament. This is not the place to repeat a story which students of history will find fully recorded in the files of *The Econo-*

mist. One or two quotations will serve to point the moral. On September 15, 1938, Mr Chamberlain flew to Berchtesgaden. In its issue of September 15, 1928, *The Economist* commented on a speech of M. Briand before the League Assembly in Geneva in the following terms:—

If we are meant to take this speech seriously, it is a pronouncement which condemns to failure the policy of international disarmament, and therewith, in the long run, the hope of international peace. . . .

The gist of M. Briand's speech is that Germany's actual and acknowledged fulfilment of the severe and comprehensive disarmament clauses of the Versailles Treaty is not a fact on the strength of which other powers can afford to do likewise, because the total disarmament of Germany is inherently impossible. . . .

The French Government is undoubtedly giving the German people the strongest stimulus to re-arm on the first opportunity by repeating Napoleon's error of policy—that is, by maintaining a disparity of armaments and misusing this disparity in order to bring pressure on a temporarily prostrate opponent. . . .

The policy of which M. Briand permitted himself to serve as the mouthpiece last Monday is again doomed to defeat itself; but if it is allowed to run its course to that goal of self-defeat it can hardly fail to involve the whole of Europe, if not the whole world, in this fresh catastrophe.

The article concludes with an appeal to His Majesty's Government to make disarmament the most imperative concern of their foreign policy; if they are unwilling to do so it should be made a chief issue of domestic politics.

Six months later, on March 16, 1929, *The Economist* wrote:—

For the past ten years two incompatible systems of international relations have been in competition for the mastery; and the same statesmen in the same countries have been promoting both with even-handed inconsistency. With one hand they have been preparing for perpetual peace; with the other for perpetual war. . . . Ten years hence we shall know which is going to prevail.

Eighteen months later the warning note became more specific:—

The National Socialists are not in power in Germany yet; but they may come into power very soon if the other signatories of Versailles fail much longer to redeem the promise of disarmament all round which they gave ten years ago. And if, in Germany, the National Socialists do come into power before the present naval deadlock between France and Italy is resolved, Germany and Italy will assuredly join hands.

In March, 1931, when economic catastrophe was fast approaching in Central Europe, there came the dramatic proposal for an Austro-German Customs Union. On its announcement *The Economist* wrote that "there are strong grounds for thinking that the reunion of Austria with Germany, both politically and economically, would be not only good for Austria, but for Europe as a whole," for it would introduce a moderating influence into Germany. But both countries were pledged not to take the step of political reunion. A customs union, on the other hand, would be a wise move if it were based on a compromise tariff between the higher wall of Germany and the more moderate one of Austria and provided—as the two parties proposed—that the union were open to other countries which might wish to join. This point, said *The Economist*, is vital, "for on the answer to it depends the question whether this move is a step towards freer trade in Europe or merely an Austro-German economic rapprochement."

Once again, however, political considerations had the last word. The project was summarily dismissed. Events marched on to the inevitable economic crisis, the breakdown of the Reparations structure, the abortive talks with Dr Brüning on disarmament and the rise of the Nazi power.

Considerations of space forbid that I should attempt to recall the crowded incidents of more recent years, or comment on the growing pretensions of the dictatorships and the steps which have brought us to the brink of a second world war. To do so would only serve to emphasise

the heavy price that has had to be paid for lack of foresight, imagination and understanding. Nor, in giving these quotations, do I wish to lay claim to any special gift of prophecy. No journal can always be right, and *The Economist* has many times made mistakes in its judgment of events. If *The Economist* has on balance helped its readers to form a just estimate of current forces, it must be remembered that a journal such as this is the product, not of its editor alone, but of a team consisting of its contributors and staff; and that the common outlook of the paper is the product of many minds. I should be doing them less than justice if I omitted to say how singularly fortunate I have been in the colleagues who have worked with me during my editorship on the technical as well as on the editorial sides of the paper.

It is equally futile to recall the past merely for the purpose of grieving over disappointed hopes or causes that have failed. "It might have been" is never an inspiring text. The value of a retrospect is rather to learn the lesson that evil can be averted by wisdom and understanding provided that we have also the courage and determination to grapple with our own fate.

Recent events have left us face to face with a grim and menacing world. The lamp of freedom is burning very low in Europe. Those who share our idea of the things that make life worth while, who dream of a tolerant world in which men can come and go freely, can think for themselves, can count on decent behaviour from their neighbours and have a chance to make their own way, have had their hopes badly shattered. The prestige of the democracies is at a low ebb; the idea of might is in the ascendant; every small nation looks to the future with fear in its heart. We have to brace ourselves for a struggle of wills, for a great conflict of ideas and for a test of character and endurance.

This, however, may be said for our comfort. We have

seen in the past month that the political systems of Europe that are most detached from the popular will have had to give heed to the natural instinct of mankind to save itself from self-destruction. We may be equally certain that it is only a matter of time before the unquenchable vitality of the human spirit begins to break through the shackles that confine it in so many countries of the world. The ordinary men and women of Germany are not unlike the men and women of other countries. Their outlook has not been radically changed though knowledge may be denied them.

The spirit of liberty is not dead in Europe. But it has been temporarily hypnotised, by mass suggestion and by reiterations of the voice from the microphone, into a state of coma. It will slowly revive if there is an interval of peace and if the nations which are still free communities can show that they are as efficient and as courageous as those which have surrendered to dictatorships.

I have said little in this article of the business world with which *The Economist* is so largely concerned, or of the vicissitudes which it has experienced in the past decades. This is not because their story is either unimportant or uninteresting, but because it is to-day so clearly dominated by political events. Since its foundation nearly a hundred years ago *The Economist* has never failed to stress the interplay of these two phases of public life. The rapid growth in the number of our readers in recent years is one of many signs that this intercommunication is to-day more widely appreciated than ever before.

This is not an occasion for looking into the future or attempting to forecast the course of events. I will only say, in conclusion, that, whatever the future may have in store, our readers may rest assured that, in the competent hands of my successor, *The Economist* will continue to deal with public affairs in the light of those guiding ideas which have inspired it in the years that are now passed into history.

Topics of the Week

Zero Hour in Palestine.—Last week, when the High Commissioner for Palestine started on his journey back from London to Jerusalem after having finished his consultations with Mr Malcolm MacDonald, it was announced in Downing Street that "questions of procedure and of policy" had been "tentatively examined," and that a further statement of policy would be made when the Woodhead Commission's report had been received and the Government "had had time to give it careful study." This *communiqué* reads like a bulletin from some cloistered choir of scholars who, in the profound peace of their academic retreat, and with infinite time at their disposal, are deciphering a papyrus or dismembering the atom. But this prose version of Browning's "Grammarian's Funeral" is desperately inapposite to a grave issue of practical politics in which time is a matter of life and death. Rome burnt while Nero was fiddling; Jerusalem has blown up while His Majesty's Government have been conducting their scholarly researches into the minutiae of an ideal solution for a Palestinian problem which, as they slowly con and collate, is in danger of passing out of their control. During Sir Harold MacMichael's absence in London—or are we being belatedly informed of something which really happened much longer ago?—the command of the walled city of Jerusalem passed into the hands of the Arab Nationalists, who already controlled the greater part of the Palestinian countryside. On Wednesday, British troops in full fighting kit entered and took control of all the districts in the walled city except the Haram esh-Sherif, which contains the mosques of Omar and of Aqsa. Contrary to some expectations, very few casualties were reported. *Vis-à-vis* a Palestinian Arab Nationalism which believes that it is fighting for its life, the British Govern-

ment in Palestine to-day is in the same position as Antiochus Epiphanes was in 166 B.C. *vis-à-vis* Judas Maccabæus. The historical parallel works out with most unpleasant exactness. What crippled Antiochus and ensured the Maccabees' victory was the knowledge—in the minds of both the Palestinian belligerents of that day—that, though the lawful government of Palestine was potentially far stronger than the insurgents, there was a still greater power in the background, of which Antiochus must take account, and to which the insurgent Maccabees might appeal. What ruined

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the Seleucids and made the Maccabees' fortunes in the Palestine of the second century B.C. was the paramount power of Rome; and to-day Rome's part is perhaps going to be played, in our present Palestinian crisis, by Nazi Germany. Already Germany's shadow stretches over a Turkey who may now at any moment find herself leaderless. How long will it be before it reaches to Turkey's pre-war Arab provinces? We have now either to crush the Arabs or to come to terms with them; we must make our choice without delay; and both alternatives are odious. Coming to terms may mean at least partial default on the Balfour Declaration. Crushing the Arabs will mean opposing the principle of self-determination by sheer force of arms—and this in the teeth of an Arab world and a Rome-Berlin axis which will hold our British "methods of barbarism" up to execration, even if they do not go on from words to action. A pretty kettle of fish!

* * *

Defence Deficiencies.—It is believed on good grounds that at Wednesday's meeting of the Cabinet it was decided to embark upon a comprehensive campaign to repair the defects in the country's defences revealed in the recent hours of danger. The peak of the crisis, before peace was made at Munich, revealed Britain ready to fight, but seriously unprepared. The cause of the grave gaps in our defences, against air attack in particular, was not simply the not unnatural reluctance which the Government had previously shown to take the stony path which leads to the setting-up of a complete war economy. Many of the measures which had already been decided upon were in fact inadequately executed. Active anti-aircraft protection in London, for instance, was gravely impeded, as Mr Sandys' activities threatened to reveal many months ago, by an absolute shortage of artillery and other equipment. This deficiency was due in part to faulty organisation of production, in part to inefficient provisions for the distribution of material and in part again to inter-departmental jealousies and the absence of any single centralised control. The open optimism of the War Minister last spring which so disturbed Territorial officers acquainted with the facts was never justified, though Mr Hore-Belisha must unreservedly be given the credit for insisting successfully that the priority of anti-aircraft measures should be recognised. It has now been decided to man vulnerable factories with workmen trained as anti-aircraft gunners; it is rumoured that accelerated mass-production is likely to provide an adequate quota of 3.7-inch guns by next spring; and it is inconceivable that civil defence at least will not now be co-ordinated in fact. Passive air raid precautions, too, were seriously deficient when the call came. The Home Office is busily conducting a thorough inquest into A.R.P.; officials from local authorities all over the country have met in conference this week in Whitehall; and many frank reports to the councils of big cities have shown how wide the gaps were.

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For A.R.P. to work within its present framework local authorities, having appointed the right kind of trained officers, which many have so far failed to do, must know precisely what protection they are under obligation to the Ministry to provide; in the crisis this had not been decided and the local authorities set to work *ad hoc* and in the dark. The local authorities must know what schemes are expected of them and what plans will therefore be approved for grants-in-aid. The A.R.P. Act of last year gave no guidance, and Ministerial circulars thereafter showed only that the Government had not made up its mind. In the event, when it was too late to prepare plans, evacuation, trenches and shelters were centrally urged upon the local bodies, who showed enthusiasm and spent heavily but failed to improvise with conspicuous success. Here, again, it is hoped that the Government is moving expeditiously to organise central staff-work; and, as an interim step, it has been decided that the Government will pay the cost of trenches and shelters constructed during the crisis. But, in the last resort, neither active nor passive

defences against air attack, neither anti-aircraft units nor local authorities, can give the community adequate protection, except within a revised frame of central direction.

* * *

Official Secrets Inquiry.—The detailed evidence given by the chief actors in the so-called Sandys case to the Commons' Select Committee on the Official Secrets Acts was published as a Blue Book on Tuesday last. The document confirms the view that the incident became a question of Privilege and a parliamentary *cause célèbre* simply and solely because it was mishandled. The really significant points which emerge from the evidence are two. First, the wide divergence between the War Minister's optimistic statements in public about the artillery equipment of London's anti-aircraft defences and the actual deficiencies is, to say the least, surprising and disquieting; and since Mr Sandys' escapade the crisis has been more successful than he in bringing these facts to light. Secondly, the evidence of Ministers makes it abundantly clear that the position of Members of Parliament under the Official Secrets Acts has hitherto been quite undefined. It is arguable that M.P.s in the Territorial Army cannot combine their duty to be watchful of departmental failings with the discretion incumbent upon them as members of a fighting service. But, when the need to be speedy and efficient in re-armament has become paramount, the obligation laid upon Members to watch carefully the progress of defence preparations has been intensified, and it is a matter of urgent moment that Members should know where they stand in this matter. Ministers must no more be allowed to hide behind official secrets than private members must be allowed to broadcast them for party advantages.

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By-Elections in Prospect.—No group of by-elections, however widely scattered over constituencies of diverse characters, can fairly represent the true course of public opinion, and at the present time, when opinion is fluid and facts about future policy little known, this generalisation is as true as ever. Yet the fact that foreign policy is likely to constitute an unusually single issue, common to all forthcoming contests, lends special interest to the seven by-elections now pending. They range over the whole of England; two county contests in Lancashire and Yorkshire; two in Midland boroughs at Walsall and Oxford; one in West Lewisham in London; and two in the Southern counties of Kent and Somerset. Only one seat, the Doncaster Division of Yorkshire, is held—and safely held—by Labour, and the remaining six have hitherto been represented by supporters of the National Government. But Walsall, held by a Liberal National, was Labour as lately as 1929; and the Dartford Division of Kent has been Labour three times since the war. The seat in the Fylde Division of Lancashire—rendered vacant by the sudden and untimely death last Sunday of Lord Stanley, Secretary of State for the Dominions—should, like West Lewisham, be safe for the Government, and the Bridgwater Division of Somerset has only deserted the Conservatives for the Liberals twice (in 1906 and 1923) during the past thirty years. Oxford, too, would not normally be likely to surrender its established Conservative allegiance; but the last-minute nomination of the Master of Balliol, with Liberal and Labour support, as an independent anti-Chamberlain candidate on the specific issue of foreign policy, lends uncertainty as well as interest to the contest. On the whole these elections are unlikely to show significant gains or losses, though the proportion of votes cast for the various parties may change in favour of the Opposition, since in most of the constituencies the Government is defending a fairly safe position. One thing at any rate the contests will almost certainly show: there has not been quite that unanimous swing towards Mr Chamberlain which Conservative organisers forecast on the morrow of Munich.

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The Czechs Reorganise.—That Czechoslovakia had promised to maintain an attitude of "loyalty to the Reich" was the substance of an official statement issued

after Herr Hitler had received the Czech Foreign Minister, M. Chwalkowsky, at Munich on Friday of last week. General Syrový is making sure that there will be no delay in the assumption of this attitude. Political parties of the Left have accepted its necessity to the point of considering self-dissolution, in the case of the Communists, or severance from the Second International in that of the Social Democrats. Their acquiescence concurs in what most Czechs are thinking: and once again this nation must be praised for its steadiness in adversity. To further economic ties with the Reich four Czech Cabinet Ministers, MM. Kalfus (finance), Karvas (industry and trade), Feierabend (agriculture), and Vavrecka, have gone to Berlin for discussions on outstanding problems; and these may be presumed to include the straightening out of transport difficulties arising out of the secession of roads and sections of railways, and through the stoppage of traffic on the Elbe; conditions of trade (to preserve existing connections it is expected that tariff levels will be highly preferential); transference of Czechoslovak currency taken over in the seceded areas; and the wider issue of a possible Customs union. The International Commission has concluded its work by deciding against plebiscites, after the German and Czech Governments had agreed to accept as final the line already established as the limits of the Fifth Zone, and by taking note of the decision to form a Minorities Commission which will supervise optional transfers of Germans and Czechs to their own nationality.

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Pending settlement of these and other matters, General Syrový and his colleagues are working hard, through the medium of twelve administrative commissions, to set Bohemia again on its feet. While Dr Benes has accepted an invitation to lecture at the University of Chicago, the Czech political parties and the Czech Cabinet are reported to have selected a new President who is without what *Narodny Listy* calls "a political past"—rather a business man who will help build up Czech-German trade. Relations with Warsaw and Budapest are now satisfactory enough as regards the Czech Government, though it is not yet clear—and cannot be clear until the Komarom negotiations are concluded and the fate of Ruthenia settled one way or the other—how they will stand as regards the Bratislava and Uzhorod Governments, or the somewhat ephemeral federal administration. In Prague—and in Europe generally—delay in settling Hungarian frontier claims is causing little anxiety. It is felt of the Slovaks and to a lesser degree of the Ruthenians that they must now look after themselves, and that with German support they need not have much difficulty in doing this. Visits to Munich paid by members of the Bratislava and Uzhorod Governments are natural concomitants to the visit of M. Chwalkowsky to Herr Hitler: it remains to be seen what results they will achieve.

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Ruthenia.—Self-government for Ruthenia, Czechoslovakia's easternmost province, was announced from Prague on October 11th; and six days later the new Cabinet met for the first time under the leadership of M. Brodý. Until the new Hungarian frontier is fixed the fate of these people must remain balanced on the play of diplomatic forces in Central Europe. They now achieve self-government for the first time in their history: but even were this not so they could hardly prefer Magyar rule, of which memories are still warm, to the enlightened Czech Government which has been theirs during twenty years. For the Czechs have not dealt lightly with their Treaty obligations to watch over Ruthenian interests and prepare the province for eventual self-government: and although the rudimentary provincial autonomy in being until last winter has never satisfied politically-minded Jews and Ruthenes, the Czechs have put no little time and money into building up the country's resources. What could be done was strictly limited by the poor resources of a province which is three-parts covered

by Carpathian hills; but communications were improved and a beginning made with the introduction of secondary industries. Even a small tourist traffic exists, encouraged by the building of hostels in the hills and the marking of routes. The peasant economy is primitive, and to a large extent must remain so. But in the affairs of Europe the importance of Ruthenia is strategic rather than economic, and any doubt that this was so disappeared with Colonel Beck's sudden visit to King Carol at Glatz. With Ruthenia intact as Czechoslovakia's third federated province, Poland and those who share her point of view may look forward to German influence being pushed to within 150 km. of the Soviet frontier, and may speculate fearfully upon the whole line of dire events which such a possibility could entail.

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Portents in Poland.—The duality of Polish foreign policy was etched deep this week by two separate events. Closer relations with Germany were announced with the acceptance of a long-term credit to the value of 120 million zloties (£4,800,000 at actual rates). And as if to emphasise Polish political independence, Colonel Beck made a spectacular entry into the news by visiting King Carol at Glatz. Reports agreed that his intention was to secure Roumanian support for the Polish-Hungarian move for a common frontier by offering to Roumania a piece of Ruthenia. Polish arguments for foreign consumption are based on Pilsudski's idea for a "neutral bloc" in Central Europe, but King Carol's support could probably only be obtained, if at all, for a much more definite return than such a dubious project. Meanwhile, there is a peck of troubles to be dealt with at home. The three main Opposition parties, representing peasants and socialists and the Right Opposition, have decided not to take part in the elections planned for the first week in November, and President Moscicki has threatened to decree the dissolution of all political parties. M. Kwiatkowski, Deputy Prime Minister and Minister of Finance, spoke for conciliation at Katowice on Sunday, but the real meaning of his speech was more likely to the effect that unless the Opposition seized this "hand of friendship" now, it would not be held out to them again. On the face of things the threat is illogical. The Opposition parties boycotted the 1935 elections because they were held under inequitable electoral laws. They are presumably ready to take part in elections as soon as the new Sejm and Senate which will come into being in November have altered those laws, as the President himself has indicated will be their main task. That the issue is nothing like so simple is proved by the close co-operation which now obtains between the President, the Government, and the Army chiefs. Poland may be facing hard times ahead, and if those in power could feel the safer for a more dictatorial regime, or a regime which excluded the possibility of Opposition influence, doubtless they would take the right steps to get it.

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The position of Poland *vis-à-vis* her neighbours is not a happy one on any view. Colonel Beck has been decorated for his seizure of the "lands beyond the Olza," meaning Teschen and Bohumin; but from henceforth his conduct of diplomacy must be seen through the eyes of a man who knows that his country is now in virtual isolation and that the days of security are numbered. Re-armament is all the cry, and that with speed. As if to point the moral, riots have broken out in the Ukraine. Demonstrators at Lwów have shouted "Down with Hungary" and declared for the independence of Ruthenia, which they called "Carpathian Ukraine"; and counter demonstrators have smashed Ukrainian windows. Given favourable circumstances—which since the War have been notably lacking—each of the two great minorities of Poland, the German and the Ukrainian, could move the country into turmoil; the events of the past weeks show that creation of such circumstances will not be difficult for those in whose interests it is to bring them about.

Church and State in Austria.—The fate of the Catholic Church in the "Ostmark" of Greater Germany is not encouraging for advocates of the policy of "peace at almost any price" with dictators. Last March, when Herr Hitler invaded Austria and overthrew Dr von Schuschnigg's Government, Cardinal Innitzer made a supreme effort to win the conqueror's goodwill at the risk of seeming to desert a Catholic Austrian regime in its hour of agony. The Cardinal's policy aroused misgivings at the time both among the Catholics in the Reich and also at the Vatican—whither the Cardinal was summoned by the Pope to give an account of his stewardship. Two Saturdays ago, in a sermon preached in the Stefanskirche, Cardinal Innitzer frankly and courageously admitted that his policy of appeasement had been a failure. In spite of the Austrian hierarchy's public exhortation to their flock to vote for the *Anschluss* in Herr Hitler's confirmatory plebiscite, the Cardinal now had to tell his congregation that "in the last months you have lost almost everything." On leaving the Cathedral he received an ovation from the people in the heart of Vienna. That night his palace, which stands close to the Cathedral, was stormed and gutted by a mob of Nazi roughs, and while the Cardinal himself, who was absent at the moment, escaped without physical injury, one of the canons of the Cathedral was thrown out of a window and had his legs broken.

In this piece of "direct action" the Nazi authorities have denied their complicity (though it was committed, by men wearing Nazi badges and uniforms, in the presence of police, S.S. and S.A. men, who looked on without lifting a finger to keep the Fuehrer's peace—if the King's Peace has any Nazi counterpart). The Nazi version is that the sackers of the Cardinal's palace were Jews and Czechs! As a consolation prize for the Austrian Catholics, Herr Bürckel, the Reich Commissioner in the Ostmark, has closed all church schools in Austria that had not been closed already; excepted priests, in advance, from the fore-shadowed political amnesty in Austria; refused, once for all, to grant an amnesty to Dr von Schuschnigg; and announced that there will be no further negotiations in Austria between Church and State. In Vienna on the 14th a Jewish synagogue received the same treatment as the Cardinal's palace from a mob with which the Nazi authorities, once again, denied having any complicity. Presumably their story will be that the synagogue was gutted by the Catholics. At the best, the conclusion is that the Nazi State is too weak to maintain order in the streets of Vienna; at the worst that Herr Hitler deliberately raises one moral barrier after another across the path towards that moral reconciliation which he professes to desire.

Breakers Ahead in France.—Most Frenchmen would recognise that Munich has not really shifted the root of their troubles. That root is still embedded in lagging

industry, an unbalanced budget and insecure finances. And about that recognition, unspoken as it is by many who should know better, revolve the fortunes not only of M. Daladier but the balance of political power and the future of France herself. From the knowledge of it are drawn the sheafs of rumour which make a shadow-play around the harsh demand of circumstances for re-armament and strong administration. Will M. Daladier dissolve the Chamber? Will he form new ministries for armaments and the Treasury? Will he use his special powers on the 40-hour week? The Prime Minister does not say. Powerful forces are working for and against dissolution and M. Daladier, however valuable to the Radical cause he might esteem such a step, dare not try playing a lone hand. Nor is he likely, until he has felt the temper of the Radical Socialist Congress at Marseilles on October 26th, to pronounce decisions which would have to be carried against working-class opposition. The Right demands more guns and aeroplanes, many more, and a "national" government: the arguments go all their way, for the Left (like the British Labour Party) is caught in the sharp dilemma, re-arm or submit?, and in choosing the first, risks giving away far more than it ever intended. If M. Daladier is wise he will do all that is possible to close the threatening breach between Left and Right, and to mediate should be taken by the Radicals as a most serious duty. For the ordering of chaotic financial conditions in France is of such high importance as to ride over mere party considerations; in that spirit alone will M. Daladier achieve success in his task.

Vested Interests in the Meat Trade. One of the terms of the Anglo-Argentine Trade Agreement of 1933 was that a Committee should be appointed jointly by the two Governments to inquire "into the economic and financial structure and working of the meat trade, with particular reference to the means to be adopted to ensure a reasonable return to the cattle producers." This Committee was duly appointed, with Sir George Schuster as its chairman, and has now presented its report. The trade in meat between the Argentine and the United Kingdom is peculiar in many respects, but in none more so than in the extent to which it is dominated by a close ring of large firms. Six firms operating in both countries share between them 85 per cent. of the trade; they exercise a close co-operation in buying cattle from the breeders in the Argentine, in slaughtering, chilling and shipping the meat, and finally in selling it on the British market. The real meaning of the Committee's terms of reference was that they were to investigate whether excessive profits were being made by this joint monopoly—a monopoly which has been made almost exclusive by the British Government's import licensing policy since 1932 and has been economically strengthened *vis-à-vis* the producers by the quota restriction of imports. In this task the Committee have failed, not through any lack of endeavour on their part, but because only three meat-importing companies (including only one large company) would provide facilities for an independent check of their accounts. Five of the six big companies—Armour and Company, Ltd., Swift and Company, Ltd., Wilson Meats, Ltd., the British and Argentine Meat Company, Ltd. (Union Cold Storage Company, Ltd.), and the Smithfield and Argentine Meat Company, Ltd.—refused all requests not only from the Committee but from the Board of Trade itself. As the Committee remark, this attitude can only arouse the keen suspicion that the companies have, in fact, some very guilty secrets to conceal: "a trade in an important and necessary article of food which affects the economic relations between two great countries and in which the vital interests of large sections of their populations are involved, is in the power of half a dozen private concerns, which are so jealous of their rights to conduct their operations with freedom and secrecy that they have refused to co-operate in this inquiry which was set up for public purposes by the two Governments." In the circumstances, the Committee can only present partial evidence for their conclusion that, though the profits of the companies vary from year to year, there have been several years in which they have taken advantage of the Argentine producer's poor competitive

position without passing on to the British consumer any of the reduction in price thus exacted. It is, indeed, necessary for the companies "to realise that their opportunity to continue must be conditional on their being able to satisfy the Governments in both countries that in their operations they are rendering service of public value at no more than a reasonable charge"; and the Committee recommends, as a first step, the compulsory institution of a standardised form of accounts in which the companies shall make returns to the two Governments. Language of such severity towards large and prosperous business concerns can rarely have been held in an official document. It is fully deserved; and the companies will only have their own contumacy to thank if the public puts their business high on the list of activities to be brought under strict public control.

Mr De Valera on Partition.—England's difficulty is apparently still Ireland's opportunity. Mr De Valera, who only a few months ago was, perhaps prematurely, admitted to the favour of the British Imperialists, has improved the shining hour of Munich by uttering a demand for the end of Irish Partition—that is, for the incorporation of Northern Ireland in Eire. He does not, it is true, demand a unitary annexation; the autonomy of Northern Ireland is to continue, but with the powers of the Parliament at Westminster transferred to a new body, elected by proportional representation, at Dublin. But Mr De Valera has made it clear that a mere rectification of frontiers in Counties Tyrone, Fermanagh and Down would not satisfy him, for it would leave Catholics still in Protestant territory and the national unity of Ireland would still be impaired. Until Partition is fully ended, he warns, Ireland cannot be expected to give England any positive aid in any international unpleasantness that may arise. There is no question that this utterance has caused widespread annoyance in England, partly because of its tactless timing, partly because of the irritation which the Englishman always feels at every resurrection of the Irish problem after every "final" burial. But the Englishman cannot dismiss the problem by the application of common-sense; it is doubtless true that the Southern Irish are much better off without the Protestant Ulstermen than they would be with them—after all, who should know better than the successors of O'Connell, Parnell and Redmond, how serious a nuisance a determined minority can be. But any such argument is merely beating the air. Even "sensible" and "moderate" Irishmen passionately desire the end of Partition. Nor can the Englishman leave the problem to the Irish to settle among themselves. Though he does not know it, the Catholic Irishman regards him, and not the Ulsterman, as the real cause of Partition and the chief obstacle to its removal. England created Partition, runs the argument, and England, by her troops and her subsidies, maintains it to-day. Therefore England must procure its end.

English opinion, if it was thinking about the problem at all, would find itself as divided as ever it has been—not only divided, but confused by the existence of a minority within a minority. The Left in England has recently been arguing in the Czechoslovakian affair that there are some cases in which a minority cannot fairly claim, on the strength of self-determination, to secede from the State in which it finds itself. But how does this apply to Ireland? Does it mean that Northern Ireland can justly be invited to reconcile itself to minority existence in a United Ireland, or that the Catholics of Tyrone and Fermanagh can justly be forced to remain in an independent Northern Ireland? The Conservatives, on the other hand, have been busy proclaiming the paramountcy of self-determination over all considerations of nature, history or economics. Does this mean that Ulster has a right to be independent, or that the Catholic fringe of the Six Counties must be ceded to Eire? Or perhaps both? Thus do our European policies consistently come home to roost in Ireland. In abstract justice, Mr De Valera's claim is very

strong; partition between Eire and Ulster is absurd, as absurd as partition between Great Britain and Ireland. But in the present state of English opinion, the utmost that Mr De Valera can expect is an amelioration in the condition of the Catholics in Northern Ireland. The Irish problem will continue to be with us.

Italian Withdrawals.—In the last week of July, 1936, three warplanes with obliterated identification marks made forced landings in French Morocco, and the world first learnt of Italian military intervention in the Spanish civil war. Since then a steady flow of troops and war material has gone from Italy to fill the cup of enmity between the two sides; and although sporadic withdrawals have been reported (and left unconfirmed) ever since last winter, only this week are Italians officially quitting Spain. On Monday 10,000 legionaries sailed from Cadiz for Naples. The importance of their going is not great in a military sense, for they leave behind them technicians and much war material with what may be computed as twice their number in men; while the diplomatic importance of the event might be considered marred by a telegram in which Signor Mussolini assured General Franco that "Fascist Italy is and will remain fraternally linked with you until your victory." Point is lent to this comradely greeting by official figures published in Rome last week showing Italian losses between July, 1936, and October 10, 1938, to be 12,247 casualties, 2,757 of which were fatal.

When news of an impending withdrawal became known last week Italian official circles emphasised that this would be "a unilateral repatriation," not connected with international politics or with the business of the Non-Intervention Committee, but that in their opinion "it could provide Great Britain with the opportunity of bringing into force" the Anglo-Italian Agreement of last April. Voices abroad were not slow to echo, with appropriate gloom or enthusiasm, that this withdrawal would be Signor Mussolini's contribution to that "settlement in the Mediterranean" upon which Mr Chamberlain and the whole House of Commons had set their hearts as a preliminary to ratification of the Agreement. But the legionaries have reached Naples, and nothing to confirm this prediction has yet emerged from the talks which Lord Perth and Count Ciano are having in Rome. It would be a pity, now that there is a good chance of Signor Mussolini's persuading himself that the military deadlock in Spain does not justify the presence of an indecisive number of Italian troops, to do anything to delay their withdrawal by over-hasty ratification of an agreement which has been long enough on the stocks not to take harm by a little further exposure. There is, too, another aspect of the matter. It was expected in



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this country that the Anglo-Italian settlement would lead automatically to a Franco-Italian settlement; and France is not yet a party to the Rome talks. It would be a still greater pity to reach a premature settlement under conditions which excluded French co-operation.

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Nazidom and the Americas.—In the Americas the Third Reich has just been making some first-class diplomatic blunders which directly militate against Nazi aims—if we are right in believing that the fundamental principle of Herr Hitler's foreign policy is to keep the democracies divided by playing upon the attractions of isolationism, and at the same time to screen his own forward movements from democratic eyes by using "the Bolshy bogey" as a stalking horse. In both the United States and Brazil at this moment, sensational subversive plots against the security of the State are being brought to light; the conspirators turn out to be German and not Russian agents; and since the United States and Brazil are the two greatest of the twenty-one American Republics, these events may have an important influence in inclining American minds to the view that solidarity rather than isolationism may be, after all, the most effective means of national defence. The sensational prosecution of German spies which opened in New York last Monday has followed close upon a report on German designs in Latin America which has been made to Mr Roosevelt by Mr Bernard Baruch. Mr Baruch's *locus standi* is that he is a North American banker, in close touch with South America, and is also the President's personal friend. To Western eyes these credentials seem good, but Mr Baruch is already being bespattered with vituperation from Dr Goebbels' denigration-machine on the ground of his being a Jew. In the meantime events in South America are speaking for themselves. At the end of last week it was publicly announced in Berlin that the Brazilian Government had expressed a wish that the German Ambassador at present accredited to Rio should not return to his post (from which he is at present on leave in Europe). The Wilhelmstrasse has retorted by expressing its astonishment and demanding the recall of the Brazilian Ambassador in Berlin. The Brazilian Government's objection to Dr Karl Ritter lies in their belief that last year he misused his ambassadorial privileges in order to foment the abortive Putsch of the Brazilian Integralistas. This revolutionary "totalitarian" movement in Brazil is, in fact, accused of having received encouragement, funds and arms both from the Reich and from the German community in Brazil. The Brazilian Government have since been dealing severely with German organisations in the country; and many Nazi-minded German (as well as Fascist-minded Italian) residents in Brazil have been migrating to other Latin American States. The doctrine of self-determination is presumably not confined to one hemisphere, and in the New World it gives food for serious thought. Is it to be interpreted to mean that "hyphenated" Americans, Brazilians, Canadians and Argentinians are to have the backing of "totalitarian" Powers in Europe for setting up in the New World a sort of *imperium in imperio* for the European dictators' benefit? The Third Reich may live to regret that it has raised this momentous question to-day.

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New Zealand Labour Win.—In last Saturday's general election the Labour Government of New Zealand was returned with an identical majority for a further three years of office. A record number of votes was polled, larger by 33,000 than in 1935; and it is a striking witness to the political consciousness of a nation which numbers only 1,500,000 persons, or a franchise of about 1,000,000, that 885,271 votes should have been handed in. The Labour Party retained its 55 seats against the Opposition's 25, the Nationalists gaining four seats on their 1935 strength at the expense of the six unattached members, only two of whom were returned. Mr Savage and his Government may congratulate themselves on having so successfully withstood the wear and tear of office. Their main tasks in the coming three years will be to consolidate the legislation they have passed, and ensure that what they have already

done can and does withstand the test of any recession from the very high level of prosperity enjoyed by New Zealand in the past three years. Their efforts will be watched both with sympathy and with interest.

* * *

Land Use in Britain.—Now that the transformation of open spaces into trenchworks and cantonments has been suspended, the debates of planners upon guiding and controlling land development have been resumed. The crisis brought grist to their mill: last week-end, the Garden Cities and Town Planning Association, in a meeting at Letchworth, made the most of the arguments afforded by the vulnerability of large towns to air attack for the decentralisation of population and industry; while, at Chester where the conference of the Council for the Preservation of Rural England was in session, Lord Justice Scott laid stress upon the way in which haphazard building by disparate bodies and persons had created a gigantic evacuation problem for London in time of war. Neither the Association nor the Council, however, were content to rest their case for immediate and comprehensive control of urban development upon negative though vitally important considerations of war-time dangers. Both bodies sought a positive peace-time plan. At Letchworth an attempt was made to get down to bedrock principles in a discussion between advocates of garden cities and supporters of trading estates. In garden cities industrial and residential developments march together. On trading estates industry alone is fostered and housing is left to other and largely unrelated authorities. It is difficult to escape the view, embodied in a resolution at Chester, that the time has come for a national survey of the uses to which the land is being put or is likely to be put in the near future. It is wholly in the interests of the community that the Cliveden, Taplow and Dropmore estates in South Bucks should have lately been declared open spaces for ever; but it is where industry, housing, transport, farming and defence must continue to compete for the land that a guiding hand upon its apportionment between these competing claims and upon the siting of houses and factories is, within reasonable limits permitting an economical measure of free enterprise, *prima facie* desirable. When the Barlow Commission has finally wended its weary way to the stage of decisions and recommendations, we shall know more about the likely direction of official policy. Meanwhile, the Town Planning Institute's proposal for a National Advisory Committee, endorsed by the conference at Chester, is unlikely to do more than add to the expert and well-intentioned but quite powerless bodies which already exist in considerable numbers.

* * *

Robert Crozier Long.—With deep regret we record the death in Berlin at the age of sixty-six of Robert Crozier Long, our Berlin Correspondent. In him *The Economist* loses not only one of its most valued contributors but a personality whose flavour charmed all those who were privileged to know him. He first settled in Berlin as a newspaper correspondent before the war and—as he mentioned in that remarkable last contribution which was printed as a Letter to the Editor last week—escaped in the British Ambassador's train in August, 1914. He returned after the war and remained there ever since. An Irishman, whose tongue, even after decades spent abroad, still had a touch of Tipperary, Long had the Irishman's directness and humour. The last five years brought out his true character, for the bluntness and candour of his comments on the Third Reich made many of his friends seriously apprehensive for his safety. Long, characteristically, confessed to less disturbance than anybody. But those who saw him in London two weeks ago after the threat of war, for the second time, had driven him out of Berlin, realised that he had been under a serious strain. Nevertheless the suddenness of his death from pneumonia, after he had begun to recover from a heart attack, was entirely unexpected. It is a personal loss to the staff of *The Economist*, deepening the sympathy that is felt with his widow and daughter.

Overseas Correspondence

From Our Special Correspondents

United States

Some Check to Recovery

NEW YORK, October 10.—Although the complete data for September will not be available for some time, the Bulletin of the Federal Reserve Board estimates the index of production for that month at 90, two points above the August figure. This is approximately in line with private estimates, but is lower than was expected early in that month. It is quite clear statistically that the momentum of recovery was retarded—perhaps only temporarily.

The common explanation of the slowing-down is the uncertainty arising from the European situation. Movements in the share market coincided with important European events: prices sagged irregularly during August and violently in early September; but began to rally on the announcement of the Munich conference. In rapidity and extent, this rally has been comparable to the steep advance in the last days of June; and the averages have been raised above the highest levels of July. Simultaneously, there has been the usual change in "business sentiment," which follows the stock market regardless of other considerations—that is, that part of "business sentiment" with which Wall Street is in contact, and which passes in Wall Street for "business sentiment" as a whole.

Yet, from the data available (still far from complete) it appears that the somewhat disappointing showing of production in September was mostly attributable to the fact that motor output did not equal forecasts; and at least one contributory factor to this was the outbreak of labour controversies in the motor industry. The focus of this controversy seems to be the demand of the workers for a 32-hour week; and this question is as yet unsettled. It is likely that automobile production in October will greatly surpass the September output, but the record of the month so far is below the earlier forecasts.

Labour Laws

On October 24th, the "Fair Labour Standards Act of 1938" becomes effective. This Act (usually called the *Wages and Hours Act*) provides, first, minimum wages of 25 cents an hour for the first year, 30 cents for the following six years, and 40 cents thereafter; and, secondly, a working week not longer than 44 hours in the first year, 42 hours in the second year, and 40 hours thereafter. Overtime is permitted (to be paid for at time-and-a-half rates) in the case of certain classes of concerns.

In addition, there is an appreciable number of specifically exempted industries, mostly concerned with agriculture or the processing of agricultural products. The Act also defines child labour and prohibits the employment in industry of persons under 16 years of age. Again, it provides for the creation of "industry committees" in each industry, which are to be charged with questions of labour relations.

To sum up, the Act is designed to be a comparatively simple directive: it states certain standards, such as minimum wages and maximum hours, leaves a good deal to the discretion of the Administrator, and provides for limited industrial autonomy within the jurisdiction of "industry committees." At the time of its introduction, while the Act was not at all welcomed by the business community, it was not actively opposed by big business, nor did Wall Street, which is naturally closely interested in big business, pay much attention to it one way or the other.

This is still true. The approach of October 24th has not disturbed either big business or its financial relatives. By and large, it is probably fairly safe to say that there is scarcely a corporation listed on the New York stock exchange that needs to make any substantial change, either in wages or hours, in order to conform to the Act. Indeed, it is probable that few are now working more than 40 hours a week.

The unconcern of big business and Wall Street is not shared by small business; and there is abundant evidence that, for the smaller industrial firms, October 24th is a date of real apprehension. Wall Street, however, is so remote

from Main Street that it has no views about the validity or extent of these fears; and, rightly or wrongly, it does not take them into account.

Pensions and Politics

In the history of interim elections, this year is unique. Ordinarily, interim elections are viewed primarily with regard to possible changes in the balance of power between the major parties in Congress. As a rule, local issues are genuinely local; and not since the days when prohibition was a burning question has it been possible to make any national synthesis out of local issues. It is different this year. In State after State, it is clear that the major issue, quite unrelated to national party alignments, is old age pensions.

The schemes proposed vary widely, from the \$30-every-Thurs-Social-Credit referendum of California to the \$75 a month scheme for Massachusetts—with the Townsend Plan (\$200 a month), almost everywhere securing some sponsorship. It will be understood that these are all proposals applicable only to the individual States. It is their simultaneous appearance and general common character that makes it possible to form them into a national question extending beyond local issues. Nor does the sponsorship of, or opposition to, these schemes follow the national party lines. As late as early last summer, few or none would have been willing to forecast that the elections of the autumn would so largely centre upon this question. Yet, pension schemes are now the outstanding phenomena of our political economy as developed in the autumn's campaign.

Observations of this and similar trends provide reasons for the appearance of another phenomenon which is worth recording. Once again Wall Street is inflation-minded.

France

The Issues at Stake

PARIS, October 20.—To "rebuild France" would need longer than the thirty days to which the power of the Daladier Cabinet to proceed by decree has been limited to satisfy the Socialists. This is especially so if the effects of these decrees are to be neutralised by the social claims which will inevitably be raised during the discussion of the Budget, which will come two days after the decree powers expire—that is, on November 17th. Two dates are now of crucial political importance. On October 23rd partial elections to the Senate will be held. Between October 26th and 30th the Radical Socialist Congress, at which M. Daladier will be present, will take place.

The problem of financial reorganisation is fundamentally a political problem. So, too, is the problem of increasing production; industrialists, for instance, will not increase their expenditure on new and more efficient plant, to counteract

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Falling Foreign Trade

The disappointing feature has been falling foreign trade. In July exports fell to 282.7 million dinars, 46.9 per cent. below the 1937 figure, and in August to 461.8 millions, 23.8 per cent. below the 1937 figure. Total exports for eight months amounted to 2,477,500 tons, valued at 3,132 million dinars, compared with 2,946,000 tons, valued at 3,959 millions in the same months last year—a fall of 15.9 per cent. in volume and 20.9 per cent. in value. Imports suffered less. Their total for eight months amounted to 864,700 tons, valued at 3,455 million dinars, compared with 692,000 tons, valued at 3,294 millions, in 1937; thus there was an increase of 24.8 per cent. in volume and 4.9 per cent. in value.

The relatively satisfactory import figures were entirely due to Yugoslavia's efforts to diminish her clearing credits, and they are not likely to continue, since last year's credit of 156 million dinars has now been converted into a clearing debt of 28 millions. Abundant output and smaller exports resulted in a fall in the index of wholesale prices from 79.4 to 76.8 between June and August, but this benefit was not passed on to the consumer, as is shown by the persisting high level of the retail indices.

In September, however, business came under the cloud of the Czech crisis. All business, and especially foreign trade, came practically to a standstill. Now that the immediate crisis has passed, business shows signs of reviving, but the trend of foreign trade is difficult to predict. Until June, trade had definitely tended to move towards Great Britain, who rose to second among buyers from Yugoslavia and third among sellers to this country.

Now, after the occupation of the Sudeten areas, a big German commercial drive into South-Eastern Europe is expected, and Dr Funk's visit to Belgrade, when he offered to take half of the exports of Yugoslavia in exchange for German goods, is regarded as the first step. There is every likelihood that this drive will succeed, since after the German success at Munich the reaction here is away from Great Britain and France, strengthened by the feeling that the lead in Europe has passed into German hands. The need for making good terms with Germany is being emphasised.

U.S.S.R.

Commercial Diplomacy

MOSCOW, October 15.—The most recent foreign trade figures of the U.S.S.R. provide small warrant for the apparent uncertainty in Western Europe about even the general lines of Soviet foreign policy. The curtailment of Soviet foreign trade with Japan, Germany and Italy during the first seven months of 1938 has been the most striking feature of recent Soviet economic policy abroad.

The Soviet monopoly of foreign trade is admittedly used as a political weapon to reinforce M. Litvinov's diplomacy. At times like the present, when the bulk of purchases is made for cash, without long-term financing, the time-lag between the initiation of policy and its effects on the direction of trade is relatively short. During Italy's invasion of Abyssinia, on the other hand, long-term credits maintained Soviet-Italian trade at a surprising level, in view of M. Litvinov's unsuccessful attempt to enforce general sanctions at Geneva. During the first seven months of this year, however, the Soviet Union imported exactly one ton of Italian products.

From first place among suppliers of goods to the Soviet Union in 1936, Germany slipped last year to second

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place, below the United States. This year Germany has been passed by Great Britain, Iran, Holland, Australia and Belgium. Soviet imports from Germany were valued at 308,463,000 roubles in 1936 and at only 35,037,000 roubles in the first seven months of this year. Traditionally the best of Soviet markets after Great Britain, Germany has purchased less in 1938 than Belgium and only slightly more than the United States and Iran.

Soviet imports from Italy, which were valued at 42,014,000 roubles in 1936, have fallen to 52,000 roubles so far this year—the value of a solitary ton of merchandise. Exports to Italy, valued at 5,835,000 roubles in 1936 and at 4,207,000 roubles in 1937, have completely disappeared in the current year. Soviet imports from Japan have fallen from 61,968,000 roubles in 1936 to 11,851,000 roubles in the first seven months of 1938, while the value of exports has declined even more precipitously, that is, from 27,679,000 roubles in 1936 to 354,000 roubles in seven months of this year.

Heavy Import Surplus

These declines are much larger than the small falling-off in Soviet foreign trade as a whole. Results for the first seven months of this year show a much larger surplus of imports than the Soviet Union has reported at this time for several years. If the usual heavy grain and lumber shipments at the end of the year do not suffice to redress the balance, the country will face its first unfavourable balance, on merchandise account, since 1932. Comparative figures of Soviet foreign trade for the first seven months of recent years are as follows:—

	(Roubles)		Import () or Export () surplus
	Imports	Exports	
1936 ...	761,182,000	724,844,000	36,338,000
1937 ...	796,422,000	827,663,000	31,241,000
1938 ...	836,511,000	647,288,000	189,223,000

Trade with China proper amounted to only ten tons of exports in seven months this year, although Sinkiang (Chinese Eastern Turkestan) apparently imported 15,528 tons of goods, worth 23,102,000 roubles, over the roads which may soon become the only open link between the Chinese Government and the foreign world. Soviet exports to Spain were valued at 19,388,000 roubles in the seven-month period, a large drop from the same period of 1937 when they averaged 10 million roubles a month.

Grain exports during the coming winter are expected to be kept down to a minimum as a result of the admittedly bad harvest in the Central region, the North Caucasus and parts of the Ukraine. As a consequence of last year's record crop, 708,935 tons of grain have already been exported during 1938. Grain exports (for twelve-month periods) have recently been: 841,050 tons in 1934; 1,594,647 tons in 1935; 322,272 tons in 1936; and 1,277,534 tons in 1937.

There are other features of recent Soviet trade for which no simple explanation is available. For instance, the nation has imported 128,698 tons of wheat so far this year; this is the first purchase of wheat abroad for many years, and it may have been used to replenish Red Army reserves in the Far East. At the same time, exports of fresh butter, which were 23,174 tons in 1936 and 14,350 tons in 1937, have amounted to only 158 tons during the first seven months of this year. The Moscow housewife, for whom butter has continued to be expensive and occasionally hard to find, can only guess where it has gone to.

Turkey

Germany's Trade Strength

ISTANBUL, October 1.—The annexation of the Sudetenland by the Reich, following upon the Anschluss with Austria, is bound to have some effect on Turkey's trade—as, indeed, it will have on the trade of all countries more or less subservient to German economic policy. Of the Turkish exports last year, amounting to £T137,983,551, the German share was £T50,412,000, the Austrian £T2,799,000, and that of Czechoslovakia £T6,093,000. Probably half of Turkey-Czechoslovakian trade has hitherto been done with the Sudetenland, so that this year's political events will probably entail something like a 12 per cent. increase in Germany's importance as a buyer of Turkish goods.

Almost the same situation was true last year of Turkish imports. Total imports amounted to £T114,379,026, of which the German, Austrian and Czechoslovakian shares were

£T48,132,000, £T1,847,000 and £T3,000,600 respectively. What business with Germany and her allies at present means to Turkey is strikingly shown by the following figures:—

	Imports		Exports	
	£T.	%	£T.	%
Germany	32,161,000	42.5	18,902,000	34.2
Austria	566,000	0.8	1,588,000	2.9
Czechoslovakia ...	3,924,000	5.2	3,611,000	6.5
Italy	2,882,000	3.8	10,682,000	19.3
Poland	1,105,000	1.5	554,000	1.1
Hungary	611,000	0.8	456,000	0.8
Total (from all countries).....	75,584,000		55,313,000	

Meanwhile, Turkey's debt to Germany, represented by funds due through the clearing, is steadily increasing, having now reached £T10,000,900, plus £T9,476,132 to become due within six months, and £T20,564,999 for which longer terms of credit have been provided—or a total of roughly forty million Turkish pounds. This, of course, means that Turkish producers have an opportunity to sell their staples at a very good price, as these clearing funds must be liquidated by means of German purchases.

Programme of Industrialisation

Recent declarations by the Prime Minister included full details of the Third Industrial Plan which is to be financed by means of the British Loan. It includes the building of an up-to-date port at Tshatal Agzi for the discharging of coal and ore and the shipping of the Karabük iron and steel products; another modern port at Trabzon on the Black Sea; twenty-eight new ships to reduce Turkey's dependence on foreign bottoms for the transport abroad of her staples; a ferry-boat link between European and Asiatic Turkey; and the modernisation of the two existing docks at Istanbul.

The Plan also provides for the manufacture of agricultural implements in a new factory at Ankara; the building of regional power stations at Zonguldak and at Kutahia, whence the requirements of a number of provinces, including that of Istanbul, will be met; and the erection of engine and aluminium alloy factories. A new cotton-spinning mill will be set up at Erzerum to spin the well-known Iğdır cotton; and three sugar factories will be erected, so that the seven sugar factories which will then be in operation will be able to meet the whole of Turkish requirements.

Meat, vegetable and fruit preserving industries, as well as the manufacture of cement, soda and sodium products, synthetic benzene, domestic fuel, etc., will be started in various towns. The cost of the whole plan is estimated at about £13 millions sterling.

Eire

In Search of Refuge

DUBLIN, October 11.—The most spectacular effect of the international crisis on the economic life of Eire was the decision of the Currency Commission to purchase £2,000,000 worth of gold bullion. The reason for this decision is that the Commission has a statutory duty to convert its notes into sterling on demand. It holds the greater part of its assets in the form of British Government stocks, and if war had broken out the sale of these stocks might have been impossible owing to the closing of the Stock Exchange, whereas sterling could always be purchased against gold, which might also have appreciated in value. No doubt the gold will be sold as soon as the danger of war is deemed to have disappeared, as its retention involves a substantial sacrifice of income for the Commission. The gold is valued at its current market price as there is no statutory price of gold in operation in Eire.

Another result of the crisis was the influx of refugees from England. Many of these were Irish emigrants who judged that their domicile of origin would be safer in war-time than their domicile of choice, but there were also numerous Jews and others who had never been in Ireland before. If war had taken place this movement of refugees would have given rise to some difficult problems. The British Government could not tolerate the flight of citizens seeking to evade their obli-

gations and the Irish Government would not welcome an immigration of such doubtful value. The movement illustrates one of the most striking features of Irish economic life, namely, the great mobility of the Irish population. Normally the movement is from Ireland to England, but on this occasion its direction was reversed. The complete absence of any need for passports, together with the cheapness of the journey, makes the Anglo-Irish population exceptionally mobile internationally, and facilitates emigration to England, which has increased so rapidly in recent years.

The Cost of Emigration

It is curiously difficult to arouse much interest in Ireland about the terrible national burden which this emigration causes. The number of emigrants is about 30,000 each year and their average age is about twenty. If it be allowed, as a rough calculation, that it costs about £1 per week to feed, clothe, house and educate a young person, it follows that each emigrant costs about £1,000 to produce. Part of this cost is borne by the parents, part by the State and part by the local authorities, but it is all borne by somebody in Ireland. As soon as the cost is fully incurred, the young person—the finished article, so to speak—is exported without any payment in return. If, instead of men and women, animals were bred and fed and fattened and then exported without payment, the disastrous drain on the country's resources would be more obvious, but it would not be more real.

In fact, the present rate of emigration involves Eire in a capital wastage of about £30,000,000 a year. If this sum were spent annually on building houses and the houses were burnt down as soon as they were completed, public opinion would be shocked. Nevertheless, the wastage of capital would not be any greater than that caused by the emigration about which public opinion is singularly complacent. Of course, the movement eases the urgency of the employment problem in the short period, and is on that account regarded with indifference, if not approval; but in the long run it means that our most costly export, socially and nationally, is given away without any payment in return and that capital is being wastefully invested on a gigantic scale. The realisation of these aspects of emigration emphasises the vital necessity of finding additional employment in Irish agriculture and industry. Unfortunately the statement of the problem is considerably less difficult than the suggestion of a successful solution.

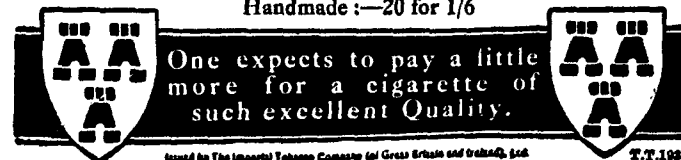


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Letters to the Editor

Counting the Cost

TO THE EDITOR OF THE ECONOMIST

SIR,—The amazing article entitled "Counting the Cost" in your issue of October 15th quite stuns one. What would you like this country to do in the terrible condition to which you apparently think we have been reduced by the events of the last few weeks? Why all this hubbub and stimulated panic? What are the facts, as contained in your own article? You commence by enlarging on the trivial point that the only difference between Mr Chamberlain and Herr Hitler in carrying out the occupation of certain territories has been whittled down to forty-eight hours. What of it? The point is: is it a just occupation and would you propose to alter the occupation by force of arms?

You state that:

it is unknown how much truth there is in the report that the German representative has presented his colleagues with a series of uncompromising demands which they have been compelled to swallow.

If the truth is unknown why take any notice of rumours, and what right have you to conclude because you don't like their conclusions that the International Commission had to swallow it?

Because the Czechoslovakia frontier has been wisely revised, and the possibility of a European war averted, and as a result the prestige and influence of France and Great Britain enormously increased, what proof do you adduce to show that they have received "a shattering blow"? I have read your article carefully and can see no proof of this statement.

What I do see is a better understanding with Germany progressing from day to day, which I trust will lead to a reduction in the devastating burden of expenditure upon armaments. Do you desire this? There may be further demands yet upon your feelings and susceptibilities when we come to discuss the former German Colonies question. In fact, what we are seeing to-day is a genuine attempt to straighten out and disentangle the follies contained in the Treaty of Versailles—and without war. Perhaps some day you will accord some appreciation and thanks to those statesmen who are engaged in this heroic task.

I am, Sir,

Your obedient servant,
D. M. MASON.

London, S.W.7.

[Mr Mason's amazing letter quite stuns us.—*Ed., Econ.*]

Low Prices and German Trade

TO THE EDITOR OF THE ECONOMIST

SIR,—Much is being written and said about the low prices of primary products and the disastrous effects these have on world economy; but less effort seems to be made to elucidate the reasons for the long depression in primary products prices.

Is it that Germany is "buying" primary products in various countries (chiefly tropical or subtropical) against payment in "aski" marks? In other words, is Germany bartering automobiles, flashlights, petrol lamps, thermos flasks, small hardware, and chemical products for various kinds of raw commodities such as coffee, cocoa, cotton, rubber, tin? The primary products taken in payment are not being consumed in Germany, but, to obtain foreign exchange, they are being sold in the world markets in competition with the producers themselves—thus keeping down the price of primary products below economic levels, lowering the purchasing power of the labourer in tropical and subtropical countries.

This reduces the exports of articles manufactured by relatively highly-paid labourers in the United Kingdom, North America, etc. As approximately 75 per cent. of the world's population are producers of primary products, the reduction in their purchasing power, with the attendant reduction of sales to them of manufactured articles, adversely affects the standard of living of the labouring classes everywhere—in manufacturing countries as well as in raw-material producing countries.

Planned economies operate on the principle (but, in Germany's case, not in practice) of balancing sales and purchases between particular countries, and Germany, not unnaturally, is endeavouring to overcome the restrictions that such planned economies place on triangular trade. In trading with Germany on the basis of barter, countries producing raw products have failed to realise the effects on the market for their own commodities of Germany's underselling practices. Producers of raw materials have been pleased to take advantage of the cheap manufactured goods offered by German traders, but they have failed to appreciate that their own products have also been offered elsewhere at cut rates in competition against themselves.

By such practices, Germany has depressed the market for primary products, enabling her to acquire at low cost the raw materials required for her national economy, and to dump goods manufactured by her under a system of what practically amounts to regimented labour. She is imposing upon the rest of the world a heavy part of the load of feeding, clothing, transporting, and training in Nazi-ism her own population. Thus Germany assures herself that none shall enjoy a standard of living higher than her own nationals, and indeed imposes on the so-called "backward peoples" the continuation of a standard of living which in many areas borders on the starvation line.

Yours truly,

FREDK. C. HARDING.

Port of Spain.

Books and Publications

Whither Poland?

FOR those interested in Poland's industrial progress and financial vicissitudes since its re-birth as a republic just twenty years ago M. Wellisz has performed an extremely useful service in compiling—for the first time—all the relevant statistical material. Since, however, the purpose of his praiseworthy effort was to direct attention to the attractiveness of Poland as a field of investment for foreign capital, it must be regarded as most unfortunate that the book* appeared just when the European balance of power was being turned topsy-turvy, first by the German annexation of Austria, and then by the dismemberment of Czechoslovakia—Poland herself, incidentally, playing anything but a gallant rôle in the latter event.

If M. Wellisz had deferred publication of his book for a few months, it is very much to be doubted whether he would have been so positive in asserting that the history of the Polish partitions cannot repeat itself because "the re-appearance of a similar set of circumstances is unthinkable." It is true that the Austro-Hungarian monarchy is no more, but it would surely need much courage—or stupidity—after the fall of Czechoslovakia to assert, as M. Wellisz does on page 161, that "any aggression undertaken against Poland by Germany and Russia jointly, with the other countries of Europe maintaining a passive attitude, is out of the question, in view of the acute conflict between the interests and tendencies of these two neighbours of Poland." Let us wait awhile, and see what happens in the Ukraine.

Eyebrows might also be raised at the statement, on page 163, that "from the point of view of the internal consolidation of the republic, the possibilities for foreign capital in Poland are by no means worse than those presented by any other country in Western Europe." Much has been said and written about national unity and internal consolidation since the death of Marshal Pilsudski three and a half years ago, but within the last few days the leaders of the Opposition parties, whose members are said to comprise a substantial majority of Poland's eligible voters, have announced that the policy of passive resistance to the governing regime has not been affected by the decision of President Moscicki to hold new elections for the Sejm and Senate in November. And this is the situation, notwithstanding "the magnificent success" which is said to have attended the foreign policy of Colonel Beck in respect of Czechoslovakia.

Until both the external and internal outlooks become much clearer, therefore, it would seem that the cautious investor would be well advised to place M. Wellisz's thorough and capable book on the shelf and to make a note to read it again a year hence—if in the meantime Poland has not suffered an even worse fate than has befallen Czechoslovakia.

* "Foreign Capital in Poland." By Leopold Wellisz. George Allen and Unwin. 281 pages. 7s. 6d.

Shorter Notices

"Over the Points." The Southern Railway's Quarterly Review. October, 1938. Southampton Docks Centenary Number.

We are now in the thick of the several centenaries of the early railway and steamship age. In April the first crossing of the Atlantic wholly under steam was celebrated. Last month the first linking of London and Birmingham by rail was commemorated. Ten days ago the laying of the foundation of Southampton Docks a hundred years before was duly remembered. To most people the quays and docks which lie between the mouths of the Test and Itchen are associated with Atlantic travel and blue ribands. But Southampton's progress has been based upon goods as well as passengers and upon the Far East as well as North America. In 1937 Southampton was fourth among British ports in the value of freight trade and third in tonnage. And the Peninsular and Oriental boats which inaugurated the new docks in 1842 have contributed, together with Union Castle and other Eastern

lines, as much of solid worth through the years as the express steamers to the United States and Canada. The great days of Southampton Docks date from 1891, when the London and South Western Railway (now the Southern) took over, and the £9,000,000 spent by the Southern Railway on dock extensions only a few years ago measure the port's advance since the Southampton Dock Company spent £5,000 on the dock's beginning. It is appropriate that the Southern Railway's own quarterly review should have commemorated so brightly and readably this notable centenary, when factories and warehouses on the Western Shore are at last bringing home the fruits of Southampton's famous enterprise.

"Survey of Corporate Securities." *The Financial Post*. Toronto. Published in London by The Maclean Company of Great Britain, 2-4 Cockspur Street, S.W.1. 288 pages. 9s.

This is the twelfth issue of *The Financial Post* survey of Canadian corporations whose securities are held by the investing public. It covers some 1,500 companies, setting out their financial history over the past three years, together with particulars of their capital, plants and management. The Survey is an authoritative and carefully prepared work, with an established reputation.

Secret Agent in China. By Amleto Vespa. Gollancz. 283 pages. 10s. 6d.

This is a rampaging polemic against the Japanese in Manchukuo and all their works written by an Italian, now a naturalised Chinese, who has served in the Japanese Intelligence Service. Fortunately for one's sleep at nights, the tale lacks literary skill to such a degree that the horrors the author describes and the Japanese ambitions he outlines fail to grip the emotions or stir the mind to responsive action. Very often there is significant lack of circumstantial detail. The narrative is never bald, but it is frequently unconvincing.

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THE BUSINESS WORLD

The Need for Cheap Steel

AS the period during which domestic steel prices were stabilised expires at the end of this year, those entrusted with the guidance of the industry will shortly have to decide on price policy in 1939. This task, admittedly, is an unenviable one, for it will clearly be difficult to please producers and consumers alike. Steel producers, not unexpectedly, have already let it be known that, in their view, the only cogent reason for reducing prices would be a fall in costs of production. On Friday of last week Sir Walter Benton Jones, chairman of The United Steel Companies, argued that a reduction in prices with the object of stimulating demand would be unreasonable without proper regard to cost. Quite apart from the importance of the impending decision to the producers and consumers of steel, it will provide a test of the ability of the central organisation of the industry, as at present constituted, to regulate prices in the national interest. In view of the significance of the issues involved, it is essential that the air should be cleared of the fog of controversy.

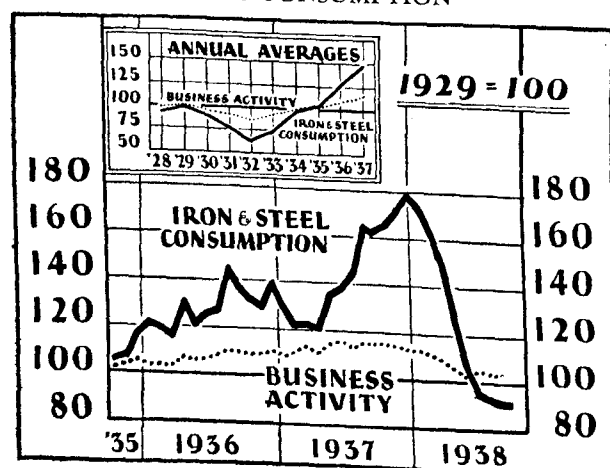
Steel occupies a central position in a modern economy, for not only is it the principal raw material for the current operations of many important industries, but it also plays a significant part in the construction of factories, bridges, large buildings, railways and, indeed, in most forms of capital development. Cheap steel is essential to any highly industrialised economy, and more especially to one like Britain's, which has to maintain a large export trade in order to pay for the imported foodstuffs and raw materials necessary to support a high standard of living. Hence, if Britain is to hold her own in the world, the iron and steel industry must be able to supply home and overseas consumers at least as cheaply as those in other countries. It follows that, in the national interest, steel prices cannot be determined with reference to the profits of the iron and steel industry alone. Clearly, prices might be comparatively high and yet yield a very small financial return to the industry. Conversely, low prices are not necessarily incon-

sistent with a prosperous industry. The real test of the justification or otherwise of any given level of steel prices is whether they are as low as they can reasonably be with modern methods of production, making due allowance for the availability of raw materials and the size of the market.

In the post-war decade the financial return of the iron and steel industry was admittedly low. Even in 1929 the profits earned by 119 concerns engaged in the coal and steel industries (which, unfortunately for the clarity of analysis, are scarcely separable) represented barely 5 per cent. of their paid-up preference and ordinary share capital. In view of the wide cyclical fluctuations in demand to which the industry is subject, an average return of 5 per cent. in a year of comparative prosperity is no doubt inadequate. But, despite the meagre profits earned by the industry until a few years ago, the prices of its products were anything but low, and it steadily lost ground to overseas competitors. It was in the national interest, therefore, that the practice of the industry should be brought into line with the latest developments abroad. And, since the rationalisation of the industry was hampered by lack of resources, it was given assistance by the Government in the shape of a protective tariff introduced on March 1, 1932. This tariff gave British steel makers a virtual monopoly in the home market. The industry, however, was not assisted merely to enable it to increase its profits, but primarily in order to help it to increase its efficiency and to provide the country with cheap steel. How far has the industry succeeded in reconciling these two objects?

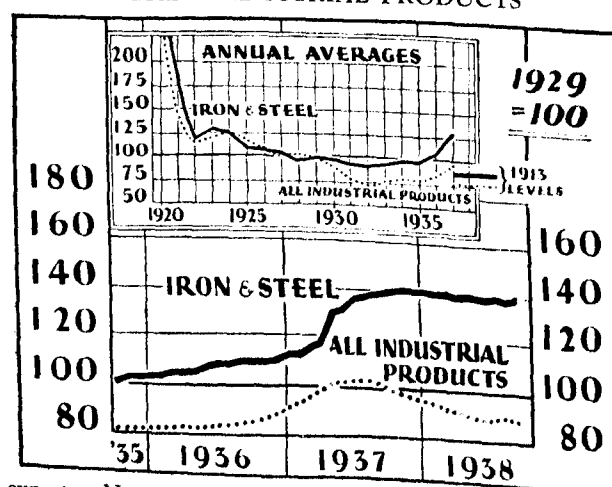
The profitability of the industry has certainly been increased since the grant of this virtual monopoly in 1932. The ratio of profits to the paid-up capital of a representative sample of coal and steel companies rose from 1.55 per cent. in 1932 to 12.23 per cent. in 1937. This by itself, however, is not conclusive evidence that the monopoly position has been unduly exploited. There was a very great increase in production in those years, and an industry with

INDICES OF BUSINESS ACTIVITY AND APPARENT STEEL CONSUMPTION



The first diagram shows the general trend of business activity and of apparent domestic iron and steel consumption, on the basis of *The Economist's* indices. The index of domestic iron and steel consumption is based on the average daily output of steel ingots and castings, and of forge and foundry pig iron, plus the crude steel equivalent of imports, less the crude steel equivalent of

INDICES OF PRICES FOR IRON AND STEEL AND OTHER INDUSTRIAL PRODUCTS



exports. No allowance is made for the rise and fall of stocks owing to the lack of data.

The second diagram is based on the indices published by the Board of Trade. As the Board of Trade's new index only goes back to 1930, the figures for the preceding years have been calculated from the previous series.

very heavy fixed capital, and consequently onerous overhead costs, can greatly increase its profits in a period of rising production even without an increase in prices to the consumer. But steel prices have been increased to the consumer. As one of the accompanying charts shows, steel prices moved in the years 1920-30 in almost exactly the same proportion as an average of the prices of all industrial products. But since 1930 they have diverged; while the average of industrial prices in 1937 was still no higher than the 1929 level, steel prices were more than 25 per cent. higher. And if it be objected that 1929 is not a fair basis of comparison, since the industry was not then adequately prosperous, it can be shown that steel prices are considerably higher in relation to their 1913 level than the average of other industrial prices.

That is the chronological comparison. The geographical comparison yields similar results. The comparison of steel prices in different countries is an intricate business, in which rates of exchange and transport costs have to be considered. But it can be said with certainty that British prices for comparable products have risen more since the beginning of 1937 than prices in France, Germany or the United States. Belgian prices have shown a larger increase in the past two years, but on the other hand they are still far lower than the British (e.g. £6 0s. 8d. a ton for steel angles in Belgium against £11 0s. 6d. a ton in Great Britain). Indeed, British prices are now among the highest in the world.

The steel industry, then, enjoys a monopoly position; it is making considerable, even if not excessive, profits; its prices have risen more than those charged by other British industries or by foreign steel industries; its prices are among the highest in the world. The case is impressive but still Sir Walter Benton Jones would not admit that it was complete; for, in his view, a reduction of steel prices would not stimulate demand—in other words, the present high level is not hampering the trades that depend on steel. Now it is true that, for steel as for other commodities, the periods of high price are also the periods of high demand, and that reductions of price have historically coincided with reductions in demand. But to argue from that fact that demand at any time would be as great with high prices as with low is the most topsy-turvy economics. There cannot be much doubt that the great fall in steel consumption during the present year has had a great deal to do with prices. The index of consumption shown in the accompanying diagram does, it is true, exaggerate the position; the rise in the curve last year was due in large part to purchases of steel for stocks in anticipation of a shortage, and the fall this year has been due in equal part to the utilisation of those stocks. But the complaints of the steel-using industries make it clear that they have been really hampered by the high cost of steel. It is significant, moreover, that the decision to stabilise prices until the end of 1938 was announced last November, when the re-stocking movement was beginning to lose momentum in this country and when the demand from importing countries had already taken a downward turn. It is difficult to escape the conclusion that this decision was influenced by the fact that the industry had bought large quantities of raw materials at high prices rather than on the ground that stability of prices was in the interests of consumers.

It is in the examination of the steel-using industries that the fallacy of Sir Walter Benton Jones's belief in the inelasticity of demand for steel is most clearly revealed. Shipbuilding can be taken as an example. If the world's demand for ships had vanished, then indeed it would be true that no reductions in the price of steel would induce the shipyards to increase their purchases. But the world's demand for ships has not vanished. What has been happening, as the figures of Lloyd's return published in *The Economist* last week reveal, is that Britain is losing its shipbuilding business to foreign competitors. Nobody would maintain that dear steel is the only cause of this alarming tendency, but it is certainly one of the causes. Again, the motor industry has been complaining of increased competition from foreign producers both at home and in foreign markets. The high price of British steel is not the only reason, perhaps not the chief reason, for the

expensiveness of British cars; but unquestionably it is a contributory factor. Similarly, the maintenance of prices at boom levels throughout 1938 cannot have been without influence on the consumption of steel by the constructional trades, which appear to have turned increasingly to ferro-concrete as a substitute for steel. While the growing use of ferro-concrete may have prevented constructional costs from rising as much as they would have done if this substitute had not been available, this loss of custom can scarcely be in the interests of the steel trade.

It is hardly possible to examine the evidence without coming to the conclusion that the price of steel is higher to-day than can be reconciled with the efficient functioning of the British economic mechanism. The costs of the steel producers are admittedly high. But they cannot be allowed to determine the price of steel—if they did, prices would be higher in periods of depression, when overhead costs have to be spread over a lower output, than in periods of booming trade. And if the steel manufacturers find themselves compelled to adjust their costs to the prices that the rest of the community can afford to pay, then they are, after all, in no worse position than the great majority of industries which have not enjoyed the benefits of a legal monopoly.

The price discussions of the next few weeks are, in fact, the acid test of the new organisation of the industry. Up to the present the industry has indeed achieved the object nearest to its heart, namely, an increase in its profitability; but it has not yet succeeded in providing the country with cheap steel. While it must be conceded that a heavily capitalised industry, like iron and steel, cannot bring all its plant into line with the best practice within a few years, it is clearly its duty, during a period of industrial recession, to reduce prices to the consumer, even if this means a reduction in profits. And, if the national interest cannot be made to prevail in times like the present, the central control of the industry, as constituted at present, clearly needs re-examination.

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The Outlook for Sterling

DURING the weeks of tension and anxiety which culminated in the Munich Agreement it was easy to understand the colossal flight of funds from Europe to New York and the consequent weakness of sterling. So obvious was the explanation that it tended to be taken for granted that a removal of the fear of imminent war would lead to a return flow of the fleeing capital. The Munich Agreement, however, is now three weeks old, and up to the beginning of this week at least there was no sign of any return of this money or any improvement in sterling. On the contrary, the demand for dollars continued, and the pound, which had recovered sharply on the day of the Munich Agreement, and immediately after, developed fresh weakness.

This in turn raised new questions. The first and basic question was, what were the reasons for this continued weakness of sterling? Next, how long was this weakness likely to persist? Third, and of far greater importance, can we consider our gold reserves adequate after their heavy losses of the past few months? Finally, do recent events call for any change in our monetary policy?

Up to a point, the present week's reversal of tone in the foreign exchange market answers some of these questions. If in one week the Exchange Equalisation Account has to supply \$100 millions and yet see sterling sink from \$4.78½ to \$4.72½, while the next week sterling recovers to \$4.77½, on no surer foundation than a rumour that the dollar is going to be devalued, then the only description to apply to the foreign exchange market is that of oscillation and instability and not that of a continued drag upon the pound. Yet the forces behind last week's depreciation of sterling were genuine enough, while this week's recovery is partly speculative and partly due to the technical fact that the market had bought dollars ahead of its needs. Rumour plus technical readjustment, though (as is explained in a Financial Note) the latter gave the British Control a chance to recoup itself, are hardly a sound foundation for hopes of a sustained recovery in sterling.

Behind the renewed weakness of sterling since October 1st lay primarily the feeling that Europe's political problems had by no means been solved. Allied to this is the knowledge that Britain may in future spend on re-armament even more than she has spent in the immediate past, and to raise the money may resort to new borrowing in which the banking system will have to play its part. The minds of many Continental capitalists are still obsessed by the inflations of the post-war years. They do not view the issue between borrowing and taxation in quite the same way as the modern British economist. If they think that inflation, as defined by them, is coming, that is their signal to remove their funds from London. And if they think that peace is not yet assured, then that is a still more cogent reason for transferring their money to New York. This is true not only of the owners of fugitive "hot money." It is becoming true of money which has been kept placidly in London for years.

This distrust of sterling as a currency is not the only factor at work. Wall Street is now definitely regarded as a bull market, while London remains a bear market. Capital is now being naturally attracted from London to New York, and the only remedy is either a break in Wall Street or a recovery in Throgmorton Street. Profit-taking by foreigners in Wall Street may from time to time give transient support to sterling, but only if the profits are repatriated. If a bearish view is taken of sterling, the profits may well be left on deposit in New York.

Finally, almost drowned by these modern-day capital transactions, there is the commercial demand for dollars, now seasonally at its height. The autumn demand for dollars will not last now for more than some eight or ten weeks, and admittedly our passive trade balance is smaller than it was earlier in the year. Still the American balance

of payments remains active, and so long as it does so a steady demand for dollars will result.

Apart from the obvious time limit to the seasonal demand for dollars, it is difficult to say how long these forces can continue to operate. Anyone who could predict whether and when London will begin to follow Wall Street upwards could make himself a rich man without any more ado. Only the authorities can guess how much foreign money, which could be transferred to New York, is left in London, and how the amount of that money compares with the magnitude of our gold reserves. Not even the authorities can predict what will happen to our trade balance, which is at the mercy of re-armament at home and of the future course of world prices and trade.

It is clearly time, however, to look into the adequacy of our gold reserves. Unfortunately, the September 30th statement of the Exchange Equalisation Account's position is not due to appear until the end of the year. As matters stand, it is only possible to make a rough guess, which is subject to a very wide margin of error. On March 31st last the Exchange Equalisation Account held £297.8 millions of gold, valued at 140s. per ounce. During the next two months it had to face the French repatriation, which made a big inroad on its resources. Allowing also for its acquisition of newly-mined and other gold, and also for its sales in the London bullion market, it may have sustained up to the end of May a net loss of £65 millions.

During the next two months it probably neither gained nor lost on balance. French repatriation ceased abruptly, but by the latter half of July the need for supporting the pound against the dollar had developed. Imports into London and sales to the bullion market continued during the whole of this period. When the available information is examined, week by week, it seems possible that all these movements cancelled out. Then came August and September, the two months of crisis. Our net exports of gold from August 5th to October 6th were £120 millions (see *The Economist* of last week, pages 123-4), offset to a small extent by dishoarding during the latter part of September. Partly in order to select a very round figure, let our net "crisis" gold loss be put at £100 millions. This makes a total loss of £165 millions for the six months to September 30th, reducing the Exchange Account's gold reserves to about £130 millions. If it is legitimate to write them up from 140s. to 146s. per ounce, they can be taken, again in round figures, at £140 millions.

There is also a nest-egg consisting of the £65 millions of gold transferred to the Bank of England at the end of 1936, and compensated for by a reduction in the fiduciary note issue from £260 to £200 millions. This gold was only transferred to the Bank in order to replenish the Exchange Account's stock of sterling, and so could legitimately be restored to the Exchange Account, the fiduciary note issue being increased accordingly. This £65 millions is calculated at the Bank's statutory price of 85s. per ounce, but if the Exchange Account recovered it, it would be automatically written up to at least 140s. per ounce, that is, to its real value of £107 millions. One way and another, therefore, we still have £250 millions of free gold in hand without having to draw on the Bank of England's reserves, which are themselves (even at the statutory price) £110 millions above the Cunliffe Committee minimum of £150 millions, if that figure can still be considered to be of any relevance. As a gold loss of £20 millions in a week would be abnormal, there need be no nervousness about the inadequacy of our gold reserves.

The fact that the Exchange Equalisation Account alone holds nearly twice as much gold as our total national reserve ten years ago is, of course, no sort of excuse for ignoring the problem of sterling. But it does give us a certain latitude in exchange policy. For six years the declared policy of the Government has been to refrain from opposing fundamental tendencies in the exchange rates while endeavouring to remove minor fluctuations. There

have been times when this *de jure* policy of elasticity seemed to have passed over into a *de facto* policy of stabilisation. But it has never been more important than to-day to draw a clear line between what are and what are not the practicable limits of exchange control. Certain pressures of an economico-political character are being exerted in favour of an appreciation of sterling. The decline of the last few weeks has excited a certain amount of disquiet in Washington, with repercussions on the negotiations for an Anglo-American Trade Agreement. Apart from these transatlantic anxieties, there is the legitimate desire on this side of the water to restore the *morale* of sterling—a feeling that is not entirely devoid of the old affection for the figures \$4.86½. For these reasons, it may be presumed, the

control has not been sorry to see the tide turn this week and to allow the dollar rate to be carried up from \$4.74½ on Monday to \$4.77½ on Wednesday, even though Thursday witnessed a slight relapse. After so rapid a fall, a reaction is natural and desirable. But it would be a mistake to let it proceed too far or too rapidly. The basic reasons for the pound's weakness are to be found in international politics—which is to say that they remain and will continue. In the long run we can continue to act as the world's banker only if the world has confidence in our political security and financial solvency. In these circumstances replenishment of our gold reserves at every opportunity is likely to be of at least equal value to the periodic chastisement of the bears of sterling.

Copper Company Earnings

THIS has been an exciting week for the Rhodesian copper shareholder. Great interest would in any case have been aroused by the publication of the Rhokana, Rhodesian Selection Trust and Mufulira reports and by Mr Chester Beatty's speech at the Roan Antelope meeting. But, in addition, the companies co-operating under the restriction scheme have decided to remove all limitations upon production "for whatever period is considered advisable." Last week's decision to raise production from 95 per cent. to 105 per cent. of standard quotas from October 15th has thus been superseded before it entered into effect. This dramatic demonstration of the efficiency of copper output control has, indeed, only one drawback for the shareholder—he can no longer calculate the companies' outputs with precision.

But it is axiomatic that, for low-cost producers, increased output provides a better return than increased prices engineered by a stiff dose of restriction. The three principal Rhodesian producers, whose all-in costs of production are now of the order of £25-£26 per ton, evidently do not wish to see a repetition of last year's boom, in which, despite free production, copper rose to £78 10s. per ton. At these high levels, the threat of competition from high-cost producers would become material. The abandonment of control confirms the view, it would seem, that the copper companies do not desire a price greatly exceeding £50, nor, by converse, greatly below £40. Once again, £45 has proved the pivotal price at which they have taken action.

Before proceeding to discuss potential profits under free production it is desirable first to analyse the Rhodesian companies' experience during the past year to June 30th in each case. The main features of the Roan Antelope report were set out in last week's issue of *The Economist*. Even more striking figures have now been published by Mufulira Copper Mines. Production increased from 37,230 tons of blister copper to 52,436 tons in the year to June last. But, despite the fall in average revenue from £49.303 to £46.891 per ton, the profit margin actually increased slightly, since all-in costs on the higher output were reduced from £31.981 per ton to £28.608 per ton. This reduction in costs is perhaps the central feature of the report, for Mufulira is only now approaching the optimum cost level.

It is not easy to summarise the Rhokana report in a few sentences. Output, expressed in terms of fine copper, increased from 75,254 long tons to 76,275 long tons, of which slightly over 32,000 tons were in electrolytic form. Costs tended to rise—blister costs, for instance, amounted to £22 7s. 5d., against £21 3s. 7d. for 1936-37—and copper prices fell. Standard cash copper (which approximates to blister) averaged £43 13s. 10d. per ton, against £50 9s. 8d. in the previous year. Metal sales proceeds, however, show an increase from £3,906,400 to £4,038,678. A substantial expansion in cobalt production from 1,459,237 lbs. of element to 1,662,771 lbs. (presumably coupled with higher prices, since the official quotation was raised from 7s. to 8s. 6d. in June last year) has obviously been responsible for this increase. Further development of the mining property, on which £607,415 was expended from capital last year, has been acknowledged by the award

of an increased production quota as from last July. And the latest accounts, of course, have the benefit of the substantially increased Mufulira distribution. After making increased provisions for depreciation, development and taxation, the amount earned for the ordinary capital is reduced from £1,887,366 to £1,786,398, which covers the 62½ per cent. dividend with a margin of 12½ per cent.

Increased operating capacity is a feature common to all Rhodesian producers. Both Roan Antelope and Mufulira will complete extension programmes during the present year which are designed to increase monthly output capacity to 10,000 short tons—equivalent to 8,925 long tons—of copper per month. Rhokana's quota has been increased by the addition of 952 short tons to its basic quota of 6,338 short tons as from July 1st. In the past, the standard quotas have represented between 65 and 70 per cent. of maximum capacity of all seven restricting companies. So far as the three Rhodesian companies are concerned, it would seem that during the first five months of 1937-38,

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when production was unrestricted, Roan Antelope operated at about 128 per cent. of standard quotas and Rhokana at about 122 per cent. A similar calculation for Mufulira, of course, is hardly reliable, in view of the increase in production during the year. These rates, moreover, are not inconsistent with higher activity in the early part of the period, since the companies had already agreed on October 15, 1937, to reduce operations to 105 per cent. of basic quotas by the end of November. It is unlikely, however, that the Rhodesian copper companies could immediately expand their production to capacity, even if they wished to do so. Some difficulty has already been experienced in obtaining adequate labour supplies. Moreover, undue expansion of operations would involve difficulties if restriction were to be re-introduced. Finally the Roan Antelope and Mufulira extensions, which will increase their respective capacities to 163 per cent. and 185 per cent. of existing quotas, will only be completed this year.

Any attempt to calculate potential outputs during the current year must start from the fact that the companies have already operated for 3½ months at 95 per cent. of basic quotas. Beyond this point, the element of guesswork is greatly increased. It is necessary to allow for such factors as the gradual stepping-up of production, the completion of the Roan Antelope and Mufulira extensions, and the present trend of copper supplies and consumption outside the United States. And these have much scope for possible error. Making the best attempt at the estimate, however, we have assumed that for the remaining 8½ months of the companies' financial year Rhokana and Roan Antelope will produce at 125 per cent. of standard quotas and Mufulira at 130 per cent. These are broad assumptions, and for individual companies they may not prove entirely fair. It is evident, for instance, that Rhokana, armed with an increased quota, has to be credited with a substantial increase in output, while Roan Antelope's production, on the same basis, is only slightly higher than last year. The extra 5 per cent. for Mufulira, however, seems justified in view of its rapid expansion during the past year.

When considering the accompanying earnings estimates, therefore, the investor must have in mind the fact that individual companies will be free to determine their production according to their particular conditions, and that the rates we have assumed, although apparently reasonable, are, in the last resort, arbitrary. In these circumstances, it is scarcely necessary to apologise for certain short cuts which have been employed for economy in calculation. Production quotas, for example, are expressed in terms of fine copper, but we have ignored the slight difference between blister, of say 99.5 per cent. copper content, and pure metal. In calculating the potential level of costs during the current year we have taken due account of the effect of increased production. For Rhokana, however, there is a dual stumbling-block, since output consists partly of electrolytic and partly of blister copper, while cobalt production is growing in importance. It is difficult to obtain

from the accounts more than a general impression of average cobalt costs and revenues. Our estimate therefore assumes that cobalt production and proceeds remain unchanged during the current year—a very conservative view, since the treatment capacity was increased by about 50 per cent. towards the end of the past financial year.

The general basis of the estimates for each company is explained in the table, and it is only necessary briefly to examine each in turn. It is obvious, at the outset, that Rhokana will prosper under the conditions we have assumed, for the potential increase in Rhokana's production is even more promising than for the other Rhodesian producers. Our estimates may appear somewhat generous for Rhokana, as compared, say, with those for Roan Antelope, but the importance of increased production both of copper and cobalt in the short run (and the long-term potentialities of Nchanga) cannot be denied. For Roan Antelope, the current year's estimates do not differ markedly from the past year's achievements. The main element of chance in this case, indeed, lies in the production figure, which, in view of the current Western Extension programme, may prove relatively low, particularly if the demand for copper continues to expand. Rhodesian Selection Trust earnings are, of course, derived entirely from the calculations relating to Mufulira, subject to a deduction for expenses and fees. The potential expansion of one-third in Mufulira's production from 52,436 tons to 69,150 tons may at first sight seem generous. But it is worth noting that last June the company actually produced 6,076 tons, a rate which would already assure the assumed output for 1938-39, apart from the smelter extensions which will be completed this year.

On the basis of present share prices, our estimates appear to favour Rhokana. In the popular view, these arguments might be enhanced if the directors were to decide to split the shares into smaller denomination. At present, the floating supply of shares is restricted. Over 50 per cent. of the ordinary capital is controlled by Rhodesian Anglo-American, and other substantial blocks are held by "Chartered" and Rio Tinto. The result of high quotations for Rhokana shares (though it lacks a logical basis) has been to divert speculative interest in the Rhodesian copper group to the lower priced shares, and in particular to Rhodesian Selection Trust. The latter, indeed, has acquired a reputation for valuing prospective earnings highly, though the potentialities of the company, while satisfactory, are at least not better than those of Rhokana. These market points require detailed consideration by the investor in the Rhodesian copper belt. It is a field endowed with promise, for it offers an equity in industrial recovery and in re-armament alike. Its operations are devised to maintain satisfactory prices to producers, but also to encourage increased consumption and to discourage competition from other metals and from high-cost producers. These are attributes to which the long-term investor will give full weight, if he has faith in the continued progress of copper consumption.

RHODESIAN COPPER EARNINGS ESTIMATES 1938-39

Average Copper Price, Whole Year	RHOKANA			ROAN ANTELOPE			RHODESIAN SELECTION TRUST		
	Basis of Estimate			Basis of Estimate			Basis of Estimate on Mufulira		
	Production.—32,000 tons electro; 58,850 tons blister; cobalt unchanged. Costs.—Electro, £24.25 per ton; blister, £22.25 per ton; plus £325,000 overheads and prof. div. Electro Premium.—£5 per ton. Ord. Capital.—£2,500,002 in £1 shares. Mufulira Holding.—32.303 per cent. of £4,888,874.			Production.—76,500 tons blister. All-in Cost.—Assuming £225,000 reserve for replacements, £24.95 per ton. Ord. Capital.—£4,991,085 in 5s. shares.			Production.—69,150 tons blister. All-in Cost.—Taking account of increased production and assuming £150,000 reserve for replacements, £25.9 per ton. Ord. Capital.—£2,646,023 in 5s. shares. Mufulira Holding.—64.67 per cent. of £4,888,874. Note.—R.S.T. income not subject to N.D.C., but expenses and fees taken at £20,000.		
	Estimated net profit for ord., after N.D.C., before tax*	Estimated earnings for ord.	Potential earnings yield on shares at £124	Estimated net profit for ord., after N.D.C., before tax	Estimated earnings for ord.	Potential earnings yield on shares at 19s. 9d.	Estimated net income R.S.T., assuming full distribution by Mufulira	Estimated earnings for ord.	Potential earnings yield on R.S.T. shares at 19s.
£ s.	(£'000)	(%)	(%)	(£'000)	(%)	(%)	(£'000)	(%)	(%)
40 0	2,089	83.6	6.6	1,094	21.9	5.6	574	21.7	5.7
42 10	2,357	94.3	7.4	1,276	25.6	6.5	679	25.7	6.8
45 0	2,625	105.0	8.2	1,457	29.2	7.4	784	29.6	7.8
47 10	2,894	115.8	9.1	1,640	32.9	8.3	890	33.6	8.8
50 0	3,162	126.5	9.9	1,820	36.5	9.2	995	37.6	9.9

* Including participation in Mufulira, assuming latter's estimated profits are fully distributed.

Finance and Banking

The Control's New Technique.—Last week we called attention to the fact that most exchange dealers had bought dollars so heavily as to leave them short of spot sterling. Since then, as described in the note on the foreign exchanges, the pound has rallied sharply, and dealers have consequently become anxious to replenish their supplies of sterling. The Exchange Equalisation Account last Monday took advantage of this change in the position to apply a new technique, for during that morning it bought spot dollars heavily, hedging the exchange risk by sales of forward dollars. In this way it replenished its supplies of dollars, and so when on Monday afternoon fresh pressure developed against the pound, it was able to give support without losing any more gold. Incidentally, its operations not only earned a profit, but also caused the premium on three months' dollars to narrow from 2 to 1½ cents. The Account has, of course, mortgaged the future to the extent that its purchases of spot dollars have already been sold, for it will have to buy dollars for delivery when its forward contracts mature. By that time, however, the seasonal demand for dollars should have come to an end. This new technique does not indicate a decision to intervene in the forward market for the purpose of regulating fluctuations in the forward rate, and so has no connection with the suggestions to that end voiced in the City several years ago. The Control's sole object was to take advantage of the over-bought condition of the market to tap a new and temporary supply of dollars, and so to conserve its gold.

Municipal Bills.—The admission of municipal authorities to the London discount market is jealously guarded. The Scottish authorities have general powers to borrow on bills, but care has been taken not to extend such power to English authorities. Some of them, such as the London County Council, the Metropolitan Water Board and the City of Liverpool, hold it by virtue of special legislation. A few months ago certain interests in the City thought they had discovered in Section 215 of the Local Government Act, 1933, a loophole through which local authorities could avail themselves of the cheap facilities of the London discount market, even though the specific powers of borrowing by way of bills of exchange had never been conferred upon them. This clause reads as follows: "A local authority may . . . borrow by way of temporary loan or overdraft from a bank or otherwise any sums which they may temporarily require (a) for the purpose of defraying expenses . . . pending the receipts of revenues . . . (b) for the purpose of defraying pending the raising of a loan which the authority have been authorised to raise, expenses intended to be defrayed by means of the loan." Though the clause does not mention bills of exchange, it admittedly has an elasticity which could be pleaded to justify resort to borrowing by this means. That at least was the opinion of certain houses in the City which, after consultation with a number of local authorities, proceeded to arrange business on this basis. Bills of six months' currency were issued for several authorities, the total running into several hundred thousand pounds at rates which represented a considerable saving on the cost of other forms of short-term borrowing by local authorities, namely, overdrafts from their banks or short market loans made against non-negotiable deposit receipts. Moreover, arrangements were made for extending such business within quite substantial limits.

At this stage the international crisis intervened. One of the results of that crisis and of the attendant tightening of short loan conditions was to bring many of these municipal bills into the clearing banks as security offered for loans to the discount market, whereas previously they had been mainly offered to other lenders. The market houses which held these bills were forced by the departure of "outside" money to finance them through their clearing

banks. These institutions immediately showed some hesitancy about accepting the bills in question as collateral for money market loans. They questioned the legality of their issue. Their critical scrutiny went even further; they questioned the principle of encouraging local authorities, large and small, to run up and maintain floating debts—admittedly the cheapest form of borrowing in normal times but one which may become extremely precarious and expensive in abnormal times. The fiasco of the recent Liverpool bill tenders was well timed to illustrate this point. The matter was referred to the clearing banks' committee, which towards the end of last week decided that henceforth the clearing banks would refuse to accept as security for market loans any municipal bills other than those eligible for rediscount at the Bank of England. The committee's permissibility bills to those issued on behalf of the London County Council, the Metropolitan Water Board, Liverpool and Glasgow. The edict hits a number of issues other than those primarily aimed at by the committee. There are about 30 local authorities which possess and have exercised special powers to borrow by way of bills of exchange, and it is evident that the terms on which these authorities, other than the favoured four, will be able to borrow in the future must be adversely affected.

War Risks.—When the marine insurance market, at the beginning of the crisis, found itself compelled to clear the decks for action it did four things. It gave the necessary forty-eight hours' notice of cancellation. It refused to give war contracts. It limited all war rates to sail-

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ings within seven days. It insisted on all war risks being covered separately from the normal marine risks. While the crisis was still on the market rescinded its decree about war contracts, and a very large number of these contracts were placed by merchants and shippers; but it did not do away with the limitation of seven days or with the separation of the war from the marine insurance. Against both these provisions there was considerable complaint. Against the restriction of quotations to sailings within seven days merchants protested strongly, and a deputation of Chambers of Commerce to the Board of Trade had little difficulty in proving that the time limit hampered trade, necessary as it may have been in underwriters' interest. The feeling against the separation of war risks from marine risks was strongest among brokers, for they had to place every insurance twice over, prepare two policies, and make double the entries in their books. The burden on the brokers was all but intolerable, however salutary the separation may have appeared in underwriters' eyes. Now since the crisis ended the seven days' limit remains, but the separation of the two insurances has gone by the board. We are therefore back at the old pre-crisis position except for the seven days' limit, and for higher rates on a number of voyages—the basic rate being 2s. 6d. per cent. instead of 6d. per cent. The result is that the main grievance of merchants—the seven days' limit—remains, and the inherent weakness of the pre-crisis underwriting position has been restored. In an article published in *The Economist* of June 18th last it was pointed out how embarrassing to underwriters the combination of war with marine insurance at peace-time war rates was likely to be, and everything that has happened since June has confirmed that prognosis. A marine underwriter who is afraid of war risks must either accept them against his judgment or give up his voyage account entirely, and some underwriters who dislike the war risk are in a somewhat painful dilemma. It is a difficult situation, in which the reasonable demands of international trade are not easily reconciled with what many underwriters regard as the vital requirements of the underwriting community.

America Swallows Her Gold.—The effect on the London market of the heavy "crisis" gold shipments to New York has already been well ventilated, but so far little has been said of what effect the arrival of this gold has had upon the American banking system. This last point is illustrated in the following table.

MONEY MARKET NOTES

Foreign Exchanges

LAST week has witnessed a definite change in the foreign exchange market. It began on October 14th, when by selling dollars very heavily indeed the Control kept the New York rate at \$4.73½. It also forced on the market more dollars than it could readily absorb, with the result that the market became saturated and by the week-end began to offer dollars up to \$4.74. At this juncture, as explained in a Financial Note, the Control came in and bought spot dollars against forward sales. Then during the first three days of this week, dollars were offered in New York after London's close, and in Switzerland early every morning. This created an atmosphere conducive to a recovery in sterling, which by Wednesday evening had improved to \$4.77½. Then on Thursday the market turned round again, shook itself clear of this new atmosphere, and bid dollars back to \$4.75½. French francs were bid consistently until Thursday morning, but

then came on offer and eased from Frs. 178½ to Frs. 178¼. This week's Banque de France return shows that a further Frs. 2 milliards of Government advances have been repaid, while nearly Frs. 5 milliards of notes have returned from circulation. Belgas, guilders and Swiss francs all followed the dollar, with forward belgas still in demand at very narrow discounts.

The Bank Return

THE crisis currency has at last returned so that the note circulation has now been restored nearly to the *status quo*. The Reserve and the Proportion have recovered accordingly, but these movements have been neutralised by an equivalent reduction in Government securities held by the banking department. Thus the total assets of the department remain unchanged, and the return of the currency has not been allowed to expand bankers' deposits.

There has in fact been a fresh contraction in bankers' deposits, which explains this week's slight and temporary shortage of money. The reason for this

	Oct. 20, 1937	Oct. 5, 1938	Oct. 12, 1938	Oct. 19, 1938
Issue Dept.:				
Gold	326.4	326.4	326.4	326.4
Notes in circulation	484.3	505.8	496.4	486.4
Banking Dept.:				
Reserve	43.7	22.0	31.4	40.0
Public Deps.	29.8	12.1	28.3	33.8
Bankers' Deps.	89.3	109.7	94.9	90.9
Other Deps.	36.3	37.1	36.6	35.9
Govt. Secs.	99.6	121.9	114.5	104.9
Discounts & Advances	6.5	10.2	9.6	8.0
Other Secs.	23.2	22.5	21.9	23.9
Proportion	28.1%	13.8%	19.6%	25.7%

is a further expansion in public deposits. This is partly the result of the Exchange Account's heavy gold sales of last week, but for one reason or another public deposits have been running high in October for the last two or three years. It is reasonable to expect that this concentration of funds in public deposits will be rectified before long, and in any case bankers' deposits are no lower than they were a year ago.

	Aug. 11	Sept. 1	Oct. 6
		(\$ millions)	
Federal Reserve Banks—			
Gold certificates	10,633	10,632	10,967
Total reserves	11,036	11,026	11,344
Government securities	2,564	2,564	2,564
Note circulation	4,136	4,169	4,263
Member bank deposits	8,046	8,179	8,321
of which, excess reserves	2,920	2,940	3,020
Reporting Member Banks—			
Loans	8,199	8,270	8,240
Investments	12,412	12,519	12,949
Reserves with F.R. Banks	6,550	6,685	6,797
Deposits, demand	15,009	15,388	15,396
" time	5,193	5,210	5,175
Monetary gold stock	13,033	13,135	13,812

Broadly speaking, most of America's crisis gold acquisitions have been sterilised. Total monetary gold stocks have risen by \$779 millions, a figure roughly commensurate with Europe's known losses. Yet the gold certificates held by the Federal Reserve system have only increased by \$334 millions, or by less than half the total increase in America's gold. Moreover, \$127 millions of the expansion in the Reserve Banks' stocks is offset by the simultaneous growth in the note circulation. As a result member banks' total reserves have only risen by \$275 millions, and excess reserves by a mere \$100 millions. There has been some increase in the total of deposits with the member banks, which explains the limited growth in their excess reserves, and this no doubt is connected with the influx of foreign money. But the bulk of this gold has virtually disappeared from view, and this can only be regarded as one of the untoward economic consequences of the crisis. The main consolation is that as the loss of this gold has caused no real stringency in London or elsewhere, it is reasonable to infer that the world—or at least that part of it which still relies upon gold for the settlement of international payments—is amply supplied with gold.

Scandinavian Currency.—We regret that in a note on international currency changes during the crisis, which appeared in *The Economist* of October 8th, incorrect figures were given for the three Scandinavian countries. Actually, during September, the Danish note circulation increased from Kr.396.6 to Kr.428.8 millions, the Norwegian circulation from Kr.452.8 to Kr.470.6 millions, and the Swedish circulation from Kr.971.3 to Kr.1,083.4 millions. Thus the crisis did give rise to some special demand for currency in those countries.

The Money Market

ON Monday and Tuesday money was in good demand. This week's Bank return shows how the recent gold sales of the Exchange Equalisation Account have once more drawn money out of the banking system and into public deposits. To rectify this, last week's Treasury bill issue was under-allotted by £5 millions, but even so a little assistance had to be given early this week. This took the form of special buying of November Treasury bills at ½ per cent. and Januarys at ¼ per cent.

	Oct. 21, 1937	Oct. 13, 1938	Oct. 20, 1938
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5/8	5/8-3/4	5/8-3/4
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-9/16	1½-3/4	¾

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

Conditions became easier later in the week. The banks were not keen buyers of bills, but took a certain number of December bills at ½ per cent. They also

bought mixed parcels of December and Januarys, on a fifty-fifty basis, paying ½ per cent. for December and ¼ per cent. for Januarys. There was practically no business in January bills alone, though hot Treasuries are quoted nominally at ¼ per cent. Bond-money was readily available at ½ and ¾ per cent., and any suggestion of higher rates was rejected by borrowers. Still money generally is less plentiful than before the crisis.

The Bullion Market

THIS week has served to illustrate one of the conditions under which arbitrage is possible. The prevailing practice of arbitrageurs is to buy their gold first and to cover their exchange afterwards. Obviously this is only possible at a time when sterling is weakening, for if the pound is rising in value, the exchange is moving against arbitrageurs between the time when they buy their gold and when they sell their dollars. This was the position early this week, and so the volume of business in gold shrank to very small dimensions. On Thursday when sterling weakened arbitrage became possible, and the volume of dealings at once jumped up to more than

twice its size of the previous day.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. %	Amt. dealt in £	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Oct. 14 ...	146 10	par	1,385	101½	191½
" 15 ...	146 8½	par	829	199½	198½
" 17 ...	146 6	½pm	290	199½	198½
" 18 ...	146 2	½pm	330	191½	191½
" 19 ...	145 8½	½pm	408	191½	198½
" 20 ...	145 9½	par	1,171	191½	191½

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

Silver eased at the week-end, owing to Eastern selling and the recovery in the pound, but early this week the price hardened in spite of the further strengthening of sterling. At Wednesday's fixing there was practically no silver on offer, but later in the day India realised that the London price was too high in relation to the New York exchange. By the evening the price had already fallen to the lower levels established at the fixing of the following morning.

Investment

London and Wall Street.—Any hope which investors might have entertained that the market's improvement at the end of last week was the prelude to an effective recovery over a wide front has been disappointed this week. Gilt-edged have indeed staged a moderate rally, though perhaps "natural bounce" might be a better description of a recovery which was to be expected after last week's sharp falls. Of decisive market pointers there have been few. The rapid recovery in sterling has undoubtedly assisted the funds sympathetically, and despite the re-assembling of the Cabinet, concern for the future financing of re-armament has been less vocal. Meanwhile, dealing conditions remain difficult in almost every section of the market. Save in a limited range of leading securities, and in areas of local activity like the copper and tin share markets, dealing conditions are hardly any improvement on negotiation. The duration of this dreary situation must depend first on the impact of politics and secondly on the fate of American recovery. The immediate rush to obtain security and profits in American common stocks appears to have subsided. And international issues, which gave some demonstration of liveliness early this week, became more subdued on Wall Street's mid-week fall. On Thursday of last week, the Dow industrial average broke into new high ground for the current year, an achievement which was doubled two days later by the utilities index. But these levels have not been held. To the accompaniment of a turnover approaching 2½ million shares in the first half of the week, the protagonists of further progress waged battle with the profit-takers, and a two-point fall in the average resulted on Wednesday. But this victory was not decisive, for although turnover was reduced to 1,620,000 shares on Thursday, the market staged an all-round rally. The slight setback in steel operations, from 51½ per cent. to 51 per cent. of capacity according to the estimates of *Iron Age*, was not to the market's taste. And the subsequent news that the \$6 cut in sheet steel prices had been restored was tempered by the knowledge that substantial bargain buying had already occurred and would inevitably affect the steel companies' progress towards profitable operation. Thus, for the time being, both London and New York lack direction. In the latter centre, this week's check may prove no more than a pause for breath-taking. But in London it is the heart rather than the lungs which are debilitated.

Dealings with Non-Members.—The proposals of the Committee for General Purposes for amending the rules governing, broadly, the question of dealings between brokers and non-members were first due for ratification on August 8th. The controversy to which they gave rise, however, prompted the wise decision to postpone the date for confirmation to October 17th, and a further deferment until next month resulted from the diversion of interest and discussion during the crisis period. A "House" correspondent points out that these delays have served an invaluable purpose, for the extended period has permitted the ventilation of all aspects of the fundamental and complicated issues which are at stake. Some critics in the "House," indeed, now consider that confirmation of the proposals in their present form is unlikely. At longer range, the real proportions of the problem are becoming more widely appreciated. The opportunity has been taken to bring home to influential "outside" circles the common City interest in preserving the official market as the jocular channel for stock and share business. There is no doubt that these steps have demonstrated to some of the principal houses concerned in direct business in gilt-edged stocks the wider implications of dealing methods which threaten to imperil the machinery on which the maintenance of an effective market depends. At the same time, some critics question whether the situation can be tackled solely by moral suasion, since they hold that the problem covers far too wide a field and springs from sources too deep for such treatment.

A growing body of opinion holds that no permanent solution is likely to result from any set of devices whose net effect is merely to put obstacles in the way of brokers' participation in the direct or semi-direct trade, for trade follows the most economic channel. In the absence of any power to govern the actions of originating sellers of securities and the ultimate buyers, the only way in which the "House" can make any effective claim to handle the business is to provide a service which, both in point of efficiency and of expense, is superior to the available alternatives. There is, of course, a good deal of force in the contention that but for the guidance and

support afforded by the official market outside business would rapidly become impracticable. The railways were faced with much the same problem, and in the last analysis a solution was only found by comprehensive legislation, coupled with reorganisation of the industry on a nationally conceived plan. In the long run it may prove that the rehabilitation of normal trading on the Stock Exchange will involve treatment on no less radical lines.

New Zealand's Credit.—The return of the Savage government in New Zealand last week had been largely discounted in advance by the market. For many months New Zealand's credit has felt the consequences of the Government's efforts to improve the lot of the dairy farmer and of the ordinary citizen, which, if commendable in principle, are certainly costly in practice. Mr Savage has again emphasised this week that the British investor need have no fear for his holdings of New Zealand securities, and has claimed with justice that the Dominion has always met her obligations to the penny. But the investor cannot look towards the future of New Zealand's finances without feeling some cause for anxiety. Apart from the specific budget burden of the new security legislation, New Zealand has an ever-recurring transfer problem, since her economy depends almost entirely upon the movements of primary produce and foodstuff prices. The general trend of New Zealand's economic and fiscal development was examined in a leading article in our issue of July 23rd. Since that time, no fundamental change has occurred which would lighten the investor's apprehensions. Indeed, the substantial decline in trade during the current year suggests that the Dominion's export surplus will again prove insufficient to provide the £10 millions required for the service of central and local government debt held in this country. Meanwhile, New Zealand stocks remain deflated, as the following table clearly shows:—

Stock	High		Low 1938	1938 Prices		
	1937	1938		Apr. 1	Oct. 17	Oct. 19
3½% 1940.....	103½	101½	92	101	98½	98½
4% 1943-63.....	103	101½	91	100	96½	96½
5% 1946.....	110	107½	95½	106	102	102½
4½% 1948-58.....	108	105½	93	102	99½	98½
3% 1952-55.....	97½	90¼	80	88	84½	84½

Falls ranging up to 4 points since April (that is, before the announcement of the "pensions at 60" plan) are partly, but not entirely, attributable to the reaction in fixed-interest securities generally. Mr Nash's first problem, so far as the British investor is concerned, is to provide for the repayment of the 3½ per cent. stock due on January 1, 1940, of which £17,172,191 is now outstanding. The Dominion's medium-term credit ranking appears to be approximately one per cent. higher than the rate on this stock.

Standard Motors Setback.—Recent motor reports and the reduced cash distribution have prepared the holder of Standard Motors shares for a considerable decline in profits. The fall of 32 per cent. disclosed in the report, however, is disappointing in view of the vigour with which the company has extended and re-equipped its manufacturing facilities. In fact, 1937-38 should normally have been the first period to reflect a full year's benefit from the programme begun nearly three years ago. These extensions have continued this year, and some £650,000 gross was subscribed towards the end of last year by the issue of 1,040,000 5s. shares at 7s. 6d. premium, though no contribution to realised profits can yet have resulted from these particular funds. The report expresses the opinion that the company obtained its full share of available trade, but the year's output was lower, both in the home and the export markets. It would appear that the reduction in sales was particularly heavy in the

latter part of the financial year, for in November, 1937, it was reported that the company had contracted to supply at least 25 per cent. more cars. The consequences of the latest setback for the stockholder is evident in the following comparative table of profits:

	Years ended August 31		
	1936	1937	1938
Profit	339,254	423,051	288,137
Depreciation, etc.	77,578	119,034	114,757
Taxation	60,000	100,000	40,000
Other charges	1,722	3,271	3,014
Ordinary Shares—			
Earned	199,954	200,746	130,366
Paid	87,688	138,000	117,450
Earned %	57.0	58.2	25.0
Paid %	25	40	22½
Reserve	90,000	50,000	...
Employees' Fund	20,000	10,000	5,000
Issue expenses	1,683	...	3,212
Carry forward	57,195	59,942	64,646

The fall in total profits has reduced taxation requirements by £60,000, and there is a small saving on depreciation, which limits the reduction in net earnings to £70,000. Although the lower dividend of 22½ per cent. is payable on £720,000 capital instead of £460,000, the margin between earnings and dividend is small, and no allocation is made to reserves. As a result of the extension programme, the book cost of fixed assets is well over double the level of August, 1935, though additions in 1937-38 were smaller, at £260,925, than those of the previous year, when £375,656 was spent. Cash stands at over £500,000, and the balance sheet contains a new item, £100,000 invested in a 10-year bond maturing 1947. Since the date of the accounts, the Motor Show has opened, and the company's new 8 h.p. model is available. The "economy motoring" appeal of this type is strong, but it must also compete with other established makes. The current yield of £8 6s. 8d. per cent. on the 5s. units at 14s. 7½d. suggests only moderate optimism regarding the outcome of the present year.

B.S.A. Recovery.—The resumption of ordinary dividends with a 10 per cent. payment had prepared Birmingham Small Arms shareholders for a good report, and they will not be disappointed. Total profits have increased by 20 per cent. from £699,085 to £837,975 during the year to July last—a most satisfactory improvement in view of the change in the business outlook since 1937. The group's activities, however, are widely varied in character and it is evident that re-armament has contributed largely to such satisfactory results at a time when the demand for cars and cycles has been falling off. In the following profits analysis, we show the course of ordinary earnings assuming normal preference dividend requirements in each year:—

	Years ended July 31		
	1936	1937	1938
Total profits	447,049	699,095	837,975
Depreciation	131,815	143,501	207,551
Tax and fees	22,093	53,633	107,908
Debt interest	96,030	74,714	62,220
Deb. repayt. reserve	25,840	28,817	28,950
Earned for dividends	171,271	398,430	431,346
Preference divs. paid	38,725	102,275	22,614
Earned for ordinary divd. % †	6.9	17.8	20.0
Ordinary dividend	...	...	204,100 (10%)
Reserve	...	122,994	196,050
Issue expenses	...	33,073	719
Carry-forward	64,673	204,761	212,624
† Assuming one year's preference dividends paid. In 1937-38, £408,732 earned for ordinary stock.			

In 1935-36 it would already have been possible to pay off all preference arrears, though their discharge was actually effected a year later. Even in the latest period, the distribution of profits has been on a most

cautious basis. In addition to the normal depreciation allowance of £157,551, a special provision of £50,000 has been made, while the provision for taxation is raised to £100,000. Finally, the 10 per cent. dividend represents only half the available earnings. The decision to conserve available earnings in 1936-37 arose from the need to finance extensions and equipment. The balance sheet reflects these extensions, for the net book cost of fixed assets stands at £1,304,825, against £1,138,358. A new factory is being built at Redditch in connection with the arms programme, and the Daimler shadow factory has been in operation during the past year. A diversity of interests covering guns, aircraft and special steels is obviously well placed to secure armament business. At the current level of 25s. 10½d. the £1 stock units provide a satisfactory yield of £8 7s. 6d. per cent., even on last year's conservative distribution.

United Steel Prospects.—Part of the hesitation which has affected the steel share market recently has proceeded from the fear that some reduction may be made in steel prices, when the existing stabilised prices terminate in December. In his speech to the stockholders of United Steel Companies last week, Sir Walter Benton Jones produced some outspoken and controversial comments on steel prices which form the subject of a leading article elsewhere in this issue of *The Economist*. Apart from this matter of high industrial policy, however, Sir Walter's references to the particular position of United Steel Companies were distinctly interesting, although they attracted less publicity. They clearly tend to confirm the long-term investment argument for the company's ordinary stock. The central obsolescence reserve has been built up (by appropriations exceeding the level required by the formula adopted in 1933) to £2,750,000, and since it appears from the recent report that a valuation of assets shows a surplus over book values, the entire fund may be regarded as a "free" reserve. The stockholder's present interest, however, is probably centred upon the progress of the Appleby-Frodingham extensions (which formed the subject of the addendum to the latest report) and upon future profit prospects. Progress at Scunthorpe has been less rapid than was expected. The coke ovens (due for completion this autumn) should be in operation by next January, and the blast furnaces before the end of June. One of the new steel furnaces is in operation, and the second, together with the steel mixer, will be completed by the end of December. The chairman indulged in no forecast of future profits. But he did emphasise that the curtailment of steel imports would prevent the industry from plumbing the low production levels of 1931-32. If, despite the chairman's hopes, the demand for steel fails to recover, and if production is less than the maximum of 13 million tons recorded last year, there are still—to use his words—"lower levels at which we can obtain satisfactory results." In any event, the company has made excellent use of the fruits of prosperity and should be able to treat the stockholder with fair generosity if profits fall in the future.

B.A. Great Southern Adversity.—It may seem strange that the Stock Exchange has obtained sufficient encouragement from the admittedly disappointing results of Buenos Aires Great Southern Railway to raise the price of the ordinary stock this week from 10¼ to 12. This response, however, is based on the assumption that the darkest hour precedes the dawn. It would, indeed, be a travesty of Nature's compensations if the current year were attended first by frosts and then by the drought and scorching winds which caused a total failure of cereal crops in many parts of Argentina last year. But the harvest failure, though it accounted for a reduction of £505,000 in revenue from all cereals, did not spell disaster for gross receipts, which, thanks to an increase of £193,034 in passenger train receipts (7.15 per cent. over the previous year) and of £95,419 (9.18 per cent.) in livestock receipts, were only 1.02 per cent. lower at £10,879,900. The explanation of the mere 1 per cent.

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payment on the 5 per cent. preference stock is due rather to an increase of nearly 5½ per cent. in operating expenses, to £7,730,277. Of the increase, rolling stock maintenance accounted for £148,048, and locomotive running expenses for £220,035. The result, as the following analysis shows, is that net receipts from railway operations have fallen from £3,663,419 to £3,149,623:—

	Years ended June 30		
	1936	1937	1938
Gross receipts	9,922,015	10,992,266	10,879,900
Working expenses	7,241,593	7,328,847	7,730,277
Net receipts	2,680,422	3,663,419	3,149,623
Dividends, etc., received	Cr. 210,095	Cr. 178,292	Cr. 190,158
Exchange differences	\$1,173,982	1,297,822	1,311,043
Charges under working agree- ments†	548,699	546,949	£622,331
Debtenture int. & fixed charges	1,085,079	1,085,079	1,085,079
Renewals	Nil	282,335	186,094
Earned for dividends	82,757	629,526	135,234
Preference divs. paid	†80,000	*640,000	†80,000
Carried forward	31,304	20,830	76,064

* 5 per cent. preference in full, and 3 per cent. on 6 per cent. preference. † On 5 per cent. preference only, 1 per cent. ‡ And, in 1937-38, £41,656 net charged for fire insurance, claims, etc. § After crediting £190,675 in respect of currency floating assets.

Exchange differences are slightly higher, and the company has this year provided £186,094 (against £282,335) for renewals and also £41,656 for insurance and claims. Thus after meeting all fixed charges and payments under working agreements, net revenue available for preference dividends amounts to only £135,234, against £629,526 for 1936-37.

Clearly, the hope for the future does not lie in figures such as these. In part, last year's apparent loss of cereal traffics (as the Director-General points out in his report) will be made good since increased supplies of fine grains have been carried over from last season, although traffics for the first 3½ months of the current year show scarcely any improvement. And while crop prospects appear satisfactory, the danger period has yet to come, in the next few weeks. Road competition, again, is still acute, and the improvement in passenger working is due more to the general economic recovery in Argentina than to any decisive competitive victory over road transport, although lower fares and improved services have undoubtedly helped. Transport co-ordination in Buenos Aires has now entered a practical stage, and the National Commission for transport co-ordination has also been set up. These are steps in the right direction, but the goal of restored prosperity for the stockholder is a long way off.

Central Argentine Position.—In the most favourable circumstances, the results of Central Argentine Railway for the year to June 30th would have compared badly with those of the preceding year, when virtually two maize crops were carried. But last year, the crop position was completely reversed by the large-scale failure

of the wheat, maize and linseed harvests. Gross income fell by nearly 25 per cent. to £9,315,262—the lowest level recorded since the War—and more than three-quarters of the fall was due to reduced grain traffic. Working expenses, naturally, were reduced, by 12½ per cent. to £7,401,431, for train mileage declined by 5.7 per cent., and freight train mileage by no less than 20.5 per cent. But the result was to halve the company's net revenue, from £3,756,892 to £1,913,831 and to increase the operating ratio from 61 to 80 per cent. After providing for lower exchange differences, total prior charges are short-earned by £222,722, compared with earnings for preference dividends in the preceding year amounting to £1,196,239. The results of the past three years are analysed below:—

	Years ended June 30		
	1936	1937	1938
Gross receipts	9,777,638	12,217,048	9,315,262
Working expenses	7,370,191	8,460,156	7,401,431
Operating profit	2,407,447	3,756,892	1,913,831
Income from investments, etc. Cr. 34,816		Cr. 32,077	Cr. 34,222
Exchange losses	1,021,079	1,320,123	915,040
Debtenture interest	1,037,280	1,049,638	1,053,734
Other interest charges, etc.	270,042	222,969	200,001
Preference stocks:—			
Earned	113,862	1,196,239	Dr. 222,722
Paid*	339,350	1,036,307	Nil
Contingencies reserve	...	157,434	...
Carry forward	448,260	450,757	228,034

* On 4½ per cent. preference stock, £339,350 or 3½ per cent. in 1935-36, £436,307 or 4½ per cent. in 1936-37; on 6 per cent. cumulative preference stock, £600,000 or 12 per cent. in 1936-37, being for 2 years to June 30, 1934.

The fact that the company failed to earn its prior charges by a considerable margin last year is undoubtedly disappointing. Moreover, the revenue account bears no charge for renewals (for which £977,409 was provided in 1936-37), for £384,979 net expenditure under this heading has been charged to the renewals fund accounts, which now stand at £4,048,882. The immediate traffics outlook is not encouraging. Sterling receipts during the current year to date have fallen by £497,206, and they will continue to wane at least until the end of the calendar year, when the wheat and linseed crops should begin to move. Crop prospects, therefore, are of vital importance for the Central Argentine stockholder. But cost reductions are perhaps more dubious. Fuel rose substantially last year, and although wage "retention" has been in force since the beginning of August, the actual benefit to the current year's expenses depends upon the level of gross receipts at the end of the year.

United Dairies' Stability.—The reputation for stability of profits which United Dairies enjoys will be enhanced by the results for the year to June 30, 1938. Total profits, at £654,466, are only £346 higher. Dividends received rose by about £8,000 to £277,641, and other revenue items showed a comparable net decline. The report, however, sets out the different expense items in but little detail, but the variation from year to year appears to be small, and earnings for the ordinary stock are slightly higher at £436,654, compared with £435,431. The 12½ per cent. dividend, paid for the seventh successive year, is accordingly covered by earnings of 19.7 per cent., against 19.4 per cent. From the surplus, amounting to £128,654, £100,000 is placed to reserve, which in the previous year received £124,000, apart from the provision of £10,000 against trade investments. Such static results, however, do not convey a just impression of the constant development shown by the undertaking. Last year Mr Maggs disclosed that the £25,584 increase in net profits shown by the 1936-37 accounts resulted from an expansion in turnover of no less than £1,000,000. Meanwhile, financial year should have contributed a full year's profits, while further economies and extensions are referred to in the latest report. The balance sheet, again, shows that

shares in subsidiaries have risen from £744,561 to £916,591. On the other hand, profits will have been affected by the advance in wages granted to certain classes of employees a year ago. It is possible too that distributing and bottling costs have again increased, for the present-day tendency is for the quantity of milk delivered per customer to decline, although the number of customers has been rising. A return of £4 12s. 9d. per cent. on the £1 ordinary stock units, which now stand at 54s., gives full recognition to the satisfactory and steady dividend record of the company in good and bad times alike.

Australian Estates Revised Scheme.—Last December the directors of Australian Estates introduced a reorganisation scheme which incurred widespread criticism and was wisely withdrawn. It has now been replaced by a revised scheme to which no exception can be taken. The chief difference in the new proposals lies in their treatment of preference shareholders' claims. Apart from the debtenture stocks (which are unaffected), the company's capital consists of £500,000 in 6½ per cent. cumulative preference shares on which there are 4½ years' dividend arrears amounting to nearly 6s. gross per share, and £961,705 in ordinary stock. There is in addition a trifling amount of partly-paid ordinary capital which is being separately dealt with. The new capital will consist of £500,000 in 5 per cent. cumulative £1 preference shares, and £600,000 ordinary stock. Preference arrears are nominally foregone, but in effect they will be paid off, since 25 per cent. free of tax is being distributed in cash from free reserves, amounting to £125,000 compared with £110,000 offered a year ago. Future dividends, however, are to be reduced to a 5 per cent. cumulative basis. In compensation, a preference dividend equalisation reserve of £50,000 is being set up from reserves, and this sum will be maintained by an allocation of up to £5,000 yearly before any ordinary dividend can be paid. More important, preference shareholders will receive £20 ordinary stock per £100 preference capital held, by a transfer from existing ordinary stockholders, who have also to find £361,705 for writing down the Australian assets. The preference stockholders will thus obtain one-sixth of the equity, while a holder of £100 ordinary stock will obtain £51.9 of new ordinary capital. Under the new scheme, some £110,400 will be needed annually for debtenture interest, preference dividend and dividend reserve. This amount was covered by a small margin in 1937, and the preference shareholders' interest in the equity is thus of real potential value. The Association of Investment Trusts have given their blessing to the scheme, which will obviously commend itself to preference shareholders.

Luipaards Vlei.—Owing to labour shortage, delay occurred in bringing the first extension of the treatment plant into operation. As a result, the quantity of ore crushed during the year to June last increased by only 41,000 tons to 593,000 tons. Little change occurred in average yield and costs, but the average price realised for gold was 9d. lower at 139s. 10d. per ounce, and profits were only £15,300 higher at £228,300. Dividends were maintained at 50 per cent., and £70,030 was carried forward, compared with £92,120 brought in. Capital expenditure required £86,980, but taxation and interest provisions were lower than in the previous year. A slight increase in development footage was accompanied by a more than proportionate expansion of 206,000 tons in the ore reserves to 2,542,000 tons. The capital structure has been greatly changed, as a result of the conversion of notes into shares and of the issue of nearly a million and half shares at 15s. The issued capital on June 30th consequently amounted to £449,820, against £282,170 a year earlier, while the note issue was reduced from £209,230 to £61,560. Working capital, amounting to £825,030 at the end of June, has since been increased by £300,000 as a result of the subscription by New Consolidated Gold Fields of 400,000 reserve shares at 15s. per share. The provision of these substantial

resources has been required by satisfactory development, particularly in the Tudor section of the mine. A new shaft is being sunk and development is being extended in order to increase the milling rate to 100,000 tons monthly—nearly double the recent scale. On the basis of a 50 per cent. dividend, the shares yield barely 5 per cent.; but there are prospects of bigger returns in the future.

The Week's Company Profits.—Reports have been received this week from 45 companies, excluding five for which comparable figures last year are not available. Their total net profits show a fall of 11 per cent. from £3,346,000 to £2,979,000 in the latest year. The cumulative total for 1,951 companies reporting to date is £256,211,000, against £232,613,000—an improvement of 10 per cent. The week's results are discussed in preceding Notes and on page 201 under the heading "Shorter Comments." Our usual analysis table appears on page 203.

Company Meetings of the Week.—Reports of company meetings will be found in this issue commencing on page 193. Sir W. Benton Jones's survey at the *United Steel Companies* meeting is discussed in a Note on page 181. At the *Murex* meeting Mr George P. Joseph expressed the hope that costs would be further reduced by the greater production capacity of the new factory at Freezywater. Addressing *Perak River Hydro-Electric Power* shareholders, Mr George Balfour derived encouragement from the fact that even under the abnormally severe restriction on tin production, the company was dealing with a load of 20,000 kw., whereas a few years earlier, when tin output was at a similarly low level, the load was only 6,000 to 8,000 kw. Viscount Stonehaven, at the *Tanganyika Concessions* meeting, referred to the satisfactory consequences for the company of the Union Minière's operations. The Benguela Railway interest, moreover, should benefit from the expected increase in copper production. At the *Roan Antelope Copper Mines* meeting, Mr A. Chester Beatty warned his hearers against exaggerating the amounts of copper required for re-armament. Conditions favourable for relaxing re-armament also favoured an expansion of trade and an increased demand for copper for peace-time purposes. At the *Modderfontein East* meeting, Mr R. S. G. Stokes emphasised that the dominant factor in the company's policy of steady expansion was the mine's large resources of low-grade ore; the rate of milling had been increased in five years from 1,000,000 to 1,500,000 tons a year. Shareholders of *Consolidated Main Reef Mines* were informed by Dr Hans Pirow that mine development on the Main Reef and Main Reef Leader had reached the stage where exploration could be commenced on an extensive and so far undeveloped area to the west of current workings. At the *Johore Rubber Lands* meeting Mr E. B. Ridsdel declared that the f.o.b. cost of 4.941d. and the all-in cost of 5.882d. per lb. could be considered satisfactory on a restricted crop. Mr James Davenport informed members of *British Rubber Estates of Java* (1932) that though 90,000 lb. more of rubber had been exported, the net selling price was 1½d. a lb. less, and a larger quantity was valued in the accounts at the nominal price of 1d. a lb.

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LONDON ACTIVE SECURITY PRICES AND YIELDS

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Prices, Year 1937		Prices, Year 1938		Name of Security	Price, Oct. 19, 1938	Change since Oct. 12, 1938	Yield, Oct. 19, 1938	Prices, Year 1938		Name of Security	Price, Oct. 19, 1938	Change since Oct. 12, 1938	Yield, Oct. 19, 1938
High	Low	High	Low					High	Low				
84 1/2	73 1/2	79 1/2	64	British Funds	72	-1	£ s. d.	111 1/2	105 1/2	111 1/2	98	-1	£ s. d.
113	105 1/2	111 1/2	98	Consols 2 1/2%	107	-1	3 9 5	107 1/2	105 1/2	111 1/2	98	-1	3 9 5
103 1/2	94 1/2	100 1/2	90	Do. 4 1/2% (1944-49)	96 1/2	-1	2 17 3	96 1/2	94 1/2	100 1/2	90	-1	2 17 3
106 1/2	97 1/2	103 1/2	92	Do. 3 1/2% (1944-49)	99 1/2	-1	3 11 9	99 1/2	97 1/2	103 1/2	92	-1	3 11 9
108 1/2	105 1/2	108 1/2	100	Do. 3 1/2% after 1961	104 1/2	-1	2 15 10	104 1/2	105 1/2	108 1/2	100	-1	2 15 10
117 1/2	111 1/2	115 1/2	102	Do. 5 1/2% 1944-44	110	-1	3 2 0	110	111 1/2	115 1/2	102	-1	3 2 0
102 1/2	89 1/2	91 1/2	81	Fund. 2 1/2% 1952-57	87 1/2	-1	3 5 9	87 1/2	89 1/2	91 1/2	81	-1	3 5 9
96 1/2	80 1/2	82 1/2	78	Fund. 2 1/2% 1952-57	94 1/2	-1	3 5 9	94 1/2	80 1/2	82 1/2	78	-1	3 5 9
101 1/2	92 1/2	99 1/2	90	Fund. 3 1/2% 1959-69	96 1/2	-1	3 4 2	96 1/2	92 1/2	99 1/2	90	-1	3 4 2
116 1/2	109 1/2	114 1/2	98	Fund. 4 1/2% 1960-92	109 1/2	-1	3 8 2	109 1/2	109 1/2	114 1/2	98	-1	3 8 2
99 1/2	96 1/2	101 1/2	99	Nat. D. 2 1/2% 1944-48	98 1/2	-1	3 14 7	98 1/2	96 1/2	101 1/2	99	-1	3 14 7
114 1/2	107 1/2	112 1/2	100	Do. 3 1/2% 1954-58	107 1/2	-1	3 14 5	107 1/2	107 1/2	112 1/2	100	-1	3 14 5
105 1/2	99 1/2	103 1/2	90 1/2	Victory Bonds 4 1/2%	100 1/2	-1	3 10 9	100 1/2	99 1/2	103 1/2	90 1/2	-1	3 10 9
96 1/2	84 1/2	90 1/2	80	War L. 3 1/2% at 1952	85 1/2	-1	3 10 9	85 1/2	84 1/2	90 1/2	80	-1	3 10 9
102 1/2	99 1/2	102 1/2	90	Local Loans 3 1/2%	98 1/2	-1	3 10 6	98 1/2	99 1/2	102 1/2	90	-1	3 10 6
72 1/2	62 1/2	68 1/2	55	India 2 1/2% 1933-53	65 1/2	-1	3 4 0	65 1/2	62 1/2	68 1/2	55	-1	3 4 0
85 1/2	74 1/2	82 1/2	68	Do. 3 1/2% 1933-53	78 1/2	-1	3 15 8	78 1/2	74 1/2	82 1/2	68	-1	3 15 8
98 1/2	87 1/2	95 1/2	75	Do. 4 1/2% 1933-53	92 1/2	-1	3 15 8	92 1/2	87 1/2	95 1/2	75	-1	3 15 8
119 1/2	112 1/2	117 1/2	110	Do. 4 1/2% 1958-68	114 1/2	-1	3 9 0	114 1/2	112 1/2	117 1/2	110	-1	3 9 0
109 1/2	105 1/2	108 1/2	97	Dom. & Col. Govts.	105 1/2	-1	4 9 10	105 1/2	105 1/2	108 1/2	97	-1	4 9 10
105 1/2	101 1/2	104 1/2	97	Austr. 5 1/2% 1945-75	102 1/2	-1	2 14 0	102 1/2	101 1/2	104 1/2	97	-1	2 14 0
118 1/2	114 1/2	118 1/2	109 1/2	Nigeria 5 1/2% 1950-60	112 1/2	-1	3 15 8	112 1/2	114 1/2	118 1/2	109 1/2	-1	3 15 8
110 1/2	105 1/2	108 1/2	95 1/2	N. Zealand 5 1/2% 1946	101 1/2	-1	5 0 0	101 1/2	105 1/2	108 1/2	95 1/2	-1	5 0 0
107 1/2	103 1/2	107 1/2	95	Queens 5 1/2% 1940-60	101 1/2	-1	4 4 0	101 1/2	103 1/2	107 1/2	95	-1	4 4 0
114 1/2	110 1/2	112 1/2	97	S. Africa 5 1/2% 1945-75	109 1/2	-1	3 10 6	109 1/2	110 1/2	112 1/2	97	-1	3 10 6
103 1/2	93 1/2	96 1/2	73	Foreign Governments	86 1/2	-1	5 5 11	86 1/2	93 1/2	96 1/2	73	-1	5 5 11
105 1/2	97 1/2	102 1/2	23	Austria 1930-5	50 1/2	-1	9 18 0	50 1/2	97 1/2	102 1/2	23	-1	9 18 0
102 1/2	95 1/2	99 1/2	80	Do. 4 1/2% 1934-59	62 1/2	-1	8 8 10	62 1/2	95 1/2	99 1/2	80	-1	8 8 10
33 1/2	24 1/2	31 1/2	31	Belgian 4 1/2% (36) 1970	92 1/2	-1	4 10 0	92 1/2	24 1/2	31 1/2	31	-1	4 10 0
28 1/2	17 1/2	37 1/2	13	Bulgaria 7 1/2%	34 1/2	-1	7 7 1m	34 1/2	17 1/2	37 1/2	13	-1	7 7 1m
89 1/2	35 1/2	119 1/2	14	Brazil 5 1/2% 1914	16 1/2	-1	Nil	16 1/2	35 1/2	119 1/2	14	-1	Nil
95 1/2	54 1/2	60 1/2	40	Chile 6 1/2% (1929)	18 1/2	-1	4 15 0	18 1/2	54 1/2	60 1/2	40	-1	4 15 0
107 1/2	59 1/2	73 1/2	40	China 5 1/2% (1912)	43 1/2	-1	11 12 6	43 1/2	59 1/2	73 1/2	40	-1	11 12 6
108 1/2	101 1/2	105 1/2	90	Do. 5 1/2% (1913)	55 1/2	-1	9 1 9	55 1/2	101 1/2	105 1/2	90	-1	9 1 9
100 1/2	92 1/2	99 1/2	94	Czechoslovakia 8 1/2%	40 1/2	-1	20 0 0	40 1/2	92 1/2	99 1/2	94	-1	20 0 0
18 1/2	11 1/2	14 1/2	87	Denmark 3 1/2%	97 1/2	-1	4 2 6	97 1/2	11 1/2	14 1/2	87	-1	4 2 6
66 1/2	52 1/2	60 1/2	34	Egypt Unified 4 1/2%	101 1/2	-1	5 14 0	101 1/2	52 1/2	60 1/2	34	-1	5 14 0
49 1/2	35 1/2	46 1/2	15	French 4 1/2% (British)	51 1/2	-1	10 19 6	51 1/2	35 1/2	46 1/2	15	-1	10 19 6
40 1/2	30 1/2	34 1/2	25	Ger. Dawes Lm. 5 1/2%	41 1/2	-1	10 19 6	41 1/2	30 1/2	34 1/2	25	-1	10 19 6
62 1/2	47 1/2	58 1/2	35	Do. Young Lm. 4 1/2%	51 1/2	-1	10 19 6	51 1/2	47 1/2	58 1/2	35	-1	10 19 6
38 1/2	27 1/2	34 1/2	25	Greek 6 1/2% Stab. Lm.	39 1/2	-1	11 7 10 1/2	39 1/2	27 1/2	34 1/2	25	-1	11 7 10 1/2
94 1/2	57 1/2	64 1/2	38	Hungary 7 1/2%	50 1/2	-1	11 0 0	50 1/2	57 1/2	64 1/2	38	-1	11 0 0
61 1/2	40 1/2	50 1/2	35	Japan 5 1/2% 1936-65	52 1/2	-1	11 0 0	52 1/2	40 1/2	50 1/2	35	-1	11 0 0
83 1/2	56 1/2	75 1/2	54	Do. 6 1/2% (24) red. 1959	49 1/2	-1	11 0 0	49 1/2	56 1/2	75 1/2	54	-1	11 0 0
20 1/2	13 1/2	15 1/2	10	Peru 7 1/2% 1922	65 1/2	-1	16 0 3 1/2	65 1/2	13 1/2	15 1/2	10	-1	16 0 3 1/2
96 1/2	84 1/2	92 1/2	75	Poland 7 1/2%	84 1/2	-1	16 0 3 1/2	84 1/2	84 1/2	92 1/2	75	-1	16 0 3 1/2
118 1/2	111 1/2	115 1/2	101	Roum. 4 1/2% Con. 1922	112 1/2	-1	3 11 0	112 1/2	111 1/2	115 1/2	101	-1	3 11 0
118 1/2	112 1/2	115 1/2	101	U.K. & Arg. C. 3 1/2%	112 1/2	-1	3 11 0	112 1/2	112 1/2	115 1/2	101	-1	3 11 0
95 1/2	82 1/2	87 1/2	75	Corporation Stocks	84 1/2	-1	3 12 0	84 1/2	82 1/2	87 1/2	75	-1	3 12 0
101 1/2	92 1/2	97 1/2	90	Burham 5 1/2% 1946-56	110 1/2	-1	3 15 0	110 1/2	92 1/2	97 1/2	90	-1	3 15 0
104 1/2	100 1/2	105 1/2	94 1/2	Bristol 5 1/2% 1948-58	109 1/2	-1	3 11 10	109 1/2	100 1/2	105 1/2	94 1/2	-1	3 11 10
104 1/2	100 1/2	105 1/2	94 1/2	L.C.C. 3 1/2%	102 1/2	-1	3 8 9	102 1/2	100 1/2	105 1/2	94 1/2	-1	3 8 9
104 1/2	100 1/2	105 1/2	94 1/2	Liverpool 3 1/2% 1957-62	102 1/2	-1	3 7 2	102 1/2	100 1/2	105 1/2	94 1/2	-1	3 7 2

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Yield on 4 1/2% basis. (e) Based on payment of 2 1/2%. (f) Paid in £N.Z. (g) Allow for exchange. (h) Yield worked on a 5 1/2% basis. (i) Yield based on 40% of coupon. (j) Free of Income Tax. (k) Yield based on 47% of coupon. (l) Yield worked on a 14 1/2% basis. (m) Yield based on 15 1/8% basis. (n) Yield based on 15 1/8% basis. (o) Yield based on 15 1/8% basis. (p) Yield based on 15 1/8% basis. (q) Yield based on 15 1/8% basis. (r) Yield based on 15 1/8% basis. (s) Yield based on 15 1/8% basis. (t) Yield based on 15 1/8% basis. (u) Yield based on 15 1/8% basis. (v) Yield based on 15 1/8% basis. (w) Yield based on 15 1/8% basis. (x) Yield based on 15 1/8% basis. (y) Yield based on 15 1/8% basis. (z) Yield based on 15 1/8% basis. (aa) Yield based on 15 1/8% basis. (ab) Yield based on 15 1/8% basis. (ac) Yield based on 15 1/8% basis. (ad) Yield based on 15 1/8% basis. (ae) Yield based on 15 1/8% basis. 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(bh) Yield based on 15 1/8% basis. (bi) Yield based on 15 1/8% basis. (bj) Yield based on 15 1/8% basis. (bk) Yield based on 15 1/8% basis. (bl) Yield based on 15 1/8% basis. (bm) Yield based on 15 1/8% basis. (bn) Yield based on 15 1/8% basis. (bo) Yield based on 15 1/8% basis. (bp) Yield based on 15 1/8% basis. (bq) Yield based on 15 1/8% basis. (br) Yield based on 15 1/8% basis. (bs) Yield based on 15 1/8% basis. (bt) Yield based on 15 1/8% basis. (bu) Yield based on 15 1/8% basis. (bv) Yield based on 15 1/8% basis. (bw) Yield based on 15 1/8% basis. (bx) Yield based on 15 1/8% basis. (by) Yield based on 15 1/8% basis. (bz) Yield based on 15 1/8% basis. (ca) Yield based on 15 1/8% basis. (cb) Yield based on 15 1/8% basis. (cc) Yield based on 15 1/8% basis. (cd) Yield based on 15 1/8% basis. (ce) Yield based on 15 1/8% basis. (cf) Yield based on 15 1/8% basis. (cg) Yield based on 15 1/8% basis. (ch) Yield based on 15 1/8% basis. (ci) Yield based on 15 1/8% basis. 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THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
OCTOBER 25 OCTOBER 27

SIGNS of a more confident tone were evident on the London Stock Exchange this week, but they were only modest portents, unaccompanied by any appreciable expansion in turnover. Base metal shares and armament issues have perhaps been outstanding. In the gilt-edged section, the improvement has resulted largely from a technical rebound after last week's substantial falls, for even when stocks made renewed progress in mid-week there was no marked increase in demand.

The sharp improvement in sterling, however, provided the right background for a technical recovery in the *Funds*. Initial falls ranged up to $\frac{1}{2}$ in Old Consols, and to $\frac{1}{4}$ in War Loan, which closed on Monday below par, almost full of interest. Tuesday's recovery, however, restored these falls, and further progress, though at a diminished rate, was recorded on Wednesday. Undated stocks which had been most depressed at the beginning of the week, made the best progress in recovery. Home corporation scrips were depressed at first, but New Zealand issues responded to Mr Savage's assurances regarding the debt service.

Among *foreign bonds*, Czech issues staged a sharp rally, and European issues generally strengthened after an indifferent opening. Chinese bonds remained depressed, but Japanese issues rallied in mid-week, apparently on bear covering. Chilean bonds derived support from the rise in copper and the removal of restriction.

The *home rail market* still lacks life, although some recovery occurred in mid-week on the more favourable trend of traffics. Continued depression among the preference and guaranteed stocks was still evident. A sharp improvement occurred in London Transport "C" stock in anticipation of measures to increase fares. Argentine rails found better support, based on the tone of the B.A. Great Southern report and encouraging news of crop conditions, rather than the latest accounts. The better class debenture stocks made the best response to the resumption of buying.

In the *industrial market*, quiet conditions continued, although the early tendency towards lower prices was followed by a better tone in mid-week. Turnover was on a small scale, and the most active shares were those with an armament interest. Iron and steel shares were firm almost throughout the week. Most leading issues went ahead on Monday (when other sections of the market were subdued), held their position, and then made fresh advances, and some broadening of interest occurred. Coal shares were unexciting but were firmer for choice. Engineering shares brightened after a hesitant start, B.S.A. responding to the report (discussed on page 180). A mixed showing was made by electrical equipment shares, which became more irregular as the week progressed. Motor shares also were uneasy despite the good reports

from the Motor Show, but they steadied a little in mid-week. Standard Motors improved after the report, as the fall in profits was rather less than had been feared. Aircraft issues again behaved independently of the rest of the market and after a firm but unexciting start became a little easier, though prices moved within narrow limits. Textile and rayon shares were undecided, with Patons and Baldwins a firm feature after early weakness. Breweries also were irregular at the opening, but the undertone improved in mid-week. Tobacco shares followed the general trend. Provision and catering issues lacked special features, although United Dairies hardened on the year's results. In the stores group, Woolworths gave way slightly. No marked trend emerged among miscellaneous shares, where price movements were small and varied and turnover was modest.

Oil shares opened under the influence of the cut in Mid-Continent crude oil prices and fears of a reduction in British petrol prices, and most quotations were depressed. In common with other markets, however, the trend improved on Tuesday afternoon and the "bear" covering intensified the movement, but turnover remained small. The volume of business in rubber shares continued at a minimum; there were a few small losses on Tuesday following the reaction in the commodity price. Tea shares were as lethargic as ever, though there was a glimmer of improvement in mid-week.

The *mining markets* were inactive on the whole, though they shared in the brighter tendency that set in on Tuesday. As in the previous week, pride of place was given to base metal shares, especially coppers. Kaffirs were subdued and inclined to sag on slight selling from the Cape, and a firmer tone on Wednesday was not accompanied by any expansion in turnover. Rhodesian coppers went ahead on the removal of restriction, but there was some reaction on profit-taking, and prices became more sensitive to fluctuations in the metal price. Lead, zinc and tin shares were firmer in mid-week.

"FINANCIAL NEWS" INDICATORS

1938	Total Barains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Oct. 14	6,030	8,625	81.2	125.1
Oct. 17	6,040	8,265	81.0	124.9
Oct. 18	6,030	7,685	80.7	124.9
Oct. 19	6,315	8,695	81.2	125.2
Oct. 20	6,115	8,510	81.2	125.5
High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 73.7	Feb. 4 119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

A fall of one point is recorded by the Actuaries' Index of 151 industrial ordinary share prices, which on Tuesday, October 18th, stood at 62.3, against 63.3 a week ago and 62.0 a month ago. The corresponding average

yields are 6.03, 5.94 and 6.07 per cent. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Sept. 20, 1938	Oct. 11, 1938	Oct. 18, 1938	
Insurance (10)	113.5	116.5	114.1	121.5
Coal (9)	72.6	75.3	76.4	106.7
Elec. mfg. (12)	114.2	116.9	115.3	129.7
Motors (6)	33.2	31.6	33.5	39.0
Oil (3)	83.2	85.5	81.2	92.1
Home rails (4)	37.0	35.5	34.4	71.0
Breweries, etc. (20)	119.0	119.3	114.9	133.6

Group	Yield (%)			Prices 1938 Low
	Sept. 20, 1938	Oct. 11, 1938	Oct. 18, 1938	
Insurance	3.76	3.67	3.75	102.7
Coal	7.16	6.91	6.79	69.0
Elec. manufg.	5.90	5.77	5.83	108.0
Motors	7.13	6.16	6.36	30.5
Oil	7.33	7.10	7.43	67.1
Home rails	9.31	9.82	10.23	34.2
Breweries, etc.	5.60	5.59	5.80	112.2

New York Prices

Close	Latest	Close	Latest
Oct. 13, 1938	Oct. 20, 1938	Oct. 13, 1938	Oct. 20, 1938

1. Ralls and Transport			
Atchison	40	38 1/4	38 1/4
Balt. & Ohio	9	8 3/4	8 3/4
B.M.T.	10 1/4	10 1/4	10 1/4
Can. Pac.	61 1/2	61 1/2	61 1/2
Ches. & Ohio	35 1/2	35 1/2	35 1/2
G.N. Ry. Pl.	24 1/2	23 3/4	23 3/4
Illinois Cent.	13 1/4	14 1/4	14 1/4
N.Y. Central	20 1/2	19 1/2	19 1/2
Northern Pac.	12 1/2	12 1/2	12 1/2
Penn. Ry.	21 1/4	21 1/4	21 1/4
Southern Pac.	20 1/4	19 1/4	19 1/4
Southern Ry.	17 1/4	17 1/4	17 1/4
Union Pac.	96 1/2	96 1/2	96 1/2
Greyhound	18 1/4	19 1/4	19 1/4

2. Utilities and Communications			
Am. W'works	117 1/2	117 1/2	117 1/2
C'with. & S.	13 1/2	13 1/2	13 1/2
Con. Edison	30 3/4	31 1/4	31 1/4
Col. Gas & El.	7 1/4	8 1/4	8 1/4
El. Bond & Sh.	9 1/2	12 1/4	12 1/4
Nat. Fire & Lt.	7 1/8	8 1/8	8 1/8
N. American	23 1/4	23 1/4	23 1/4
Pac. Gas & El.	27 1/4	28 1/4	28 1/4
Pac. Lighting	41	42	42
Pub. Serv. N.J.	31 1/8	33 1/8	33 1/8
Stan. Gas & El.	41 1/4	42 1/4	42 1/4
United Corp.	3	4	4
Un. Gas Imp.	10 1/2	11 1/4	11 1/4
Amer. Tel.	147 1/2	146 1/2	146 1/2
Internat. Tel.	11 1/4	9 1/8	9 1/8
Westn. Union	29 1/4	29	29
Radio	8 1/4	8 1/4	8 1/4
B. Prof.	63 3/8	63 3/8	63 3/8

3. Extractive and Metal			
Am. Rol. Mill	19 1/4	19 1/4	19 1/4
Beth. Steel	64 1/2	62 1/2	62 1/2
Beth. Steel P.	107	107	107
Republic St.	19 1/2	18 1/2	18 1/2
U.S. Steel	64 1/2	62 1/4	62 1/4
U.S. Steel P.	120	116 1/4	116 1/4
Alaska P'neau	97 1/2	97 1/2	97 1/2
Am. Metal	41	42 1/2	42 1/2
Am. Smelting	54 1/2	51	51
Anaconda	39 1/4	38 1/4	38 1/4
Bohn Alum	29 1/4	29 1/4	29 1/4
Cerro de Pas.	54 1/4	53	53
Int. Nickel	54 1/4	55 1/4	55 1/4
Kennecott	49 1/2	48 1/4	48 1/4
Patino Mines	12 1/2	11 1/8	11 1/8
Tex. Gif. Sul.	34 1/2	34	34
U.S. Smelt.	70 1/8	69	69
Vanadium	21 1/4	23	23
Atlantic Refg.	22 1/2	23 1/2	23 1/2
Phillips Petr.	37 3/8	38	38
Shell Union	14 1/4	14 1/4	14 1/4
Shell Un. Pl.	105 1/4	102 1/4	102 1/4
Socony Vac.	13	13 1/2	13 1/2
Stan. Oil Cal.	28 3/4	28 3/4	28 3/4
Stan. Oil N.J.	52 1/4	52 1/4	52 1/4
Texas Corp.	42	42	42

4. Manufacturing			
Briggs	36 1/4	35 1/4	35 1/4
Chrysler	81 1/2	81 1/2	81 1/2
Elec. Autolite	33 1/4	33 1/4	33 1/4
Gen. Motors	50 1/2	50 1/2	50 1/2
Hudson Mtr.	9 1/2	9 1/2	9 1/2
Nash Keltner	10 1/2	10 1/2	10 1/2
Packard Mtr.	5 1/2	5 1/2	5 1/2
Bendix Avn.	22 1/2	23 1/2	23 1/2
Boeing Airplan	26 1/2	27 1/4	27 1/4
Douglas Air.	52 1/4	56 1/4	56 1/4
United Aircraft	31 1/2	33 1/2	33 1/2
Air Reduction	66 1/2	61 1/4	61 1/4
Allied Chem.	191	191	191
Col. Carbon	96 1/2	93 1/2	93 1/2
Dupont	145 1/2	145 1/2	145 1/2
Un. Carbide	89	87	87
U.S. Ind. Alc.	26 1/2	26 1/2	26 1/2
Allis Chalmers	54 1/2	54 1/2	54 1/2
Gen. Electric	46	44 1/4	44 1/4
West. Elec.	121 1/2	116 1/4	116 1/4
American Can	105	100 3/4	100 3/4
Addressograph	27 1/2	28 1/2	28 1/2
Caterpillar	55 1/2	53 1/2	53 1/2
Cont. Can.	45 1/2	45	45
Ingersoll Rand	104 1/2	109	109
Int. Harvester	64 1/2	62 1/2	62 1/2
Johns Manville	109 1/2	103	103
Am. Radiator	18 1/4	17 1/4	17 1/4
Corn Prods.	70 1/2	69	69
J.I. Case & Co.	97	92	92
Glidden	24 1/2	25	25
Gr. Am. Trans	54 1/4	52 1/2	52 1/2
Allied Stores	12 1/4	12 1/4	12 1/4
Celanese of A.	24 1/2	22 1/2	22 1/2
Ind. Rayon	29	27	27
Colgate Palm.	14 1/2	13 1/2	13 1/2
Eastm'n Kdk.	179 1/2	181 1/4	181 1/4
Gillette	9	8 1/2	8 1/2
Lambert Co.	14	13 1/2	13 1/2
Loews	54 1/4	55 1/2	55 1/2
20th Cen. Fox	27 1/2	26	26

5. Retail Trade, etc.			
Mont. Ward	53 1/2	51 1/2	51 1/2
J. C. Penney	84	83 1/4	83 1/4
Sears Roebck	78 1/4	76 1/4	76 1/4
Walgreen	17	16 1/4	16 1/4
Borden	48 1/4	49 1/8	49 1/8
Gen. Foods	37	39 1/2	39 1/2
Kroger Grcy.	17 1/2	19 1/4	19 1/4
Nat. Biscuit	25 1/2	26 1/2	26 1/2
Nat. Dairy	14 1/4	14 1/4	14 1/4
Stand. Brands	7 1/2	7 1/2	7 1/2
Am. Tob. B.	89 1/2	90	90
Lig. Myers B.	100 1/2	101 1/4	101 1/4
Lorillard	20 1/2	20 1/2	20 1/2
Reyn. Tob. B.	44 1/2	44 1/2	44 1/2
Nat. Distillers	27 1/2	27 1/2	27 1/2
Schenley Dis.	19 1/2	19 1/2	19 1/2

6. Finance			
Comel. Credit	54 1/2	55	55
Atlas Corp.	8 1/2	8 1/2	8 1/2
Com Inv. Tr.	59 1/2	58	58

New York

WALL STREET'S turnover in the short session at the end of last week was among the highest, for a Saturday, in (Continued on page 187)

Industry and Trade

Stabilisation of Coal and Coke Prices.—One of the most noteworthy developments in the British coal-mining industry in recent months has been the progress made towards evening out price fluctuations. In *The Economist* of October 1st (page 39) reference was made to the decision of the Central Council to tackle the problem of the co-ordination of district price schedules. This is a task of great complexity and will require time. Meanwhile, measures have been taken in other directions to reduce the violence of short-period price fluctuations. Much has already been done to stabilise both short-period and long-period prices by voluntary arrangements between District Boards and between these Boards and associations representing large consumers. Moreover, directions have recently been issued by the Central Council for the co-ordination of arrangements affecting the supply and sale of coal in the London area. These relate chiefly to wholesale merchants purchasing at least 15,000 tons per annum, and their administration is in the hands of a Joint Consultative Committee representative of the Central Council and the Chamber of Coal Traders. Then, again, an agreement has just been concluded for the supply of coke to iron and steel manufacturers according to a schedule relating to the prices principally of pig iron and ingot steel. The coke industry is being reorganised, and discussions are now proceeding for the formation of an Inland Coke Co-ordinating Federation, which, in the inland trade, will discharge functions very similar to those now performed by the International Coke Convention in the regulation of the European coke export trade.

Removal of Copper Restriction.—The decision of the co-operating copper producers to increase their output quota from 95 per cent. to 105 per cent. of the standard tonnages, announced on Monday last week, failed to stem the upward trend of prices. As we pointed out in *The Economist* of October 15th (page 136) the position of the copper market is very strong, for supplies available to the market outside the United States are equivalent to less than two months' consumption, at the current rate. But heavy visible supplies in the United States have until recently tended to depress world market prices. The severe curtailment of visible supplies outside the United States has thus probably been prompted by the weakness of the position across the Atlantic. The recovery in the United States

(Continued from page 186)

the whole year. Utilities, which had tended to be camp followers rather than leaders in the earlier advance, forged ahead to new high levels, in the hope that a spirit of conciliation would prevail in Washington. And the addition of a substantial re-armament programme to normal "pump-priming" encouraged the aircraft and base metal sections. Trading remained active during the present week, but prices were less satisfactory. On Monday, utilities again took the lead, followed by aircraft and copper issues. Industrial stocks made temporary progress, until late profit-taking exposed stop loss orders. On Tuesday the market benefited from the stimulus of the General Motors decision to expand operations and to restore salary cuts, and Monday's losses were regained, General Motors itself rising to a new high level for the year. It was remarked, however, that steel stocks did not follow the rise, for uncertainty still prevailed regard-

quickly demonstrated that visible supplies elsewhere were too low to prevent an increase in prices above the level of £45 per ton, regarded as a maximum by the co-operating producers. Indeed, the price of standard copper rose from £45 8s. 9d. per ton on October 10th (when the quota was increased) to £48 6s. 3d. per ton last Monday. The co-operating producers then took the more drastic step of removing restriction altogether for such a period as may be found advisable. Although the price of standard copper was still about £46 per ton on Thursday, the prompt action of the industry has at least prevented a speculative boom which could only have been followed by a collapse.

Fall in American Crude Oil Prices.—After having remained virtually unchanged since the end of January, 1937, crude oil prices on the mid-Continent market of the United States were cut by an average of 20 cents a barrel at the end of last week. This is the first general reduction in the mid-Continent price since September, 1933, and there is no doubt that the current price of \$1.02 a barrel for oil of 36 gravity is quite unremunerative for a considerable number of producers. Although signs of weakness had been accumulating in recent weeks, a general reduction of such dimensions must appear somewhat surprising in present circumstances, for the statistical position of the crude oil markets is one of great strength. Production has been kept well below the 1937 level ever since the middle of March, while stocks now amount to no more than 280,852,000 barrels, against 309,036,000 barrels a year ago. The reason for the decline in the price of crude oil must be sought not at the producing, but at the refining end of the industry. As we showed in *The Economist* of September 10th, on page 517, over-production of finished products has been responsible for a heavy accumulation of petrol and fuel oil stocks, which have had a depressing effect on the price of these products. With many refineries operating at a loss, the pressure for a reduction in the price of the raw material has proved irresistible. But it is feared in oil circles that the cheapening of crude oil may be the signal for a fresh bout of price-cutting by the smaller refiners, to be followed, in turn, by a demand for further concessions from the crude oil producers. If such a vicious circle were in fact established, there might possibly be a repetition of the *débacle* of 1932, when crude oil was sold for as little as 10 cents a barrel in certain cases.

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

Oct. 13	Oct. 14	Oct. 15	Oct. 17	Oct. 18	Oct. 19
131.4	130.0	130.9	128.8	130.8	128.6
1938 High: 131.4 October 13th. Low: 83.6 March 31st.					

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Oct. 13	2,360	9,050	362
" 14	1,950	7,610	422
" 15	1,470	4,700	385
" 17	2,520	6,720	669
" 18	2,410	6,910	369
" 19	2,430	7,680	350

* Two-Hour Session

(Continued on page 196)

WEEKLY AVERAGES

	1938		Oct. 5, 1938	Oct. 11, 1
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BRITISH WHOLESALE PRICES

Commodity	Oct. 12, 1938		Oct. 19, 1938	
	s.	d.	s.	d.
CEREALS AND MEAT				
Wheat—				
No. 2, N. Man. 496 lb.	28	3	28	3
Eng. Gaz. av. per cwt.	5	2	5	2
Liv. Oct., per cental	5	2	4	11
Flour, per 280 lb.				
Straights, d/d London	26	6	21	6
Manitoba, ex store	26	0	25	6
Barley, Eng. Gaz. av. per cwt.	9	4	9	1
Oats, "	6	6	6	6
Maize, La Plata, landed, 480 lb.	29	0	28	0
Rice, No. 2 Burma, per cwt.	9	0	9	0
MEAT				
Beef, per 8 lb.—				
English long sides	4	2	4	0
Argentine chilled hinds	4	5	4	6
Mutton, per 8 lb.—				
English wethers	4	0	3	8
N.Z. frozen wethers	3	5	3	0
Lamb, per 8 lb.—				
N.Z. frozen	4	10	4	10
Pork, English, per 8 lb.	6	4	6	4
BACON (per cwt.)—				
English	99	0	96	0
Danish	99	0	99	0
Dutch	96	0	96	0
Irish	92	0	89	0
HAMS (per cwt.)—				
Canadian	95	0	100	0
United States	97	0	96	0
OTHER FOODS				
BUTTER (per cwt.)—				
Australian	110	0	110	0
New Zealand	114	0	114	0
Danish	129	0	126	0
Dutch	130	0	127	0
CHEESE (per cwt.)—				
Canadian	72	0	72	0
New Zealand	72	0	71	0
English Cheddars	86	0	86	0
Dutch	90	0	92	0
Grenada	32	6	32	6
COFFEE (per cwt.)—				
Santos supr. c. & f.	33	6	33	6
Costa Rica, medium to good	32	0	35	0
Kenya, medium	38	0	38	0
EGGS (per 120)—				
English (15-15½ lb.)	19	0	20	0
Danish (15½ lb.)	13	9	15	3
FRUIT				
Oranges, S. African boxes	9	0	10	9
" Brazilian Peras. boxes	8	6	8	6
Lemons, Naples boxes	20	0	20	0
" Sicilian boxes	17	0	12	6
Apples, Amer. (var.) barrels	11	6	25	0
" Canadian: Nova Scotian (var) Barrels	13	0	13	0
Grapes, Almeria barrels	15	0	9	6
Grapefruit, S. African	10	0	10	0
" Jamaica, Seeded	13	6	10	0
" Jaffa, Seedless	20	6	15	0
LARD (per cwt.)—				
Irish, finest bladders	50	0	50	0
U.S.	48	6	46	0
PEPPER , per lb.—				
Black Lampong (in Bond)	0	23½	0	23½
" (Duty paid)	0	31½	0	33½
White Muntok (in Bond)	0	33½	0	33½
" (Duty paid)	0	37½	0	37½
POTATOES (per cwt.)—				
English, King Edward, Siltland	5	0	5	0
SUGAR (per cwt.)—				
Centrifugals, 96%, prpt. shipm.	5	3	5	21½
c.i.f. U.K./Cont.				
Refined London—				
Yellow Crystals	19	0	18	9
Cubes	23	3	23	0

* Weeks ended Oct. 6th. and Oct. 13th.

Commodity	Oct. 12, 1938		Oct. 19, 1938	
	s.	d.	s.	d.
SUGAR (per cwt.)—cont.				
Crushed	21	6	21	3
Granulated	19	4½	19	1½
Home Grown	19	3	19	0
TEA (Auction Average) (per lb.)—				
N. India	14	92	14	60
S. India	13	40	13	51
Ceylon	15	54	15	26
Java	15	54	17	19
Sumatra	11	94	11	85
Africa	14	99	14	71
TOBACCO (per lb.)—				
Virginia stemmed and unstemmed, common to fine	0	8	0	8
Rhodesian stemmed and unstemmed	0	9	0	9
Nyasaland stemmed and unstemmed	0	7	0	7
East Indian	1	4	1	4
Stemmed	0	5	0	5
Unstemmed	1	6	1	6
TEXTILES				
COTTON (per lb.)—				
Raw, Mid-American	5	11	5	16
" Sakellaridis, F.G.F.	8	03	8	14
Giza, F.G.F.	8	03	8	04
Yarns, 32's Twist	9	53	9	53
40's Twist (Egyptian)	10	14	9	59
60's Twist (Egyptian)	10	14	17	12
Cloth, 32 in. Printers, 116 yds.	16	6	16	6
" 36 in. Shirtings, 75 yds.	23	0	23	2
" 38 in. ditto, 38 yds.	9	9	9	9
" 39 in. ditto, 37½ yds.	8	9	8	9
" 16x15, 84 lb.	6	7	6	7
FLAX (per ton)—				
Italian PC	70	0	70	0
Manilla, Nov.-Jan. "J2"	21	0	21	0
JUTE (per ton)—				
Native 1st mks., c.i.f. H.A.R.B.	19	7/6	19	12/6
Daisee 2/3 c.i.f. Dundee, Oct.-Nov.	19	7/6	19	10/0
SILK (per lb.)—				
African, Nov.-Jan.	14	0	14	0
Canton	7	3	7	3
Japan	8	6	8	6
Italian, raw, fr. Milan	7	3	7	3
WOOL (per lb.)—				
English, Southdown, greasy	13	12	13	12
" Lincoln hog, washed	13	13	13	13
Queensland, scd. super combg.	23	23	23	23
N.S.W. greasy, super combg.	13	13	13	13
N.Z., greasy, half-bred 50-56	12	12	12	12
Tops—	10	10	10	10
Merinos 70's average	28	12	28	12
Crossbred 48's	16	16	16	16
" 46's	16	16	16	16
MINERALS				
COAL (per ton)—				
Welsh, best Admiralty	19	6	19	6
Durham, best gas, f.o.b. Tyne	22	6	22	6
Sheffield, best house, at pits	22	0	22	0
IRON AND STEEL (per ton)—				
Pig Cleveland No. 3, d/d	109	0	109	0
Bars, Middlesbrough	265	0	265	0
Steel rails, heavy	202	6	202	6
Triplates	21	6	21	6
NON-FERROUS METALS (per ton)—				
Copper—				
Standard cash	45/18/9	46/16/3		
Three months	46/0/0	46/18/9		
Lead, soft foreign—				
Cash	16/1/3	16/8/9		
English, pig	16/3/9	16/11/3		
Spelter, G.O.B.—				
Spot	14/18/9	15/8/9		
Aluminium, ingots and bars	15/1/3	15/11/3		
" rolling billets	94/0/0	94/0/0		
Nickel, home and export	102/0/0	102/0/0		
Antimony, Chinese	53/0/0	60/0/0		
Wolfram, Chinese	53	0	56	0
Platinum, refined	8/0/0	8/0/0		
Quicksilver	14/10/0	14/10/0		

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

Commodity	Oct. 12, 1938		Oct. 19, 1938	
	s.	d.	s.	d.
GOLD , per fine ounce				
SILVER (per ounce)—				
Cash	1	7½	1	7½
MISCELLANEOUS				
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—				
4-ton loads and upwards	42s.	per ton		
CHEMICALS				
Acid, citric, per lb., less 5%	1	0½	1	0½
" Nitric	0	2	0	2
" Oxalic, net	0	6	0	6
" Tartaric, English, less 5%	1	1	1	1
Alcohol, Plain Ethyl	12	0	12	0
Ammonia, carb. ton	20/0/0	20/0/0		
" Sulphate	7	6	7	6
Arsenic, lump	35	0	35	0
Borax, gran. powder	13	6	13	6
Nitrate of soda	8	0	8	0
Potash, Chlorate, net	0	4½	0	4½
" Sulphate	10	10	10	10
Soda Bicarb.	11	0	11	0
Crystals	5	3	5	3
Sulphate of Copper	18	15/0	19	5/0
COPPER (per ton)—				
S.D. Straits, c.i.f.	10/8/9	10/12/6		
HIDES (per lb.)—				
Wet salted, Australian	0	4½	0	4½
West Indian	0	3	0	3
Cape	0	5	0	5
Dry and Drysalted Cape	0	6½	0	6½
Market Hides, Manchester—				
Best heavy ox and heifer	0	5½	0	5½
Best cow	0	4½	0	4½
Best calf	0	5½	0	5½
INDIGO (per lb.)—				
Bengal, g.d. red-vio. to fine	5	0	5	0
LEATHER (per lb.)—				
Sole Bends, 8/14 lb.	1	1	1	1
Bark Tanned Sole	2	0	2	0
Shoulders from DS Hides	0	8	0	8
" Eng. or WS do.	1	4	1	4
Bellies from DS do.	0	6	0	6
" Ling. or WS do.	0	7	0	7
Dressing Hides	1	0	1	0
Ro. Eng. Calf, 20/35 lb. per doz.	3	6	3	6
PETROLEUM PRODUCTS (per gall.)—				
Motor Spirit No. 1, London	1	6	1	6
Petroleum, Amer. rid. bri. Lond.	0	10	0	10
Fuel oil, in bulk, for contracts				
ex. inst. Thames—				
Furnace	0	3½	0	3½
Diesel	0	4½	0	4½
ROBIN (per ton)—				
American	15/15/0	15/10/0		
Pig Cleveland No. 3, d/d	19/15/0	19/5/0		
RUBBER (per lb.)—				
St. ribbed smoked sheet	s.	d.		
Fine hard Para	0	8	0	8
SHELLAC (per cwt.)—				
TN Orange	38	6	38	0
TALLOW (per cwt.)—				
London town	17	6	17	6
TIMBER				
Swedish u/s 3x8	22/0/0	21/0/0		
" 2½x7	21/0/0	20/10/0		
" 2x4	19/0/0	18/10/0		
Canadian Spruce, Dls.	23/0/0	23/0/0		
Pitchpine	13/10/0	13/10/0		
Rio Deals	35/0/0	35/0/0		
Teak	25/0/0	25/0/0		
Honduras Mahogany logs c. it.	0	12/0	0	12/0
English Oak Planks	0	6/0	0	6/0
English Ash Planks	0	7/0	0	7/0
VEGETABLE OILS (per ton net)—				
Linseed, naked	21/15/0	21/17/6		
Rape, refined	34/5/0	33/5/0		
Cotton-seed, crude	19/10/0	19/10/0		
Coconut, crude	14/17/6	15/0/0		
Palm	13/10/0	13/2/6		
Oil Cakes, Linseed, Eng.	9/2/6	9/2/6		
La Plata, Oct.	10/18/9	10/18/9		
Calcutta	12/3/9	12/1/3		
Turpentine	s.	d.		
per cwt.	32	6	33	3

COMMODITY STATISTICS

Coal

District	Week ended		Jan.-September	
	Oct. 1, 1938	Oct. 8, 1938	1937	1938
Northumberland	290.1	288.9	10,663.4	9,927.2
Durham	629.4	626.4	24,807.7	23,685.8
Yorkshire	846.4	891.3	33,385.3	31,463.3
Lancs, Cheshire and N. Wales	330.9	343.0	13,182.0	12,680.9
Derby, Nottingham & Leicester	624.3	661.6	24,992.5	23,601.9
Staffs, Worcs. Salop & Warwick	377.1	393.8	15,032.1	14,509.8
South Wales & Monmouth	751.2	775.5	28,378.7	27,001.0
Other English districts*	115.5	120.6	4,090.6	4,063.4

(Continued from page 189)

demand for practically all classes of heavy material—the notable exception being that for shipbuilding material, which remains poor. For this, however, an early improvement is looked for as a result of the Admiralty work on hand and from work which it is confidently expected will shortly be placed with Clyde shipbuilders. Re-rollers of steel bars are still finding business quiet. Sheet re-rollers, on the contrary, find business still improving and a few more mills are in operation this week. In Glasgow and district the position in regard to the many manufacturing activities carried on is very satisfactory; plants are running to capacity and work on hand will ensure a satisfactory level of activity for several months.

★

Cardiff.—The recently improved tone in the tinplate market is maintained, particularly for deliveries in the home market, and current production is at a higher rate (nearly 50 per cent. of capacity) than it has been at any other period this year since February. With world stocks greatly reduced, and the recent international tension allayed, a recovery in the export trade is expected. The market for sheets shows little change, and the export trade in galvanised products is dull and very restricted. Stocks of ingots at works are still heavy and the output of pig iron and steel is less than half of what it was earlier in the year. Prices are unchanged.

Textiles

Cotton (Manchester).—Although there has been no general buying movement, inquiry for yarn and piece-goods has tended to broaden, and in certain quarters more contracts have been arranged than for some little time back. Some leading buyers have come to the conclusion that more favourable opportunities of purchasing are not likely to occur in the near future. A rather firmer feeling has prevailed in the raw cotton markets. A feature in the trading in futures has been the appreciation of prices for near positions. More cotton is being delivered by American farmers to the Government against a loan, and supplies in the control of Washington now amount to about 8 million bales.

The undercurrent of demand in the spinning section has improved. In American qualities orders have been given out rather irregularly, but fair weights have been booked. The reduction of ½d. per lb. in list prices for medium wefts has caused some comment. Most Egyptian spinners have net with a more encouraging turnover. A better tone has shown itself in the cloth market, and inquiry has expanded. A development of interest has been the increased activity for India, and a much healthier turnover has taken place in a variety of goods, with the result that some manufacturers have extended their order lists and cases have been re-ordered of idle looms being restarted.

★

Jute (Dundee).—Raw jute prices are being very well maintained, with sellers showing a certain amount of reserve. The statistical position seems to favour a comparatively high level of prices this season, as it stands to reason that all consumers will be anxious to

obtain sufficient supplies to prevent them from drawing further on their stocks, which have been reduced to a low level during the past few seasons. Though the Indian jute mills are now working only 45 hours per week, they will still require six million bales for the current season, yet the final forecast gave a quantity to be received from the present crop of only 6,696,000 bales. There seems to be little doubt that four million bales will be required by other consuming centres, so that all the available unsold stocks carried forward from the previous season will be needed. It can scarcely be imagined that the final forecast can be under-estimated by about 3½ million bales. The full group of Daisee-2/3 is quoted at £19 10s. per ton and fours at from £18 15s., with good marks at from £20 and £18 17s. 6d. respectively, October-November. There is a great scarcity of offers of white jute at £21 5s. for good Lightnings and from £19 17s. 6d. for Hearts, October/November.

Jute yarns are very firmly held all round, though business is now very much quieter. Spinners are very busy and are harassed to give delivery of yarns on order.

THE COMMODITY MARKETS

THE prices of many raw materials rose further this week on favourable business news from the United States. Non-ferrous metals, cotton and rubber were all dearer last Wednesday than a week earlier. On the other hand, wheat prices fell further on the Liverpool futures market. The decision of the co-operating copper producers on Monday last week to raise output quotas from 95 per cent. to 105 per cent. of the standard tonnages from October 15th failed to stem the upward trend of prices. But when it was announced last Monday that restriction of output was to be removed, the advance in prices was checked.

Moody's index of the prices of staple commodities in the United States (December 31, 1931 = 100) fell slightly during the week ended last Wednesday, from 143.3 to 143.0. A month ago the index stood at 144.5 and a year ago at 167.0.

Metals

Copper.—The co-operating producers' decision to remove the restriction on production from October 15th checked the rise in prices, but there was a net gain of 17s. 6d. on the week in the standard cash closing price of £46 16s. 3d. on Wednesday. The September statistics show that stocks outside the United States, at 164,374 short tons, are about 15,000 short tons less than a month earlier, and are equivalent to only five weeks' requirements. It is felt, therefore, that the rise in prices may continue.

★

Tin.—Tin prices gained a further £5 10s. this week to close at £210 15s. on Wednesday. The demand for the metal has been strong and increased tonnages have been acquired on the United States account. Supplies, which are showing the effect of the low free market quota, are now less than current

requirements and prices are likely to rise further unless the quota is increased.

★

Lead and Spelter.—Although the prices of both metals were higher on the week the improvement was chiefly due to the strength of copper and tin. These metals are not directly affected by increased trade activity in the United States, and in other countries production is in excess of consumption. Lead gained 7s. 6d. on the week, closing at £16 8s. 9d., while spelter advanced 10s. to £15 8s. 9d.

Grains

THE wheat market has been helped this week by drought in Australia and the absence of seeding rains in the United States, but prices failed to advance. The reduction in the world's surplus due to a partial failure of the Australian crop cannot be substantial and may well be offset by the heavier production in Argentina. The Wheat Advisory Committee is reported to be framing a plan to deal with world wheat over-production and the Premier of Manitoba has invited representatives of all the exporting countries to a Conference at Winnipeg in December.

The maize market has been steadier during the week and prices are more closely in line with wheat. There has been a fair trade in Russian and Iranian barley, but supplies of English barley are in excess of demand.

Other Foods

Provisions.—The market in most provisions was quiet but firm. Bacon prices were lower but others showed little change on the week. Eggs and Danish butter were dearer.

★

Colonial Produce.—Demand for tea continues strong but prices were a little lower on the week. Sugar prices were also weaker but coffee showed some improvement and cocoa remained unchanged.

★

Fruit and Vegetables.—Supplies of potatoes at the Borough were heavy and prices difficult to maintain, but those of other vegetables were more restricted and prices were firmer. Fruit prices were lower, with the exception of apples and pears, which were less plentiful.

★

Milk Prices.—The September statistics issued by the Milk Marketing Board are summarised below:—

	Sept., 1937	July, 1938	Aug., 1938	Sept., 1938
Prices (per gall.)	d.	d.	d.	d.
Liquid	15	17	15	15
Av. manufacturing ..	6.425	6.655	6.606	6.950
Av. pool	12.38	12.61	11.5	11.84
Contract sales (mill. gall.)				
Liquid	49.3	53.1	51.1	50.6
Manufacturing	18.2	35.0	32.1	24.2
Total contract	67.5	88.1	83.2	74.8
Used by farmhouse cheesemakers	2.3	3.4	3.3	2.8

The price for liquid milk remains fixed but the average manufacturing price was slightly higher than in August. Liquid consumption, though a little lower than in August, was 1.3 million gallons higher than in September, 1937.

COMPANY MEETINGS

MODDERFONTEIN EAST, LIMITED

BOARD'S POLICY OF CONSTRUCTION

MR R. S. G. STOKES'S SURVEY

The annual general meeting of Modderfontein East, Limited, was held, on the 19th instant, at Johannesburg.

Mr. R. S. G. Stokes (the chairman), who presided, moved the adoption of the report and accounts.

Commenting on the accounts, the chairman remarked that provision for taxation and lease consideration together represented the heavy burden of 46 per cent. of the company's working profit.

FINANCING OF CAPITAL EXPENDITURE

Continuing, he said that in terms of the resolution of shareholders dated November 15, 1937, the authorised capital of the company had been increased from £930,805 to £950,000, and the directors had been empowered to issue new shares at their discretion in order to finance a portion of the company's heavy capital expenditures on construction work, estimated to total approximately £150,000 during the year ended June 30, 1938, and the following half-year.

Conditions up to the end of the financial year had been, in the opinion of the Board, unfavourable for the disposal of any large parcel of reserve shares on satisfactory terms. Consequently, none of the shares had been issued and capital expenditure for the year under review, totalling approximately £121,000, had been met out of distributable profits and cash resources. Although opportunities for the sale of reserve shares at a figure favourable to shareholders were today substantially better than at any time during the last financial year, it was now the intention of the Board to provide from working profits the funds required for the completion of construction. The additional amount was estimated to be a little in excess of £20,000.

The bulk of the construction work had been completed. The additions to the treatment plant had been finished in March; with the installation of additional electrically driven air compressors, the boiler plant had been closed down; and a new electric hoist at No. 1 main shaft was now in commission. Good progress had been made with the Clover Incline, which was already in service, to the 26th level. The erection of a new electric hoist at No. 5 shaft should be finished before the end of the calendar year.

GOOD OPERATING RESULTS

Operating results disclosed satisfactory records for tonnage milled and working profit earned, and with an increase in the scale of operations, working costs had shown a considerable decline to 17s. 9d. per ton milled.

A general tendency towards a decline in the grade and percentage of payability in easterly development continued. At the same time marked irregularity in values occurred from point to point and it was significant that one of the most advanced easterly raises had recently disclosed a value of 2 ozs. over a channel width of 36 ins. for a distance of 280 ft. In interpreting development returns, moreover, close comparisons would not be justified. Large quantities of ore were developed by stoping and the annual decline in the average value of payable footage and of the tonnage developed was largely due to the gradual lowering of the pay limit in conformity with the reduction of working costs.

The development footage had totalled 55,484 ft., showing a heavy decline in comparison with the aggregate for the previous year. Assuming an adequate supply of native labour, a similar rate of advance during the current year was to be expected under the present programme. Subsequent footage requirements would depend upon the percentage of payability disclosed which, as indicated by the remarks made by the consulting engineer in his report upon variable conditions prevailing in the different development areas, could not be predicted with confidence.

INCREASE IN ORE RESERVES

The increase in the available ore reserves to 6,329,100 tons, at an estimated average value of 4.3 dwts. per ton, was particularly satisfactory, reflecting primarily the influence of a reduction in the pay limit upon the economic value of the marginal ore.

The mine's large resources of low grade ore were the dominant factor in the company's decision to adopt a policy of steady expansion, in accordance with which the rate of milling had now been increased in five years from 1,000,000 to approximately 1,500,000 tons a year.

During the last few years the Black Reef, underlying a large area in the Far East Rand, had been successfully prospected and mined three or four miles to the west of Modderfontein East. The Black Reef formation was known to underlie fully 3,500 claims upon the company's property. Present information was too limited to warrant any statement regarding the possible economic value of that reef to the company.

The outlook for the coming year was highly encouraging, concluded the chairman.

The report and accounts were adopted unanimously.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

RESULTS WELL MAINTAINED

PROMISING NEW DEVELOPMENT

The annual general meeting of the Consolidated Main Reef Mines and Estate, Limited, was held, on the 19th instant, at Johannesburg.

Dr Hans Pirow, the chairman, who presided, in moving the adoption of the report and accounts, referred to the loss which the company had sustained through the resignation of Mr C. L. Read, a former chairman of the company, on his departure from South Africa.

YEAR'S RESULTS

The results of the past year's operations, continued the chairman, did not differ materially from those of the preceding twelve months. Tonnage milled had increased by 18,500 tons to the record figure of 1,935,000 tons, yield and revenue had been lowered by 0.094 dwt. and 10d. per ton milled respectively, and, although costs had fallen by 5d. per ton milled, the total working profits at £583,585 had shown a decrease of £33,201.

The net capital expenditure had been £91,563, and after deducting £2,415 realised by freehold property sales appropriation from profits on capital account for the year had amounted to £89,148.

It was estimated that for the current year capital expenditure would amount to approximately £50,000.

As foreshadowed, development footage had been considerably reduced—from 111,953 ft. in the previous year to 86,610 ft. With the smaller development of footage, payable ore developed totalling 2,098,400 tons had been 1,256,600 tons less than for the previous year, and the average value at 4 dwt. had shown a decrease of 0.1 dwt. It was gratifying to note that the very satisfactory ore reserve tonnage had been maintained with the smaller development footage, although the average grade of reserve had fallen by 0.1 dwt.

EXPLORATION OF FRESH AREA

An interesting feature was that mine development on Main Reef and Main Reef Leader had now reached the stage when it was possible to begin exploration of an extensive and hitherto undeveloped area lying to the west of the current workings from which it was separated by Bantjes Dyke. The results obtained in that exploratory work were bound to have considerable bearing on the future of the mine. Five drives were being advanced into the area in order to test it on as many levels as was practicable.

That development had not yet penetrated much beyond the dyke, and although results to date were promising, much more work would have to be done before it would be possible to form any estimate of the value of that ground.

Development footage was being maintained at last year's level, and if the present satisfactory supply of native labour continued results for the current year should compare favourably with those of last year.

The report and accounts were adopted unanimously.

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

ROAN ANTELOPE COPPER MINES LIMITED

REVIEW OF THE COPPER POSITION

MR CHESTER BEATTY'S REVIEW

The eleventh ordinary general meeting of the Roan Antelope Copper Mines, Limited, was held, on the 18th instant, in London, Mr A. Chester Beatty (chairman of the company) presiding.

The chairman, in the course of his speech, said:—During the year 75,253 long tons of copper were produced, an increase of 5,693 tons over the previous year. On the other hand, the average realised price of £45 9s. 4d. was £5 11s. per ton lower. The all-in cost was £24 16s. 2d. per ton, and the net profit for the year was £1,575,068. This result was arrived at after transferring £200,000 to replacements reserve, as against £175,000 in the previous year, and also charging £50,200 to operating expenses as a provision for the pension and bonus funds for mine employees.

Out of the net profit the sum of £512,000 has been appropriated to meet the company's liabilities for taxation, including £67,000 for National Defence contribution, £250,000 has been transferred to general reserve, and £10,000 added to the mine pension fund contingency reserve, bringing that reserve up to £30,000. An amount of £30,000 has been appropriated as a reserve for mine employees' leave pay. At present leave pay is charged to operating expenses each year, and it is the intention to continue this practice. The accrued liability, at any date, is about £30,000, and it is considered prudent to set aside this sum as a permanent reserve. After providing for these reserves and for the interim and final dividends for the year, there remains a balance of £261,844 to be carried forward, as against £263,120 in the previous year.

THE COPPER POSITIONS

In my review of the copper position last year I mentioned the factors which had brought about an undue rise in copper prices, reaching its peak in the first half of 1937, and of the difficulties which resulted therefrom. Subsequent to my address to you the continued decline of business in America resulted in a further reduction of copper consumption and a considerable increase in copper stocks in that country. World copper consumption outside the United States continued at a high level, but the London market was under the influence of the unbalanced position in the United States and a consequent increase in exports from that country. This resulted in the prices of Standard Copper on the London market falling to the low figure of £32 10s. per ton. Producers who are members of the restriction scheme decided to reduce the output, which since December last had been maintained at 105 per cent. of basic quotas to 95 per cent. as from July 1st last.

Since that date there has been a marked improvement in copper consumption in the United States and, following on the improvement in the European political situation, there has also been an increase in the demand on the London market. With a view to meeting this increased market requirement, producers who are members of the restriction scheme have decided as from the 15th of this month to remove restriction on output for such period as may be found advisable.

It is impossible to estimate how much of the current demand for copper outside the United States arises from supplies purchased for re-armaments, but I think it is easy to exaggerate the amounts so used. On the other hand, conditions favourable for a relaxation of re-armament, to which we all look forward, also favour an expansion and a freer flow of world trade which will result in an increased demand for copper for peace-time purposes.

Recent experience has amply demonstrated the advantage to be obtained from close co-operation among producers with a view to maintaining, so far as possible, a sound market position for the metal and in May last members of the restriction scheme decided unanimously to extend the scheme for a further period.

FUTURE PROSPECTS

The quarterly statement of our estimated revenue and expenditure to September 30, 1938, will be issued to shareholders, with reprints of the proceedings of this meeting, and will show an estimated net profit of about £250,000, subject to taxation.

In these uncertain times one does not like to prophesy, but I do think that in spite of the present unsettled world conditions we have reason to be satisfied with our business. There is no doubt that the demand for copper is a persistent one, and, taken over a period, it has been a consistently expanding one. Therefore, with our large ore reserves, our low operating costs and our location in the British Empire, we can look forward with confidence to the future. The report was unanimously adopted.

THE UNITED STEEL COMPANIES, LIMITED

RECORD PRODUCTION AND PROFIT

The annual general meeting of the United Steel Companies, Limited, was held, on the 14th instant, at 21, Tothill Street, London.

Sir W. Benton Jones, Bt. (the chairman), in the course of his speech, said that the year ended June 30, 1938, was the fifth year in succession in which the directors had been able to report a year of trading and financial results which were better than the year before. The company reached its highest rate of production and earned its largest profit.

A year ago the directors reported that the works of the company and its subsidiaries had been operated continuously at a high rate and production has been greater than in the previous year. The high rate continued until the first quarter of 1938, when the speed began to fall, and in the second quarter the fall continued.

Steel production in Great Britain in 1937 was 135 per cent. of the production of 1929. In Western Europe, excluding Great Britain, production in 1937 was 98 per cent. of 1929. In the United States of America the production in 1937 was 89 per cent. of 1929. In the first six months of 1938 production declined in Great Britain to a rate which was 123 per cent. of 1929, in Western Europe to 93 per cent. of 1929, and in the United States to 38 per cent. of 1929.

An indication of the future might be found in the records of recent production month by month. It was to be hoped that these figures indicated a turn of the tide.

In Great Britain exceptional circumstances had accentuated the recession, but the effect of these exceptional circumstances, he thought, must by now be nearly passed and unless actual consumption declined further a larger proportion of home-made steel and iron would be required.

IMPORTANCE OF PIG IRON

He referred to the recent difficulty in obtaining sufficient materials at home to supply the steel works when working at maximum production. He said: "If the steel trade is to be self-supporting it must make sufficient pig iron to meet its maximum needs. Pig iron is a very suitable commodity to store. It is too heavy to be pilfered; it occupies very little space; it is very easily handled and it does not deteriorate appreciably. It seems obvious to suggest that the steel trade should organise the storing of pig iron in lean times and draw on its store when demand is high. Such an arrangement would make it unnecessary to provide more pig iron making capacity than is required by the average demand. It would enable selected pig iron works to operate at a uniform rate and at the same time would provide coke makers and colliery proprietors with a uniform outlet for the coal and coke consumed directly and indirectly in the manufacture of pig iron."

Referring to prices, he had heard it said that they were too high and that a reduction in price was required to stimulate buying. If this meant that a reduction should be made in price with the object of stimulating demand without proper regard to cost, it was unreasonable. The prices of steel had been regulated during the recent trade activity. In spite of rising costs little change had been made until in May, 1937. Later, the prices then fixed were stabilised until the end of this year to allow buyers to undertake forward commitments without risk. He did not think it would be denied that if prices had been free they would have risen to a higher level than they were to-day. Prices have been regulated by reference to costs when trade activity was rising, and the only good reason for reducing prices would be a fall in costs.

THE OUTLOOK

In concluding, he said: "I have said before and I repeat that the production of steel in this country is established at a permanently higher level in any circumstances because the imports of steel, which a few years ago amounted to over 4,000,000 tons, are now limited to a much lower figure, and the difference becomes an addition to the demand for British steel. For this reason, even if there should be a further recession in the steel industry, which seems unlikely, production would not fall to the low levels which it reached in the depression of 1931 and 1932."

"I have already referred to the figures of production in recent months and the possibility that they may indicate some revival. In any case, however, there is a wide margin between the maximum production of 13 million tons in 1937 and the minimum production of a little more than 5 million tons in 1931, and even if, for the next few years, production is to be less than the maximum there are lower levels at which we can obtain satisfactory results."

The report was unanimously adopted.

PERAK RIVER HYDRO-ELECTRIC POWER COMPANY, LIMITED

DIVIDEND OF SIX PER CENT.

The twelfth annual general meeting of the Perak River Hydro-Electric Power Company, Limited, was held, on the 19th instant, at Winchester House, Old Broad Street, London.

Mr George Balfour, J.P., M.P. (chairman of the company), in the course of his speech, after expressing regret at the death last week of the Sultan of Perak, said:—The accounts we present to-day justify the forecast given you at our last annual general meeting. In fact if we only made exactly the same appropriation to writing down, depreciation and reserve as in the previous year the balance of revenue account available for loan interest dividend, etc., would show an increase of some £23,000. Your directors, however, feel that it is wise policy to make larger appropriations during the years of heavy tin consumption so that they can feel justified in making more modest appropriations in any lean year or years if we have to face them.

The international upset which culminated in the crisis of a few weeks ago has no doubt been responsible for the slackening of trade and the consequent decline in demand for tin. I think we are entitled to assume that we are now facing the low level of demand, but that the trend of world trade will be steadily and firmly on the up grade, so that we might expect considerable improvement during this financial year. The most encouraging fact is that under the abnormally severe conditions we are facing at the moment we are dealing with a load of 20,000 kw., whereas a few years ago when the tin output was at a similar low level we were only dealing with a load of some 6,000 kw. to 8,000 kw. this, in my opinion, is good evidence of a more stable foundation for our business.

UNITS SOLD

We sold 214,000,000 units last year, compared with 228,000,000, a decrease of 14,000,000. The load on our plant—a maximum of 42,900 kw. peak, falling to 27,000 kw.—shows the rapid effect of the fall in output of tin. On the maximum load we had to work all our plant, both hydro-electric and steam, to full capacity. With the completion of this plant we shall be prepared for any load we are likely to have to deal with for some years to come.

During the last two or three years we have overtaken the necessary extensions to both our steam generating stations and remodelled and reinforced our transmission system. We can look forward, after the balance of payment for the work now nearing completion has been made, to no very heavy capital commitments for some time to come unless due to any acquisition of property.

You will note that at the conclusion of the ordinary business a resolution will be submitted to increase the capital by £500,000 by the creation of 500,000 "A" shares of £1 each, which may be issued either as preference shares or ordinary shares, but so that not more than 200,000 of the additional shares should be issued as preference shares. I do not anticipate that we shall require to issue more than one-half of the amount to be authorised to cover fully the balance of all our capital commitments outstanding.

REVENUE FROM SALE OF CURRENT

The actual revenue from sale of current amounts to £531,661, as compared with £569,414 in the previous account. On the actual earnings for the year neglecting the present position your directors would have been justified in recommending a higher dividend than in the previous year. Under existing conditions, however, such a dividend is not justified in recommending more than six per cent.

Now I know you will want to know what I have to say about the output. My opinion is that, short of a second half-year, and if I am right, while the same high revenue balances next year, we should be able to give a not unsatisfactory account.

I hoped we should have been able to arrange with the Federated Malay States Government to deal with the various small supply undertakings which they operate in our area in the Perak State, as I have always held, and still hold, the view that it would be to the benefit of the State and the consumer. We have so far not been able to convince the authorities. We certainly have no right to be aggressive in pressing the matter, but I still hope that in the interest of the development of electricity supply in the Perak State we may some day reach agreement on the matter. I might add that our relations with the authorities are of the most cordial nature, founded, I believe, on mutual confidence and respect.

The report and accounts were unanimously adopted and the proposed increase of capital was approved.

MUREX, LIMITED

DIVIDEND AND BONUS 20 PER CENT.

The nineteenth ordinary general meeting of Murex, Limited, was held, on the 17th instant, at Winchester House, London.

Mr George P. Joseph (the chairman), who presided, said that the profits from trading showed a satisfactory increase of about £43,000, and dividends received an increase of nearly £4,000. A final dividend of 10 per cent. and a cash bonus of 2½ per cent. (making 20 per cent. for the year) was recommended. Their subsidiary, Murex Welding Processes, whose entire capital was held by Murex, had completed the transfer of its tariff and employees to the new freehold premises at Freezywater, Waltham Cross. The main building, with a floor area of approximately four and a half acres, represented, perhaps, the finest example in the British Isles of an all-welded single storey factory. In the whole area of four and a half acres there were only four internal columns supporting the roof.

The welding industry continued to expand, and despite the keen competition to which he had repeatedly referred, their output and sales had shown some increase during the year under review. Selling prices had been reduced to meet continued and increasing competition, but the board hoped that the greater manufacturing capacity of the new factory at Freezywater would further reduce costs and enable the company to continue successfully to meet such competition. The interests which Murex Welding Processes had in the Premier Electric Welding Company (Mersey), Limited, of Liverpool, and in the Australian E.M.F. Company both continued to be satisfactory.

Their other subsidiary company, Magnesium Metal and Alloys, whose entire capital they also now held, confined its activities to the production of pure magnesium metal and magnesium alloys, for which products there was a growing demand.

The new financial year had opened in a period of international political unrest, and the economic and industrial conditions obtaining during the latter part of the financial year had severely affected the demand for such products as they manufactured. So far they had experienced a very considerable falling off in trade and profits. It might be that the recession would go no further, and that trade would improve; the figures for September pointed to that being the case. With any marked revival he saw no reason to doubt that the company would obtain its full share of business.

The report was unanimously adopted.

JOHORE RUBBER LANDS

SOUND FINANCIAL POSITION

The twelfth ordinary general meeting of Johore Rubber Lands, Limited, was held on October 18th at Winchester House, London, E.C.

Mr E. B. Ridsdel, who presided in the absence of the chairman, Mr H. M. Graham, owing to illness, said that the profit earned amounted to £3,343 as against £6,888 last year. The falling off in their profits was due to the poor trading conditions that prevailed during the year covered by the accounts. The price of rubber steadily declined throughout the year and the average price realised was 7½d. per lb., London landed terms, as against 9½d. per lb. the previous year, or a difference of 1½d. per lb. Their replanting programme and increased taxation accounted for a further £930 in their expenditure.

As stated in the report, the exportable allowance for the year was 82½ per cent., but he was sorry to say that the export allowance for April-June of this year was 60 per cent. and for June-December it was only 45 per cent. If the exportable allowance was only 45 per cent. for the remaining three months of the financial year, viz., to March 31, 1939, the average percentage for the year would be only 48½ per cent., which must have a very adverse effect on their costs. Output was a very important factor, apart from the price of the commodity.

The average price realised during the current year was about 7½d. per lb., London landed terms. Although the price had recently advanced to 8½d. per lb., with such drastic restriction it must advance much more to enable them to make reasonable profits. The f.o.b. cost for the year was 4-9½d. per lb., and the all-in cost 5-882d. per lb. Those costs, on a restricted crop, must be regarded as satisfactory.

The directors recommended the payment of a dividend of 2½ per cent., less tax, which would absorb £2,743, leaving £8,456 to be carried forward, as against £7,856 brought in.

It would be observed from the balance sheet that the company's financial position was sound, as cash in hand, war loan, debtors and rubber stocks, less creditors, amounted to £18,027, or nearly £10 per planted acre.

The report and accounts were unanimously adopted.

TANGANYIKA CONCESSIONS, LIMITED

IMPROVED POSITION

The ordinary general meeting of the Tanganyika Concessions, Limited, was held, on the 14th instant, in London.

The Right Hon. Viscount Stenhouse, P.C., G.C.M.G., D.S.O. (the chairman), in the course of his speech, said:—The effect of the scheme for reduction and reorganisation of capital is reflected in the balance sheet under review and shows a much more satisfactory position. I am pleased to say the results for the seven months ended July 31, 1938, justify our recommending the payment of a dividend on the preference stock for that period. In fixing the dividend at 4 per cent., the board have had in mind the advisability of conserving the company's resources and building up a reserve, and it is satisfactory that, after paying the present dividend, we are able to carry forward over £111,000.

With regard to the company's interests, the operations of the Union Minière are proceeding satisfactorily and sales are well maintained. The position of the copper market appears to be favourable, and the price has now improved to a more reasonable figure. A decline in the earnings of the Benguela Railway is to be noted for the first six months of 1938, due principally to a decrease in shipments of metals. The increase in copper production and the improvement in price should be reflected in the earnings of the railway, which will also be assisted by a resumption of shipments of zinc, lead and manganese.

As regards our East African gold interests, the construction of the 250-ton mill which is being erected by the Geita Gold Mining Company is proceeding very satisfactorily, and it is expected that gold production will commence early next year. The interest which you have in that concern should provide a new source of revenue.

I see no object in concealing the fact that any anxiety which may be felt about our interests in Tanganyika Territory has arisen from doubts as to the future fate of the Territory itself. The Geita goldfield is a very important asset for Tanganyika Territory. Our interest in it is relatively small and, leaving it out of account altogether, I feel justified in saying that now we have recommenced

the payment of dividends, the income which we may expect from the Union Minière alone should, in the present favourable conditions, ensure their continuance.

The report was unanimously adopted.

BRITISH RUBBER ESTATES OF JAVA (1932), LIMITED

FURTHER REDUCTION OF DEBENTURE STOCK

The sixth ordinary general meeting of British Rubber Estates of Java (1932), Limited, was held, on the 18th instant, at 58 Mark Lane, London.

Mr James Davenport, the chairman, said, in the course of his remarks: The accounts show a reduction in the profits from £50,400 to £29,500, and they show a strong financial position, with net liquid assets of over £87,000. Moreover, we have reduced our debenture debt from £120,000 to £98,800. We are setting aside out of this year's profits just under £7,400 in further redemption. This will bring the issue down to approximately £92,000, from £132,000 a couple of years ago.

The working for the year may be summarised as follows: Profit on rubber, £34,034; profit on tea, £8,861; loss on coffee, £418; or a gross profit of £42,486. There was little change in the result from tea, but a very considerable decline from both rubber and coffee. The most serious reverse was on rubber. Although we were able to export 90,000 lb. more than in the previous year, our profit was reduced by £18,121, caused by (1) a net selling price of 1½d. per lb. less, and (2) an increase in the quantity valued in our accounts at the nominal price of 1d. per lb.

I think it must be clear to you that, unless there is very material improvement in prices, this year's results are bound to be disappointing. At the same time I would not have you think I am despondent regarding the future. The International Committee are handling a difficult problem with great ability, and producers (and consumers, too) are in good hands. If the revival of business in the United States continues to make progress, it may well be that after the turn of the year we may see a different picture.

The report and accounts were adopted.

(Continued from page 187)

Capital Issues

PUBLIC appeals for new capital this week are limited to the issue of 500,000 4 per cent. £1 preference shares of *Scottish Power Company* at par. The new shares rank *pari passu* with the existing 6 per cent. and 4 per cent. issues, and although the issue price little advantage in relation to the market price of the existing 4 per cent. issue, the attraction of a sound electricity preference issue free of stamp evidently assisted the over-subscription on Thursday. An offer of conversion, in dual form, has been made to *Hambleden Estates* 6 per cent. debenture holders to exchange their stock (which is due for repayment in October next year) into £60 4½ per cent. "A" debenture stock and £40 4½ per cent. "B" debenture stock for every £100 6 per cent. stock now held.

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
October 22	500,000	...	500,000
To the Public	1,883,125	1,855,447	1,517,750
To Shareholders	259,875	...	1,741,162
By S.E. Introduction	782,067	...	2,755,272
By Permission to Deal	50,000	...	50,000
Sav. Certs., week ended Oct. 15	...	...	...

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	246,252,302	224,505,892
1937 (New Basis)	469,724,209	420,478,046
1938 (Old Basis)	177,121,743	156,355,428
1937 (Old Basis)	268,071,371	221,907,687

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K. Countries	Foreign
1938 (New Basis)	170,806,047	50,849,668	2,850,177
1937 (New Basis)	359,342,232	57,877,455	3,258,359
1938 (Old Basis)	130,913,375	22,621,981	2,820,072
1937 (Old Basis)	203,697,009	16,718,178	1,492,500

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	137,116,878	15,958,905	71,430,109
1937 (New Basis)	209,416,307	27,010,875	184,050,864
1938 (Old Basis)	125,591,813	9,752,053	21,011,562
1937 (Old Basis)	151,696,824	16,571,365	53,639,498

NOTE.—"Old Basis" includes only public issues and issues to shareholders only; "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

Scottish Power Company.—Issue of 500,000 4 per cent. cumulative £1 preference shares at par. Rank with existing £2,200,000 6 per cent. and £1,000,000 4 per cent. preference stocks. Owns capitals of operating companies. Supply area, 12,000 sq. miles; installed capacity, 152,000 kw. Combined profits: 1935, £465,035; 1936, £523,141; 1937, £569,631 (before depreciation, etc., of £162,106). 1938, £188,328 and £201,329 respectively to costs when trade activity was normal.

BY

West Surrey
Sale by tender of

cent. preference s. In concluding, he said: "Lipal of this stock will be repaid yielding 4 per cent. per level in any c. Water rental: 1935, £4 years ago and £50,825; 1937, £53,172, such 1000

Torquay and Paignton Gas Company.—Sale by tender of £80,000 4 per cent. redeemable preference stock, redeemable at par 1968, or from 1963 on notice. Minimum price is par.

UNIT TRUST

Keystone Gold Certificates: Fourth Series.—Managers, Gold Producers Fixed Trust, Ltd. Initial portfolio, 16 dividend-paying Rand companies (7 further companies can be included). Life, 10 years. Issue price, 13s. per sub-unit. Service charge, 5 per

cent. (to 3d. up); half-yearly fee, ½ this per cent.

BONUS SHARES

South London Greyhound Racecourses.—It is proposed to increase capital to £180,000 and to issue 400,000 additional deferred shares to present holders in the proportion of one bonus share for five shares held.

Lightalloys, Ltd.—A share bonus is recommended of one new share for every two shares held as at November 1st.

National Omnibus and Transport.—This company is making a free bonus issue of three £1 ordinary shares for every twenty held on November 7, 1938, by capitalising £150,000 ordinary reserve.

THE Government 4 per cent. debenture stock, 1939-1959.—The Lpal of this stock will be repaid in that par on April 15, 1939.

Hambleden Estates, Ltd.—On October 1, 1939, this company will redeem at 110 all the 6 per cent. debenture stock (on March 31, 1938, the amount outstanding was £1,686,770). For this purpose £1,075,000 4½ per cent. "A" debenture stock and £725,000 4½ per cent. "B" debenture stock have been created. For each £100 of first debenture stock-holders are offered in exchange £60 first mortgage "A" debenture stock and £40 first mortgage "B" debenture stock, together with an adjusting interest payment of £1 7s. (less tax). Holders are given until October 31, 1938, to accept.

CURRENT STATISTICS

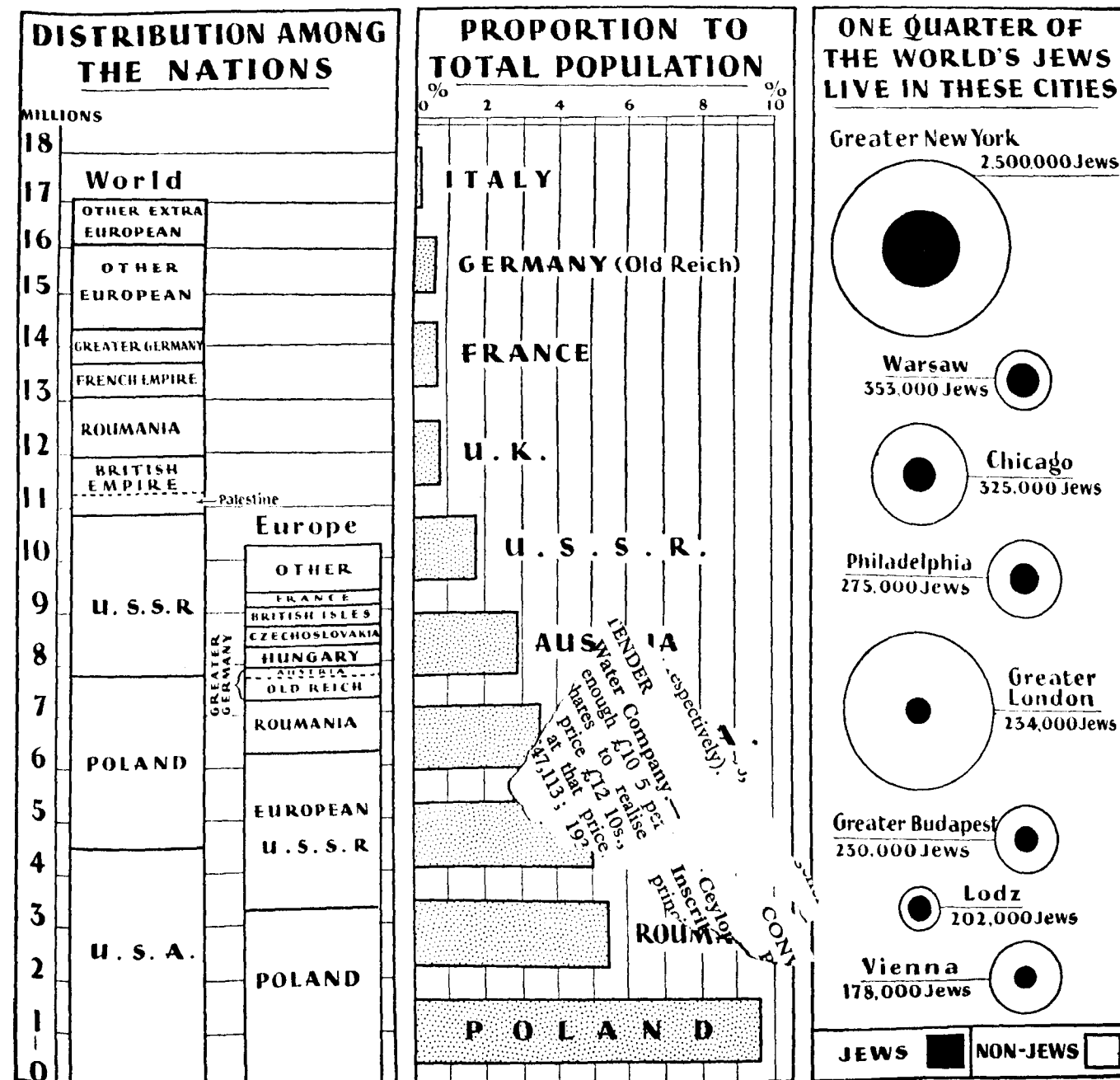
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue

Where are the Jews?

The charts which we present below have been derived from estimates for about 1937, published in the official German bulletin *Wirtschaft und Statistik*, 1938, June, Part II. It is to be emphasised that these figures are based on religion and not on race. In many countries, Great Britain included, no questions are asked in the census as to the religion of the population. Consequently, all statistics of the numbers of Jews in different countries contain a certain margin of error. Those used, however, do not, in most cases, differ substantially from others published in the Jewish Year Book, 1938.



Finance

GOVERNMENT RETURNS

For the week ended October 15, 1938, total ordinary revenue was £16,201,000, against ordinary expenditure of £17,599,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £186,315,000, against a deficit of £116,314,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 15, 1938	April 1, 1937, to Oct. 15, 1938	Week ended Oct. 15, 1938	Week ended Oct. 15, 1938
ORDINARY REVENUE					
Income Tax	341,150	63,576	68,455	2,071	5,382
Sur-tax, etc.	62,000	7,110	8,900	210	190
Duties	88,000	50,130	40,230	1,400	1,270
Stamps	24,000	11,010	10,080	400	310
N.D.C.	20,000	...	7,850	...	600
Other In.	...	...	...	...	...
Rev. Duties	1,250	150	590	...	...
Total I. Rev.	536,400	131,976	136,105	4,081	7,752
Customs	227,950	121,716	122,518	4,584	4,538
Excise	116,150	58,700	59,020	1,900	1,620
Total Cust. and Excise	344,100	180,416	181,538	6,484	6,158
Motor Duties	36,000	9,349	9,166	601	523
P.O. (Net Receipt)	8,670	6,510	5,740	900	1,700
P.O. Fund	2,400	...	630	...	...
Crown Lands Rec. from	1,330	640	...	...	...
Sun. Loans	5,250	3,548	3,962	94	...
Misc. Rec.	10,500	8,261	3,673	367	68
Total Ordinary Revenue	944,650	340,700	340,814	12,527	16,201
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	38,190	39,060	900	...
Total...	1,025,092	378,890	379,874	13,427	16,201

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 15, 1938	April 1, 1937, to Oct. 15, 1938	Week ended Oct. 15, 1938	Week ended Oct. 15, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt. Payments to N. Ireland	230,000	129,827	130,434	4,661	4,111
Other Cons.	8,900	3,673	3,969	...	...
Fund Serv.	5,239	1,886	1,654	...	238
Total...	244,139	135,386	136,057	4,661	4,349
Supply Serv.	7,024,009	321,629	391,071	11,800	13,250
Total Ord. Expend.	9,946,148	457,015	527,128	16,461	17,599
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	38,190	39,060	900	...
Total...	1,026,990	495,205	566,188	17,361	17,599

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £130,617 to £2,838,277, the other operations for the week (as shown below, but excluding £62,000 issued to sinking funds) raised the gross National Debt by £1,591,000 to about £8,331 millions.

WEEK'S CHANGES IN DEBT

Sales in (£ thousands)		Number		Purchase Price	
39 weeks to—					
Oct. 2, 1937	24,116,574	18,087,430			
Oct. 1, 1938	24,200,812	18,150,608			
Week to—					
Oct. 2, 1937	571,992	428,994			
Sept. 24, 1938	465,698	349,273			
Oct. 1, 1938*	484,284	363,213			
NET INCREASES IN DEBT	9,571	7,980			
NET REPAYMENTS, ETC.					
Treasury Bills	9,521	3,550			
Nat. Sav. Certs.	50	4,000			
P.O. & Tel. (Mon.)	400				
N. Atl. Shipping	30				

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to October 15, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	527,128	Ordinary Rev.	310,814
Increase in bal.	474	Eire receipts*	10,000
Eire issues*	3,758	Gross borr.	186,019†
		Less	
		Sinkg. Fds.	5,473
		Net borrowing...	180,546
	531,360		531,360

* Receipts and issues under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.
† After allowing for issues under Eire Act (now shown separately).

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public	Bank of England		
1937						
Oct. 16	595.0	298.6	34.4	...	928.0	333.0
Dec. 31	889.7	39.4	...	...	984.9	...
1938						
July 9	573.0	298.3	43.1	...	914.5	341.4
" 16	568.0	302.3	40.7	...	911.1	343.0
" 23	568.0	304.1	37.2	...	909.4	341.3
" 30	565.0	309.1	46.6	...	920.7	355.7
Aug. 6	560.0	320.1	44.2	...	924.3	364.3
" 13	555.0	303.4	44.1	...	902.5	347.5
" 20	555.0	296.2	41.9	...	893.1	338.1
" 27	555.0	294.0	45.7	...	894.7	339.7
Sept. 3	550.0	316.9	44.1	...	911.0	361.0
" 10	545.0	324.2	46.0	...	915.1	370.2
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3
" 31	526.0	345.5	49.8	...	921.3	395.3
Oct. 8	521.0	379.1	49.3	...	950.4	428.4
" 15	526.0	383.6	45.8	...	955.4	429.0

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

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Oct. 15	50.0	88.1	50.0	10.4	40
Dec. 31	50.0	80.5	50.0	10.11	47
1938					
July 8	45.0	85.2	45.0	10.5	40
" 15	45.0	90.7	45.0	10.5	37
" 22	45.0	88.3	42.0	10.5	32
" 29	40.0	82.4	40.0	10.1	30
Aug. 5	35.0	78.6	35.0	10.1	40
" 12	30.0	76.8	30.0	10.1	30
" 19	35.0	82.2	35.0	10.1	32
" 26	45.0	87.6	40.0	10.1	36
Sept. 2	45.0	76.6	42.0	10.1	37
" 9	45.0	63.1	45.0	10.1	36
" 16	40.0	55.8	37.0	11.1	60
" 23	40.0	58.2	40.0	10.7	66
" 30	45.0	68.8	45.0	12.1	48
Oct. 7	50.0	71.6	50.0	14.3	60
" 14	50.0	72.6	45.0	15.5	69

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On October 14th applications at £99 16s. 1d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 69 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 16s. 2d. per cent. and above were allotted in full. £40.0 millions of Treasury bills are being offered on October 21st.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number		Purchase Price
	39 weeks to—	Week to—	
Oct. 2, 1937	24,116,574	18,087,430	
Oct. 1, 1938	24,200,812	18,150,608	
Week to—			
Oct. 2, 1937	571,992	428,994	
Sept. 24, 1938	465,698	349,273	
Oct. 1, 1938*	484,284	363,213	

* Net Exchequer receipts, 6 days ended Sept. 30, 1938, Dr. £1,050,000. † After adjustments to June 19.

BANK OF ENGLAND RETURNS

OCTOBER 19, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt..	11,015,100
In circ.	486,391,031	Other Govt. Securities..	188,797,357
In Bank De- partment..	40,023,242	Other Secs..	176,676
		Silver Coin..	10,867
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion..	326,414,273
	526,414,273		526,414,273

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs.	104,931,164
Rest	3,120,398	Other Secs., etc.	8,000,235
Public Depts.*	33,762,955	Securities..	23,931,808
Other Depts.	90,927,941		31,932,043
Bankers	35,862,351		40,023,242
Other	126,790,292		1,310,196
	178,226,645		178,226,645

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
Both Departments		Amt. Oct. 19, 1938	Last Week Last Year
COMBINED LIABILITIES			
Deposits: Public	486,391	- 9,991	+ 2,045
Bankers	33,763	+ 5,496	+ 3,988
Others	90,928	- 3,931	+ 1,599
	35,862	- 717	- 389
Total outside liabilities		646,944	- 9,143
Capital and rest	17,673	- 23	- 6
COMBINED ASSETS			
Govt. debt and securities	30,471	- 9,520	+ 5,695
Discounts and advances	8,000	- 1,751	+ 1,512
Other securities	21,108	- 1,998	+ 317
Silver coin in issue dept.	11	Same	- 2
Gold coin and bullion..	327,754	- 44	- 306
RESERVES			
Res. of notes & coin in banking department...	41,363	+ 9,946	- 2,351
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only ("proportion")	25.7%	+ 6.1%	- 2.4%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.7%	+ 0.7%	- 0.6%

COMPARATIVE ANALYSIS

(£ millions)		1937		1938	
		Oct. 20	Sept. 28	Oct. 5	Oct. 12
Issue Dept.: Notes in circ.		484.3	500.9	505.8	496.4
Notes in bank- ing dept.		42.1	25.5	20.6	30.0
Govt. debt and securities ..		199.4	199.4	199.9	199.8
Other secs.		0.6	0.5	0.1	0.3
Gold		326.4	326.4	326.4	326.4
Deposits: Public		29.8	11.5	12.1	28.3
Bankers		89.3	99.9	109.7	94.8
Others		36.3	40.2	37.1	36.6
Total		155.4	151.6	158.9	160.5
Bkg. Dept. Secs.: Government ..		99.6	112.8	121.9	114.5
Discounts, etc.		6.5	7.3	12.2	9.5
Other		23.2	22.8	22.5	21.9
Total		129.3	142.9	154.6	145.9
Banking dept. reserve		43.7	26.9	22.0	31.4
Money at short call— London		3.0	17.7	13.8	19.6
"Proportion" Reserve ratio†		51.3	50.2	49.3	50.0

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £10,867; capital, £14,553,000; rest, £3,120,398.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain, appeared in *The Economist* of May 28th last. The latest return of the Bank of Danzig appeared in *The Economist* of Sept. 24th; Egypt and Lithuania, of October 1st; International Settlements, Estonia, Latvia and India, of October 8th; Argentina, Bulgaria, Denmark, Hungary, Japan, Poland, South Africa and Sweden, of October 15th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS				
RESOURCES				
	Oct. 21,	Sept. 22,	Oct. 13,	Oct. 20,
Gold certifs. on hand and due from Treas.	9,126	10,720	11,020	11,197
Total reserves	9,440	11,112	11,394	11,981
Total cash reserves	304	383	363	374
Total bills discounted	18	8	9	7
Bills bt. in open mkt.	3	1	1	1
Total bills on hand	21	9	10	15
Industrial advances	19	16	16	15
Total U.S. Govt. secs.	2,526	2,564	2,564	2,564
Total bills and secs.	2,567	2,588	2,589	2,586
Total resources	12,835	14,429	14,716	15,002
LIABILITIES				
F.R. notes in actual circulation	4,270	4,201	4,281	4,289
Aggregate of excess mkt. bank res. over reqts.	1,020	2,740	3,050	3,270
Deposits - Member-bank service account	6,939	8,014	8,400	8,693
Govt. deposits	82	917	703	609
Total deposits	7,499	9,272	9,479	9,644
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,835	14,429	14,716	15,002
Ratio of total res. to deposit and F.R. note liability in circulation	80.2%	82.5%	82.8%	83.1%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,793	13,588	13,869	14,008
Treasury and Nat. Bk. currency	2,265	2,735	2,744	2,748
LIABILITIES				
Money in circulation	6,546	6,552	6,667	6,668
Treasury cash and deposits with F.R. Bks.	3,736	3,750	3,515	3,379

BANK CLEARINGS

LONDON

(£ thousands)

	Month of September			Week ended		Aggregate from	
	1917	1938	Change	Oct. 20, 1937	Oct. 19, 1938	Oct. 20, 1937	Oct. 19, 1938
Number of wks. days:	26	26	%	6	6	245	246
Town	2,731,208	2,811,089	+ 2.9	665,056	734,672	29,814,738	27,173,028
Metropolitan	157,067	148,471	- 5.5	41,793	40,259	1,746,547	1,668,735
Country	298,533	275,728	- 7.6	74,595	73,411	3,067,803	2,957,416
Total	3,186,808	3,235,288	+ 1.5	781,444	848,342	34,629,098	31,799,179

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of September			Week ended		Aggregate from	
	1937	1938	Change	Oct. 16, 1937	Oct. 15, 1938	Oct. 16, 1937	Oct. 15, 1938
No. of working days:	26	26	%	6	6	243	244
BIRMINGHAM	9,744	7,817	-19.7	2,220	1,892	107,597	95,394
BRADFORD	3,708	2,687	-22.1	632	804	42,619	32,228
BRISTOL	5,446	5,247	-3.6	1,327	1,200	52,935	51,691
HULL	3,588	3,245	-9.5	887	686	37,576	34,213
LEEDS	3,929	3,540	-9.9	1,112	709	41,760	38,976
LEICESTER	3,113	2,733	-12.2	855	765	31,255	28,692
LIVERPOOL	25,894	20,745	-19.8	6,913	4,674	287,168	213,244
MANCHESTER	43,404	34,405	-20.7	11,128	8,892	454,668	377,325
NEWCASTLE	6,297	5,634	-10.5	1,504	1,303	61,053	61,703
NOTTINGHAM	1,869	1,848	-1.1	509	477	21,256	20,312
SHEFFIELD	4,264	3,802	-10.8	904	926	45,135	44,415
Total: 11 Towns	111,256	91,903	-17.3	27,991	22,328	1,183,022	998,193
DUBLIN	...	...	...	5,579	6,512	239,552	261,814

† Based on average working day.

‡ 42 calendar weeks.

MONEY RATES

LONDON

	Oct. 13, 1938	Oct. 14, 1938	Oct. 15, 1938	Oct. 17, 1938	Oct. 18, 1938	Oct. 19, 1938	Oct. 20, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' b/nk's. drafts	5½	5½	5½	5½	5½	5½	5½
3 months' do.	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
4 months' do.	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
6 months' do.	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
D. discount Treasury Bills							
2 months'	9½-10	9½-10	9½-10	9½-10	9½-10	9½-10	9½-10
3 months'	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwncs.: Bk.	12	12	12	12	12	12	12
D. discount houses at call	12	12	12	12	12	12	12
A: notice	54	54	54	54	54	54	54

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%	%
Sept. 22...	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
" 29...	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
Oct. 6...	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
" 13...	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12
" 20...	12-1	11½-12	11½-12	11½-12	11½-12	11½-12	11½-12

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—							
	Oct. 20, 1937	Sept. 21, 1938	Sept. 28, 1938	Oct. 5, 1938	Oct. 12, 1938	Oct. 19, 1938	Oct. 19, 1938
Call money	1	1	1	1	1	1	1
Time money (90 days' mixed coll.)	1	1	1	1	1	1	1
Bank acceptances—	114	114	114	114	114	114	114
Members—eligible, 90 days	12	12	12	12	12	12	12
Non-mem.—eligible, 90 days	12	12	12	12	12	12	12
Commercial accept., 90 days	1	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Oct. 14, 1938	Oct. 15, 1938	Oct. 17, 1938	Oct. 18, 1938	Oct. 19, 1938	Oct. 20, 1938
New York, \$...	4.862½	4.721½	4.731½	4.731½	4.741½	4.761½	4.751½
Montreal, \$...	4.862½	4.781½	4.791½	4.791½	4.811½	4.831½	4.801½
Paris, Fr. ...	121.21	178½	178½	178½	178½	178½	178½
Brussels, Bel...	35.00a	27.97	28.00	28.02	28.06	28.15	28.11-29
Milan, L. ...	92.46	89½-90½	89½-90½	89½-90½	89½-90½	89½-90½	89½-90½
Zurich, Fr. ...	25.22½	20.89-94	20.91-94	20.91-94	20.93-97	20.96	20.93
Athens, Dr. ...	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.68½	8.69-71	8.70	8.72	8.75-78	8.73
Berlin, Mk. ...	20.43	11.78-84	11.80-84	11.80-87	11.83-88	11.87-92	11.85-92
Registered Marks	(c)	51½-59½	55-60	55-59	55½-60½	55-60	55-60
Br. India Rup.	†18d.	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Hong Kong, \$	†	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$...	†	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½
Rio, Mil. ...	†5.899d.	18.94	18.95	18.95	18.98	19.00	18.98
B. Aires, \$...	11.45	19.01g	19.01g	19.05g	19.06g	19.06g	19.06g
Valparaiso, \$...	40	16.12h	16.12h	16.12h	16.12h	16.12h	16.12h
Montevideo, \$	†51d.	121e (f)	121e (f)	121e (f)	121e (f)	121e (f)	121e (f)
Lima, Sol. ...	17.38	22½-23½	22½-23½	22½-23½	22½-23½	22½-23½	22½-23½
Mexico, Pes. ...	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes. ...	†24.66d.	25-25½	25-25½	25-25½	25-25½	25-25½	25-25½
Moscow, Rbls.	...	25-07	25-09½	25-09½	25-18½	25-26½	25-28½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.253½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (b) Per cent. discount. (c) Latest "export" rate. (d) Official rate is 8½ sellers. (e) Average remittance rate for importers. (f) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (g) Nominal. (h) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Oct. 14, 1938	Oct. 19, 1938	Oct. 20, 1938
Helsingfors, M. ...	193.23	226½-227	226½-227	226½-227
Madrid, Pt. ...	25.22½	100-200 (f)	100-200 (f)	100-200 (f)
Lisbon, Esc. ...	110	109½-110½	109½-110½	109½-110½
Budapest, Pen. ...	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc. ...	184½	137-139	137-139	137-139
Danzig, Gul. ...	25.00	25-25½	25-25½	25-25½
Warsaw, Zl. ...	48.38	25-25½	25-25½	25-25½
Riga, Lat. ...	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei	813.8	650-670	650-670	650-670
Constantinople, Pst. ...	110	59½	59½	59½
Belgrade, Din. ...	276.32	206-216	207-217	207-217
Kyovo, Lit. ...	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev. ...	673.66	380-410	380-410	380-410
Tallinn, E. Kr. ...	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr. ...	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr. ...	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr. ...	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst. ...	97½	97½-98	97½-98	97½-98
Kobe, Yen ...	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, P. ...	†28d.	27½-28½	27½-28½	27½-28½
Batavia, P. ...	12.11	8.7-10	8.7-10	8.7-10
Bangkok, Baht	†21.82d.	22½-23½	22½-23½	22½-23½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197.10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England: (f) Under Anglo-Spanish Agreement. (b) Under Anglo-Turkish Agreement. (d) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Oct. 14, 1938	Oct. 15, 1938	Oct. 17, 1938	Oct. 18, 1938	Oct. 19, 1938	Oct. 20, 1938
New York, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	13½-11½	13½-11½	13½-11½	13½-11½	13½-11½	13½-11½
2 "	11½-11½	11½-11½	11½-11½	11½-11½	11½-11½	11½-11½
3 "	11½-11½	11½-11½	11½-11½	11½-11½	11½-11½	11½-11½
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1-11½	1-11½	1-11½	1-11½	1-11½	1-11½
2 "	2½-3½	2½-3½	2½-3½	2½-3½	2½-3½	2½-3½
3 "	4½-4½	4½-4½	4½-4½	4½-4½	4½-4½	4½-4½
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	2-1	2-1	2-1	2-1	2-1	2-1
2 "	3½-2½	3½-2½	3½-2½	3½-2½	3½-2½	3½-2½
3 "	4½-3½	4½-3½	4½-3½	4½-3½	4½-3½	4½-3½
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	4-6	4-6	4-6	4-6	4-6	4-6
2 "	14-16	13-17	13-17	13-17	13-17	13-17
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	3-2	3-2	3-2	3-2	3-2	3-2
2 "	7-5	7-5	7-5	7-5	7-5	7-5
3 "	12-10	13-11	13-11	13-11	13-11	13-11

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Oct. 13, 1938	Oct. 14, 1938	Oct. 15, 1938	Oct. 17, 1938	Oct. 18, 1938	Oct. 19, 1938
London:—	Old Par						
60 days ...	4.8666	4.722½	4.722½	4.722½	4.741½	4.751½	4.771½
Cables ...	New Par	4.731½	4.731½	4.731½	4.741½	4.751½	4.771½
Demand ...	8.2397	4.731½	4.731½	4.731½	4.741½	4.751½	4.771½
Paris, Fr. ...	6.63	2.64½	2.64½	2.64½	2.65½	2.66½	2.67½
Brussels, Bel.	23.53	16.91	16.91	16.91	16.91	16.91	16.91
Amst'dm, Fl.	32.67	22.65	22.65	22.65	22.65	22.65	22.65
Italy, Lira	8.91	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mk. ...	40.33	40.07	40.07	40.07	40.07	40.07	40.09
Vienna, Sch.	23.82	...	...	...	...	...	...
Madrid, Pt. ...	32.67	...	...	...	...	...	...
Amst'dm Gldr	68.06	54.43½	54.43	54.43½	54.43½	54.44	54.43½
Cap'n, Kr. ...	21.13	21.14	21.14	21.14	21.19	21.24	21.35
Oslo, Kr. ...	23.79	23.80	23.80	23.80	23.86	23.91	24.03
Stockh. Kr. ...	24.39	24.40	24.40	24.40	24.46	24.51	24.63
Athens, Dr. ...	1.29	0.87	0.87	0.87	0.87½	0.87½	0.87½
M'treal, Can. \$	169.31	98.680	98.590	98.500	98.000	98.750	99.060
Y'ghama, Yen	84.40	27.67	27.67	27.65	27.68	27.74	27.85
Shanghai, \$		16.05	16.00	16.00	16.00	16.05	16.10
B. Aires, Peso		29.35	29.36	29.36	29.44	29.52	29.66
Rio, M's. †	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Oct. 16 (£'000)					Aggregate Gross Receipts 41 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Goods	Total	Passenger	Merchandise	Coal & Coke	Goods	Total
L. M. & S.—										
1937	487	563	263	826	1,313	21,914	20,235	10,387	30,622	52,536
1938	465	446	266	712	1,111	21,926	18,420	10,160	28,580	50,506
L. & N. E. (a)—										
1937	307	363	271	634	941	14,272	13,863	10,090	23,953	38,225
1938	319	329	261	590	909	14,190	12,886	9,592	22,478	36,668
Great Western—										
1937	199	221	117	338	517	9,288	8,192	4,554	12,746	22,034
1938	200	201	118	319	519	9,222	7,592	4,376	11,968	21,190
Southern—										
1937	287	71	31	102	389	13,780	2,600	1,244	3,844	17,624
1938	291	65	35	100	391	13,734	2,490	1,233	3,723	17,457
Total—										
1937	1,280	1,218	682	1,900	3,180	59,254	44,890	26,275	71,165	130,419
1938	1,275	1,041	680	1,721	2,996	59,072	41,388	25,361	66,749	125,821

(a) Week ended Oct. 15.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,250	- 919	- 526	- 62
Weekly Figures				
Av. weekly decrease, 2nd half 1938, latest week compared with 1937	- 83.33	- 61.26	- 35.06	- 4.13
Latest week compared with average 1927-30	- 136	- 32	- 18	+ 2
Latest week compared with average 1927-30	- 236	- 127	- 49	- 19

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Oct. 14 (£'000)			Aggregate Gross Receipts 41 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.8	0.5	2.3	110.5	20.0	130.5
1938	1.8	0.4	2.2	106.8	17.9	124.7
Great Northern—						
1937	10.1	10.2	20.3	470.8	389.7	860.5
1938	10.9	11.4	22.3	467.2	368.5	835.7
Great Southern—						
1937	31.3	48.2	79.5	1,547.5	1,675.4	3,222.9
1938	32.2	49.3	81.5	1,550.7	1,632.8	3,183.5

SUEZ CANAL RECEIPTS

(For headings, see Overseas Traffic table.)

Transit Receipts†	1938	1937	1936
Oct. 10	277,800	8,800	7,513,700
† 10 days.			979,400

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Bengal & N. Western	26 Sept. 30	Rs. 9,23,762	+ 34,139	Rs. 1,83,63,448	- 9,80,995
Bengal-Nagpur	26 Sept. 30	Rs. 25,83,000	+ 1,19,993	Rs. 4,53,58,489	- 5,66,820
Bombay, Bar. & C.I.	27 Oct. 10	Rs. 30,15,000	+ 12,000	Rs. 5,97,85,000	- 11,01,000
Madras & S. Mah.	26 Sept. 30	Rs. 17,67,000	+ 9,159	Rs. 3,67,03,143	+ 15,35,448
S. Indian	26 Sept. 30	Rs. 16,79,000	+ 10,865	Rs. 2,80,87,091	- 41,846

CANADIAN

Company	Weeks Ending	1938	1937
Canadian National	41 Oct. 14	\$ 4,285,704	\$ 272,554
Canadian Pacific	41 Oct. 14	\$ 3,769,000	\$ 513,000

SOUTH & CENTRAL AMERICAN

Company	Weeks Ending	1938	1937
Antofagasta	41 Oct. 16	\$ 12,200	\$ 810
Argentine N.E.	15 Oct. 15	\$ 156,900	\$ 5,700
B.A. and Pacific	15 Oct. 15	\$ 1,156,000	\$ 187,000
B.A. Central	14 Oct. 14	\$ 1,712,000	\$ 11,601
B.A. Gr. Southern	15 Oct. 15	\$ 1,156,000	\$ 4,900
B.A. Western	15 Oct. 15	\$ 1,156,000	\$ 4,900
Central Argentine	15 Oct. 15	\$ 1,156,000	\$ 4,900
Central Uruguayan	14 Oct. 14	\$ 1,156,000	\$ 4,900
Leopoldina	41 Oct. 15	\$ 1,156,000	\$ 4,900
Mexican Railway	41 Oct. 15	\$ 1,156,000	\$ 4,900
Nitrate	41 Oct. 15	\$ 1,156,000	\$ 4,900
United of Havana	15 Oct. 15	\$ 1,156,000	\$ 4,900

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

LONDON TRANSPORT BOARD

Week ending Oct. 15, 1938, before pooling	Receipts	Compared with prev. Year
Total, 16 weeks to date	£ 580,500	+ £ 6,400
L.P.T.B. receipts, 52 weeks to June 25, 1938	9,015,600	+ 40,000
L.P.T.B. receipts, 52 weeks to June 26, 1937	29,388,200	+ 657,100
L.P.T.B. receipts, year to June, 1937, after pooling	28,732,000	+ 255,000
London Transport Pool receipts, year to June 30, 1937	30,247,378	+ 522,655
	41,377,929	+ 771,590

AMERICAN RAILROADS

Company	Month of August, 1938	Compared with August, 1937	8 Months 1938	Compared with 8 Months, 1937
Baltimore and Ohio	\$ 11,512,000	- 2,901,000	\$ 84,449,000	- 32,396,000
New York Central	\$ 1,637,000	- 721,000	\$ 6,001,000	- 12,054,000
Pennsylvania	\$ 25,075,000	- 5,173,000	\$ 186,909,000	- 60,892,000
Railroad	\$ 2,308,000	- 901,000	\$ 9,001,000	- 25,602,000
Southern Pacific	\$ 30,620,000	- 9,008,000	\$ 227,602,000	- 86,493,000
Union Pacific	\$ 18,215,000	- 1,051,000	\$ 128,158,000	- 20,967,000
	\$ 2,645,000	+ 1,010,000	\$ 4,295,000	+ 23,135,000
	\$ 15,108,000	+ 133,000	\$ 90,289,000	- 13,862,000
	\$ 2,659,000	+ 240,000	\$ 8,396,000	+ 1,590,000

† Net operating income. (a) Not reported. (b) Seven months, 1938, compared with seven months, 1937.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year
BANKS				
Bank of Montreal	\$2ps	...	Dec. 1	\$2ps
Hambros Bank	8*	...	Oct. 29	8*
Do. "A" Shares	3*	...	Oct. 29	3*
Nat. Bk. of Australasia	6* pa	...	...	6* pa
Royal Bank of Canada	2†	...	Dec. 1	2†
INSURANCE				
Commercial Union	20*	...	Nov. 8	20*
Economic Insurance	12½*	...	Nov. 1	12½*
London & Lancashire	25*	...	Nov. 1	25*
Northern Assurance	35*	...	Nov. 3	35*
TEA & RUBBER				
Anglo-Sumatra Rbr.	(a) 4†	7½	...	10
Broom's Rubber	(a) 4†	7½	...	15
Bukit Lintang Rbr.	2½†	7½	...	15
Central Sumatra Rbr.	7½	...	...	10
Cen. Prov. Ceylon Tea	12	...	...	12
Glen Muir Estates	3	...	Nov. 17	10
Glen Rubber	2½	...	Nov. 8	Nil
Indian Rubber	3-12	...	Nov. 3	Nil
Kintyre Tea	7½†	11½	Nov. 5	15
Langeng Rubber	7½	...	...	16
Rubana Rubber	4	...	...	7
Singapore United Rbr.	5	...	...	12½
Tai Aye Rubber	6	...	...	7½
INDUSTRIALS				
Alexandria Water	4*	...	Oct. 15	4*
Amal, Ltd.	10	...	Nov. 4	15
Bristol Brewery (Georges)	12½†	18	Nov. 21	18
Bristol Untd. Bwrs.	13½†	18½	...	18½
Burco	15†	22½	Nov. 3	20
Carrier Engineering	25*	...	Oct. 26	...
Carter (B. and F.)	...	6½	...	...
Cerebos	10*	...	...	10*
City of Lon. Real Pty.	2*	...	Dec. 12	2*
City & W. End Ppts.	4*	...	...	4*
Clan Line	2*	...	Nov. 11	5*
Clarendon Property	2†	4	Oct. 28	5
Clerical Invest. Tst.	2½†	5	Nov. 21	5
Clydesdale Investmt.	4†	6	Nov. 10	6
C.N.A. Investmt.	...	6½	...	6½
Col. & Gen. Inv. Tst.	3*	...	Oct. 28	3*
Consolidated Trust	...	3*	Nov. 21	3*
Cornhill Tst. Bank and Insurance	1-7438d	...	...	...
Crabtree Elect.	12½†	17½	...	17½
Deb. Securities Invest.	3½†	...	Oct. 31	3½†
Dick (W. B.) Hldgs.	4*	...	Nov. 8	4*
East. Counties Omnib.	3*	...	Nov. 1	Nil*
Easterns, Ltd.	4†	...	...	4†
Ensign Lamps	15†	25	...	15
Evos	4†	7½	...	7½
Fison, Packard, etc.	7½†	10	Oct. 31	10
Gallagher, Ltd.	(a) 7½†	...	Nov. 3	9
Gen. Scottish Trust	2*	...	Nov. 1	7½*
Hall and Company	5*	...	Oct. 31	5*
Hall (L.) Edmonton	7½*	...	Nov. 4	7½*
Henlys	440	...	...	50
Industrial & Gen. Tst.	...	...	Nov. 1	4*
Investment Trust Cpn.	5*	...	Nov. 5	5*
Kemp Town Brewery	8†	14	Nov. 5	14
Lightalloys	22½†	35	...	35
Liverpool, etc. S't'mship	5†	10	...	10
Lloyds Retailers	5†	10	...	10
McKellar (John) C.	1½*	5	...	5½
National Investment	...	2½	Nov. 21	1½*
Phoenix Fertilisers	...	2½	...	Nil
Pressed Steel	(a) 10*	...	Nov. 7	14*
Rayne (H. and M.)	10†	15	...	17½
Scottish Mgt. & Tst.	3½*	...	Oct. 31	3½*
Sec. Scot. Mgt. Tst.	(a) 3½†	(a) 5½	...	5½
Sec. Inv. Mgt. Sec'y.	2†	10	...	10
Sec. Merc. Trust	1*	...	Nov. 7	2*
Second Guardian Tst.	4½*	...	...	Nil*
Stevenson (Hugh) P't.	...	6½	...	12½
Sun Cycle	...	6½	...	16
Tecalemit	...	a 18	...	16
Third Caled. Trust	...	1	...	30
Trinidad Leaseholds	a 17½†	a 27½	...	20
Viking Whaling	10†	15	Dec. 3	10
Viking Tanker	5†	10	Dec. 3	20

* Free of income tax. (a) Paid on a larger capital. (d) Also capital bonus of 5 per cent.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation			Balance Forward	Corresponding Period Last Year	
					Dividend	Carried to Reserve, Deprecia-tion, etc.	Balance Forward		Net Profit	Divi-dend
					Prefce. Amount	Ordinary Amount Rate				
Breweries										
Backus and Johnston's	June 30	£ 6,691	£ 7,277	£ 13,968	£ ...	£ 7,700 % 7	£ 6,268	£ 10,931	£ 7	Nil
Massey's Burnley Brewery...	Sept. 30	20,526	34,034	54,560	...	...	33,176	21,384	21,329	Nil
Financial Land, etc.										
Argentine Land & Investmt.	June 30	41,397	24,729	66,126	...	20,538 4	1,000	44,588	26,244	4
British Emp. Land Mortgage	Sept. 30	1,431	1,742	3,173	...	1,630 4	...	1,543	1,412	3
Clarendon Property	July 31	11,153	23,371	34,524	14,157	8,850 4	...	11,517	24,979	5
Delagoa Bay Development...	June 30	19,722	28,040	47,762	5,189	5,348 4†	19,116	18,109	31,872	4†
Finance and Industrial Trust	June 30	981	7,314	8,295	2,235	...	5,000	1,060	8,321	5
International Financial Soc.	Sept. 30	...	8,845	8,845	13,125	...	Dr. 4,280	...	13,638	Nil
Iron, Coal and Steel										
Thompson Brothers (Bilston)	July 31	14,956	22,948	37,904	624	9,745 15	20,000	7,535	(a)	(a)
Wombwell Foundry, etc.	July 31	4,272	10,130	14,402	...	4,713 10	5,020	4,669	(a)	(a)
Motor, Cycle & Aviation										
Atkinson-Oates Motors	June 30	114,910	215,357	330,267	24,000	175,038 40	16,345	114,884	435,012	60
Birmingham Small Arms	July 31	204,761	460,296	665,057	22,614	204,100 10	225,719	212,624	427,247	Nil
Renold and Coventry Chain	July 3	14,320	330,913	345,233	12,373	82,698 12½	221,250	28,912	305,164	15

Special Statistics

OVERSEAS TRADE RETURNS

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

	IMPORTS (Value C.I.F.)		EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)	
	Month ended September 30	Nine months ended September 30	Month ended September 30	Nine months ended September 30
	1937	1938	1937	1938
I.—Food, Drink and Tobacco—				
A. Grain and Flour	7,113,075	6,031,031	65,448,552	59,023,977
B. Feeding-stuffs for Animals	862,995	1,034,147	8,016,656	8,594,251
C. Animals, Living, for Food	598,628	936,447	4,947,674	6,036,600
D. Meat	6,910,384	7,493,614	63,876,527	68,835,189
E. Dairy Produce	5,894,458	6,719,024	51,927,306	60,893,422
F. Fresh Fruit and Vegetables	2,429,756	2,868,890	28,290,764	29,721,076
G. Beverages and Cocoa Preparations	4,125,960	4,831,237	32,762,147	33,166,414
H. Other Food	4,932,148	4,834,120	38,984,123	38,686,558
I. Tobacco	3,291,317	2,940,207	9,355,043	14,242,602
Total, Class I	36,157,721	37,688,673	303,608,792	319,194,089
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	1,774	988	19,779	10,160
B. Other Non-Metalliferous Mining and Quarry Products and the like...	468,675	364,692	3,891,880	3,576,442
C. Iron Ore and Scrap	1,417,547	462,987	8,893,300	9,643,124
D. Non-Ferrous Metalliferous Ores and Scrap	1,573,545	1,009,254	13,688,036	12,426,774
E. Wood and Timber	7,828,948	4,397,626	43,160,300	30,714,170
F. Raw Cotton and Cotton Waste	2,861,880	1,814,301	34,028,379	22,622,963
G. Wool, Raw and Waste, and Woollen Rags	2,240,947	1,740,178	42,015,534	33,500,978
H. Silk, Raw, Knobs and Noils	269,885	137,652	1,575,806	1,592,751
I. Seeds and Nuts for Oil	530,398	744,821	9,659,329	8,378,367
J. Oils, Fats, Resins and Gums	2,579,491	2,538,420	26,868,648	24,692,821
K. Hides and Skins, Undressed	2,296,088	1,375,765	19,596,299	13,973,660
L. Paper-making Materials	1,367,011	1,108,859	10,790,276	11,914,839
M. Rubber	1,452,656	841,181	9,009,115	9,624,287
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	1,632,156	1,455,220	8,857,081	7,731,172
Total, Class II	26,521,001	17,992,144	232,053,742	190,402,508
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	666	779	88,154	5,831
B. Pottery, Glass, Abrasives, etc.	731,764	605,714	6,028,301	5,508,588
C. Iron and Steel and Manufactures thereof	2,228,388	780,682	11,975,492	12,164,417
D. Non-Ferrous Metals and Manufactures thereof	5,327,785	3,368,232	42,479,952	30,641,996
E. Cutlery, Hardware, Implements and Instruments	646,281	544,477	5,710,878	5,196,528
F. Electrical Goods and Apparatus	383,742	259,239	3,066,334	2,264,154
G. Machinery	2,003,315	1,634,956	18,239,767	16,553,422
H. Manufactures of Wood and Timber	771,453	500,573	6,201,741	4,755,201
I. Cotton Yarns and Manufactures	315,024	253,928	2,490,472	2,319,673
J. Woollen and Worsted Yarns and Manufactures	357,145	368,561	3,210,228	2,830,737
K. Silk Yarns and Manufactures	239,033	200,389	1,953,656	1,632,679
L. Manufactures of other Textile Materials	658,222	678,437	6,010,522	5,507,415
M. Apparel	771,890	683,390	6,361,601	6,386,298
N. Footwear	263,685	271,806	1,949,025	2,207,310
O. Chemicals, Drugs, Dyes and Colours	1,235,037	1,170,142	9,998,408	9,244,282
P. Oils, Fats and Resins, Manufactured	3,659,155	5,597,711	35,122,462	34,007,806
Q. Leather and Manufactures thereof	873,762	582,351	7,663,660	4,793,826
R. Paper, Cardboard, etc.	1,574,516	1,137,187	11,958,733	10,778,018
S. Vehicles (including Locomotives, Ships and Aircraft)	428,262	278,933	4,819,997	3,331,120
T. Rubber Manufactures	59,556	54,676	559,140	595,458
U. Miscellaneous Articles wholly or mainly Manufactured	2,047,204	1,724,336	16,631,481	15,769,559
Total, Class III	24,576,087	18,697,039	202,510,004	176,496,318
IV.—Animals, not for Food...	373,848	276,401	2,256,538	2,541,570
V.—Parcel Post	215,753	246,703	2,106,678	2,475,597
Total	87,844,410	75,000,960	742,565,754	691,110,082

OIL OUTPUTS

Anglo-Iranian Oil Company, Ltd.—Output in Iran for August, 1938, 763,000 tons. Total output for the period January 1 to August 31, 1938, was 6,725,000 tons.

British Controlled Oilfields, Ltd.—Total output for week ended October 15, 1938, 12,122 barrels.

The Dacia Romano Petroleum Syndicate, Ltd.—Gross output, September, 1938, Dacia, 1,462 tons; Perimeter X, 2,882 tons; Starnapha, 331 tons.

Phoenix Oil and Transport Company, Ltd.—The gross production of crude oil of the Phoenix Group for September, 1938, was 50,288 tons.

Tampico Oil, Ltd.—The total production from the company's properties in Mexico during September was 4,565 barrels, in respect of which the royalty due to Tampico Oil, Ltd., was 342 barrels.

Kern Oil Company, Ltd.—The total production during September was 236,071 barrels, or approximately 33,724 tons.

Lobitos Oilfields, Ltd.—Output of the Peruvian company for September, 27,863 tons.

Trinidad Petroleum Development Company, Ltd.—Output for week ended October 15, 1938, 54,890 barrels.

Venezuelan Oil Concessions.—Total output week to October 15, 1938, 1,312,461 barrels.

Mexican Eagle Oil Company.—Claiming to be the owners, this company attached on October 7th about 12,500 tons of gasoline shipped to Havre from Mexico in three tankers. The gasoline is in tankage belonging to the Compagnie Industrielle Maritime, in which London Thames Haven Oil Wharves have a substantial interest.

THE ECONOMIST

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The Need for New Methods

WE are on the threshold of a new and historic session of Parliament in which the course of our history for at least a generation may well be marked out. This week, in preparation, the Cabinet has met; a defence committee of Ministers has been in consultation; and individual members of the Government have conferred with Mr Chamberlain. So far, no steps have been officially announced to establish fresh ways and means of ensuring that the men and materials required for intensified re-armament will be delivered more promptly and efficiently in future months than they have been in the past few years. Lord Stanhope and Lord De La Warr have been given new offices; but the much bruited reports that Mr Chamberlain is at last ready to set up Ministries of Supply and Man-Power remain no more than rumours.

Englishmen by tradition face facts only at the last minute; and the present Government's defence policy has up to now borne the national mark. Self-pledged to the task of making the country secure against all possible perils, committed in many Ministerial speeches to the urgent duty of repairing the grave deficiencies in national defence disclosed by the recent crisis (failings which fatally hampered the policy of Britain as well as of France at Godesberg and Munich), the Prime Minister has not yet given any overt sign that he is ready to depart from the view he expressed last June, namely that there is no need to set up special Ministers and departments to make re-armament really work. It is surely not too optimistic to hope that Mr Chamberlain will reveal to Parliament next week that he has revised this opinion.

Ministers of Supply and Man-Power are identified in many minds, including Mr Chamberlain's, with compulsory service imposed upon citizens by the State. The Prime Minister's repeated resolution to rely upon voluntary service to speed up the output of arms and man the nation's defences is wholly praiseworthy; it exemplifies the determination expected of a Parliamentary leader to lay no needless restrictions upon traditional liberties and freedom of enterprise; and it contrasts brightly with the regimentation which is bone of the bone of totalitarianism. Yet no problem can be solved simply by passing it by. In the words of Lord Halifax,

because we have the conviction that we have something of priceless value to give the world, we need the whole strength of the nation, moral and material, to discharge the responsibilities which seem to have been providentially entrusted to our keeping.

The security of democratic countries like our own against the threat of force is even more important, if a choice has unhappily to be made, than the diurnal details of democratic practice. It has been agreed, and no member of the Cabinet would dissent from this view, that re-armament must now be executed, not only more efficiently than it has been hitherto, but also on a much wider scale. And, whether the services required of the people are voluntary or compulsory, there must be a system of organisation capable of delivering the goods vital for security in the quantity and at the times laid down.

This is not, in the first instance, a choice between opposite ways of political action, between compulsion and

service freely given. Even voluntary co-operation in the production of aircraft and munitions must be organised and proceed according to some precise plan. Indeed, there are good grounds for believing that, at least as long as the demands of defence are not sufficiently extensive to establish a prior lien upon the majority of men and materials available in the nation's economy, the national mobilisation immediately called for can be secured by voluntary agreement. In any case, we must give the voluntary principle the fullest chance to prove that it is compatible with efficient organisation. The one fatal mistake would be to put off the task of efficient organisation because it is associated, perhaps wrongly, in the public mind with compulsion. Organisation we must have—voluntary if possible, compulsory if not. There must be a plan, and it must work. And it is as ineluctably true of nations as of individuals that they who will the end must will the means to that end. If we have made up our mind to re-arm, we must re-arm letting nothing stand in our way, even though it is almost certain that, as the structure of re-armament expands and grows, we shall be unable to avoid some measure of compulsion in its ordering. The nearer we approach a war-time basis, the more do we necessarily discard peace-time practices. But, at the outset, this problem does not acutely arise. The immediate task is to smooth out the frictions which have until now blocked the delivery of airplanes and anti-aircraft artillery, frictions almost entirely organisational, due to faulty methods of designing and contracting, inadequate liaison between Government departments and industry and the absence of any single-minded planning or proper co-ordination between departments and firms. Within the comparatively restricted frame of present or prospective defence programmes this can largely be achieved by co-operation and moral suasion; but it must be effectively planned and organised.

The growing demand for new Ministries is a reflection of the extent to which this need for organisation is felt by the public. Partly, it arises out of criticism of the existing departments concerned with defence. But mainly it comes from the conviction that our present dangers require treatment of a type for which the great permanent departments are fitted neither by temperament nor by personnel. This is particularly true of the case for a Ministry of Supply. Those who have been advocating the creation of such a

Ministry ever since the inception of re-armament have been told by the Government that it would be an unnecessary interference with the normal course of industry. The Government have preferred the alternative course of co-ordinating the activities of the independent Ministries through a Minister with Cabinet rank but without executive powers. It may fairly be said that the system associated with the name of Sir Thomas Inskip has failed. It is precisely because interference with the normal course of the armaments industry is required that a Ministry of Supply has now become a necessity. What was formerly an objection to the proposal has become its very marrow.

It is no insult to the Defence Departments to say that they are not equipped for the mass production of armaments. They are staffed by officers, by civil servants and by technical experts; the one character who never penetrates their portals is the business organiser or the big industrialist. They are hampered at every turn by Treasury control. This mechanism cannot compete with the totalitarian domination of industry in Germany. Sir Kingsley Wood has recently announced that 20,000 to 80,000 man-hours of work are now required to produce an airplane. This figure in itself is a conclusive condemnation of the present system. Germany is believed to be turning out 600 machines a month, and she is certainly not devoting 48, or even 12, million man-hours to the job. Doubtless our methods of production turn out excellent machines; the Russians in 1916 made shells that were engineering masterpieces. But they lost the war because their shells were too good and too few, and we shall lose the peace if our aircraft are too good and too few. One of the most urgent tasks before the Government is drastically to reduce the number of man-hours per airplane, per gun, per shell turned out. It is not a task for which the officer, the designer, the civil servant has any qualifications. It is a task for the industrial manager. He must be enlisted, as he was in the war, in a special Ministry, led by a human dynamo, and equipped with the legal powers necessary to organise the production of arms as the biggest mass production industry the world has ever known. It is in the nature of things that the Prime Minister will be told by the entire existing machine of government that such drastic steps are not necessary. It will be a disaster if the Foreign Office is the only Department whose conventions he has the strength of mind to disturb.

American Horoscope

1. The President and the Electors

ON November 8th, "the Tuesday after the first Monday in November," the biennial General Election takes place in the United States. This is what is known, in American political parlance, as an "off-year," which is to say that the Presidency is not immediately at stake. But one-third of the Senate and the whole House of Representatives have to be elected and many of the individual States are also choosing executive officials and legislators. Many of these local contests are not without interest even to the foreign observer. In New York, for instance, the contest for the Governorship is one of personalities between the incumbent, Mr Lehman, and Mr Dewey, the young District Attorney who is leading the current attack on corruption in New York City. In California, the fight turns on Ham and Eggs, the appealing title given to their movement by the latest band of Utopians, whose actual panacea is the familiar one of lavish old-age pensions.

But these State contests, even when multiplied by forty-eight, are subordinate in interest to the Congressional elections. And they, off-year or not, are of interest mainly because of the light they shed on the prospects of a change in the tenancy of the White House. It is generally conceded both that the present Democratic majority in the House of Representatives will be reduced and also that it will remain a majority. In the Senate, only one-third of which has to face re-election, the continuance of a Democratic majority is a matter of mathematical certainty. The next Congress, like the last three, will be in the control of the party to which the President also belongs. A General Election without any prospect of a change in political complexion might seem to be a dull affair. But in fact, the votes to be cast on Tuesday week are the opening shots in the Presidential campaign of 1940.

The off-year election in the middle of his second term is

a peculiarly dangerous milestone for any President. Normally a President is rigidly limited to eight years. With only two more years to go, he ceases, unless he has a very attractive personality, to interest the electors as much as the competitors for the succession, while the professional politicians begin to wonder which band-wagon they should climb aboard, and begin to realise that his band-wagon is the only one in evidence that can safely be deserted. In addition, the President (whether in his first term or his second) faces the possibility of having a hostile Congress returned and being left in the exasperating position of bearing the responsibility for the government of the country without the power to execute his policies. It is one of the peculiarities of the American Constitution that many Presidents are in power for two years less than they are in office.

This, however, is an unusual off-year, because the United States has an unusual President. To an astonishing degree Mr Roosevelt still dominates the scene. In the electoral sense he is the only giant in a race of pygmies, and though his name will not appear on any ballot paper, he is the candidate for almost every office. Even the efforts of the Republicans to recover from their disastrous routs of 1932, 1934 and 1936 derive interest chiefly from his reflection, for the question that will be asked of every successfully elected Governor or Senator is whether he is a big enough man to succeed Mr Roosevelt. The Republicans will gain some Congressional seats. In the summer, they seemed to have a good chance of recapturing a substantial block. Since then, however, recovery has returned; the elector is not much concerned with the question discussed in the succeeding article, whether the recovery will last. It is a fact, and a Democratic fact.

Mr Roosevelt is doubtless sorry that he is not facing re-election. There is every indication that his personal popularity stands as high as ever it did. The combined effect of recovery and of his forceful and tactful intervention in the international crisis has been to increase his popularity in the recurrent tests of the "straw ballots" by some 4 per cent. But the American elector has a confusing ability to distinguish between a man and his policies, a perverse delight in liking both the President and his opponents. Mr Roosevelt's recent attempt to "purge" his party of its Conservative Senators was a complete failure. The net effect has not even been to frighten his opponents within the

Democratic Party; they return to Congress reinforced. A Democratic Congress may, therefore, be anything but a Roosevelt Congress. On the contrary, it is likely that the coalition between the Republicans and the so-called Conservative Democrats will command a majority. If so, Mr Roosevelt will be almost as impotent as Wilson after 1918 or Mr Hoover after 1930. Were he himself standing for election, he might hope by his own success to acquire enough prestige to dominate Congress. As it is, he will be told that the popular vote is against his policies.

The bearing of these considerations on 1940 is becoming both interesting and intriguing. To become President of the United States a man must be both nominated by his party and elected by the people. Mr Roosevelt is doubtless hoping to choose his own successor and push him both to nomination and to election. But his power to do so is becoming doubtful. The personnel of the Party Convention is made up of machine politicians from all over the country. Normally, a President in office has no difficulty in securing a convention favourable to himself. But the President wields his patronage weapon through the agency of the Postmaster-General, and the present incumbent of that office, Mr Farley, is both an extraordinarily able machine politician and believed to be out of sympathy with many of the President's policies. An attempt by Mr Roosevelt to force an extreme New Dealer on his party might lead to a break with Mr Farley—and the machine might follow Mr Farley. Even if a New Dealer could be nominated, there might be Conservative defections from the Democratic ranks, and none of the New Dealers, save one, has the popular following to compensate for such losses. That one is Mr. Roosevelt himself. He may find himself, two years hence, in the position of choosing between a third candidature for himself and the defeat of all his Liberal ideas, not at the election, but in the Democratic convention. Against such a course stands the traditional dislike of third terms. It is a strong convention, but Mr. Roosevelt is an unconventional President who is, despite all that his enemies may say, passionately sincere in the advocacy of his Liberal beliefs. The overriding question of American politics between now and 1940 will be whether he will choose this way of giving the New Deal a good chance of survival. The elections to be held on Tuesday week will provide some of the raw material for an answer.

2. Is it Recovery?

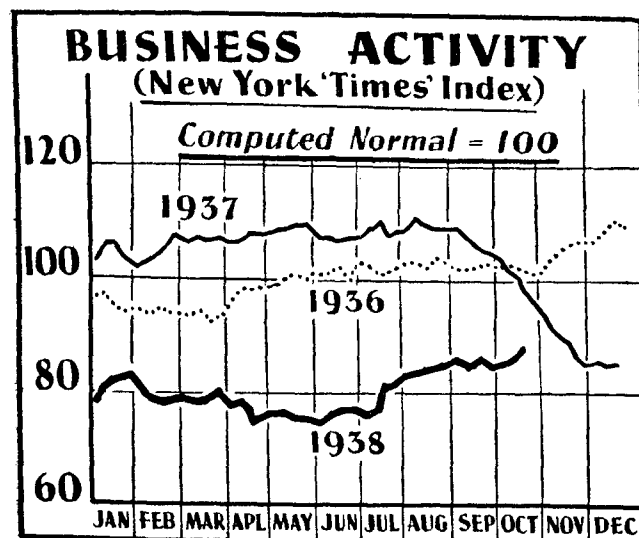
SINCE the last week in June there has been a sharp revival in the industry of the United States, which in the preceding nine months had suffered such an unprecedentedly rapid recession. The herald—some would say the father—of this recovery was the sudden decision of the New York Stock Exchange on June 20th (the start can be determined to the day) that security prices were far too low. For two or three weeks the markets blazed and, as a tribute either to the prevision of the Stock Exchange or to its power of initiative in the American economy, industry followed. Wall Street has had sinking spells since the beginning of August, but the industrial indices have continued their rise. The diplomatic scares of September brought some hesitation, but no more, and it is already apparent that October will be another good month.

The extent of the recovery in industrial activity in comparison with the previous decline can be seen from the movements of the *New York Times* weekly index of business activity plotted in the first of a series of charts printed overleaf. The 1938 curve is still below that of either of the two preceding years; the latest figure of 87.6 in the week of October 15th compares with 100.2 in the corresponding week of 1937 and 102.3 in 1936. But the index

has recovered about one-third of its fall from the highest point in August, 1937, to the lowest point in June, 1938.

On the surface, then, the American recovery of 1938 looks very impressive. At least, it deserves closer analysis. This is the task that is attempted in this article. The method pursued has the merit of logic; for we shall first inquire what causes have been plausibly assigned for last year's sudden recession and shall then try to determine how far they have ceased to have effect.

As with every business recession, the slump of 1937-38 had as its most prominent phenomenon a collapse of the industries producing durable goods for capital construction. This can be seen from the second chart, which shows, in the form of index numbers, the employment provided by the durable and non-durable goods industries. It is obvious from this chart that no cure for the depression will have a chance of success unless it can increase the activity of the capital industries. It does not, however, necessarily follow that the originating cause of the depression must be found in the capital industries. Close inspection of the two curves will show that the non-durable (i.e. consumption) goods industries were actually the first both to stop increasing and to turn downwards. It may well be that

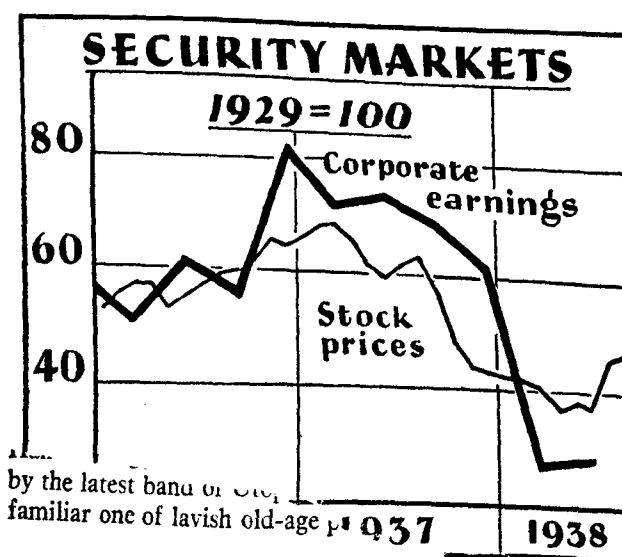
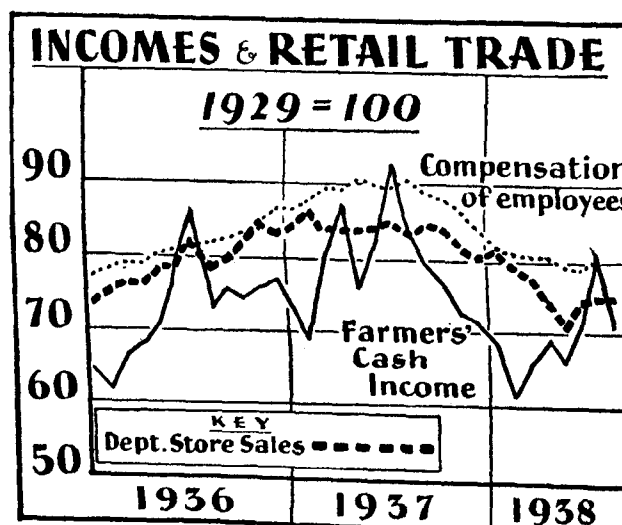
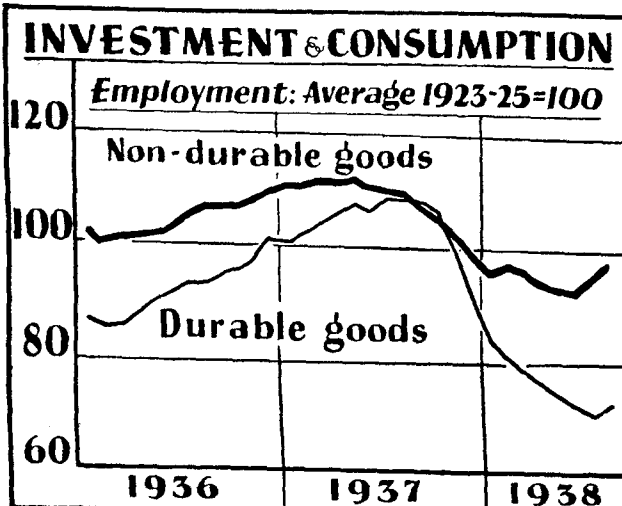


the first impetus to depression came from the side of consumption rather than from that of investment. Production goods, after all, are of use only in so far as they assist in the manufacture of consumption goods, and if the demand for the latter is not rising, there will be fewer orders for new plant, machinery or buildings.

What caused American consumption to fall—or, more accurately, to cease rising—in the early months of 1937? There were several factors which had caused a rapid expansion of purchasing power in 1936 but came to an end with that year. The payment of the veterans' bonus in the second half of the year stimulated spending; but the money was all distributed by the end of the year. Moreover, even apart from the bonus, the net deficit of the Government was shrinking rapidly in the early months of 1937, and by the middle of the year the total receipts of the Treasury, if the old age and unemployment trust funds are included, were in excess of its expenditure. Thirdly, the undistributed profits tax had led to a considerable increase in dividend disbursements in the autumn of 1936, and though dividend payments did not fall in early 1937, they did not show a comparable increase. From April onwards, falling security prices were a further discouragement to spending. Thus for a variety of reasons the income of the consumer stopped rising and began to decline.

There is thus no lack of explanations for a certain faltering in consumption at the crucial period, which may well have touched off a decline in orders for capital goods. But once such a decline started, a different set of factors came in to reinforce it. The efforts that the Federal Reserve Board had been making ever since the previous summer to absorb some of the surplus supplies of credit bore fruit at precisely the wrong psychological moment. The two final instalments of the increase in the reserves that were required to be kept by member banks of the Federal Reserve system came into effect in March and May, and the immediate effect—as can be seen from the fifth chart—was to put down the price of bonds and thus impede the raising of capital by this means. At the same time, wage-rates were rising, assisted by aggressive trade union action, and construction costs were raised so considerably as to choke off some of the demand for construction goods that might otherwise have appeared. From April onwards, however, the prices of industrial raw materials began to fall. A large part of the activity of late 1936 and early 1937 had been due to the increase in stocks of materials and goods by all sorts of manufacturers and traders. With the change in the trend of prices, this tendency ceased and the well-known paradox appeared: whereas rising prices had induced an increased demand, falling prices led to a reduced demand, since everybody was now anxious to reduce his inventories.

We must now examine what has happened to these various elements which, in combination, produced the depression of 1937. The third chart presents some facts about the cash incomes of the two largest sections of the people—wage-earners and farmers—and shows the course of retail trade. The curve entitled "employees' compensation" is taken from the new monthly statistics of national income published by the Department of Commerce. It shows that, while the fall has been steep, it has been arrested in the last few months and the curve is now beginning to move upwards again—and its direction is, in some respects, more important than its level. The cash income of the farming community is also on the upward grade, and department store sales, in consequence, have been rising since May. The consumers' purchasing power, in short, is lower than it was a year ago. But it is rising, and therefore exerting a favourable influence on business in general. Moreover, the Federal Government is making great efforts to spend money, and though the monthly deficit is not yet very much larger than the inflow of Social Security funds, some assistance to the total of cash incomes



by the latest band of old-age
familiar one of lavish old-age

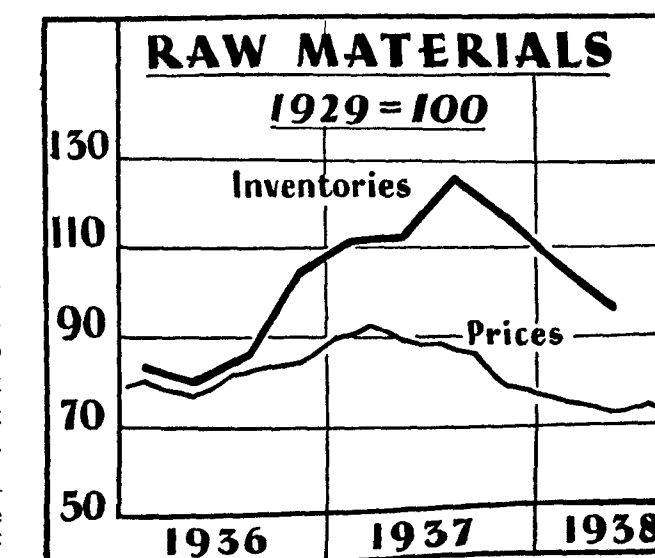
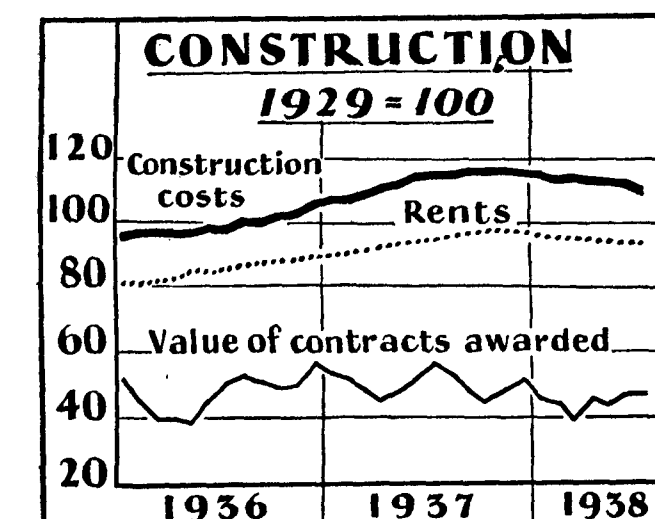
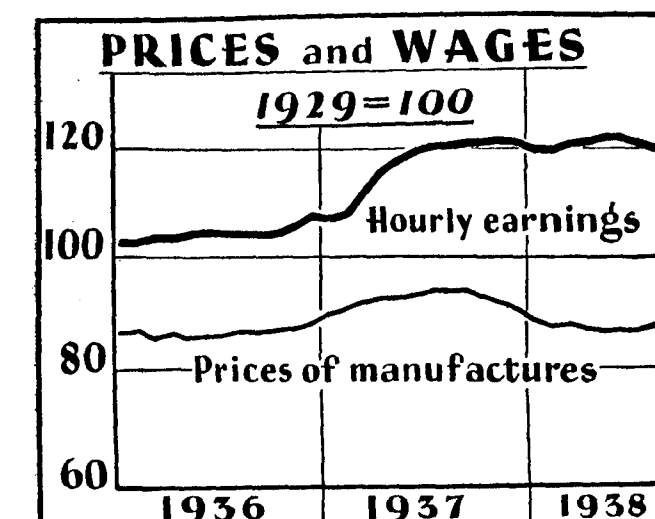
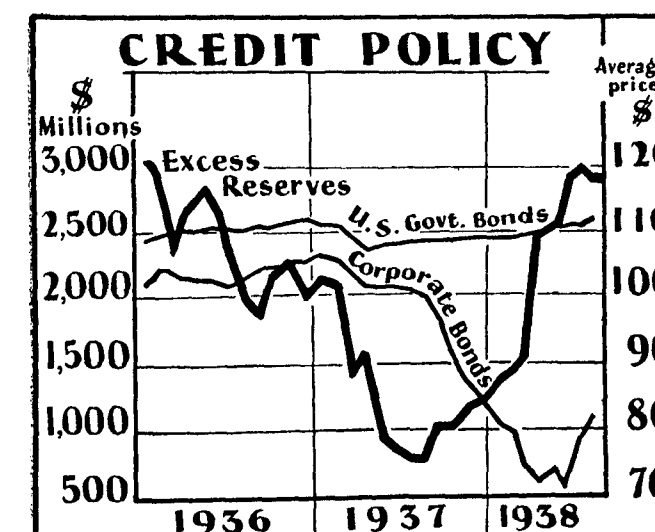
can be expected from this source. As for the classes of society who are interested neither in wages nor in relief payments, security prices are now rising again. This has a double effect on spending, both directly through its psychological effect and indirectly through its promise of increased dividends to come.

On the side of consumption, then, progress is being made, and those who control the consumption goods industries should soon be increasing the orders for new equipment they give to the capital goods industries. Meanwhile, some of the depressing influences on the investment of capital have been removed. The excess reserves of the member banks have been restored, not merely to what they were before the "mopping-up" process started in August, 1936, but to much more, and undisturbed monetary ease prevails once more. On the other hand, labour costs, as shown in the sixth chart, are still very high relatively to profits, with the result that the margin of profit to attract capital investment is still small. The new Wages and Hours Act may not have much immediate effect in forcing further increases in labour costs, but it will certainly not reduce them. Labour policy provides ample reason for caution in assessing the prospects of capital expansion.

The seventh chart shows the relationship between costs and rewards in the building industry. Here again, though there is no decided favourable change, there is equally no deterioration. The third curve shows the total of construction contracts awarded; it is a total figure, and contracts for purely residential building have recently been rising in a definitely encouraging fashion. Finally, the last chart presents some data on a subject which is always difficult to reduce to mathematical form. The curve of inventories relates to the figures appearing, quarter by quarter, on the balance sheets of fifty large companies.* Stocks of commodities, if this test is sound, had been considerably reduced by the summer, and are probably lower now. The renewed upward trend of commodity prices will arrest the eagerness to reduce inventories and consequently assist demand.

This statistical analysis results in conclusions that are undoubtedly encouraging. But caution is suggested by the fact that, although nearly every series is now moving in the right direction, all are starting upwards again from a very low level. In 1938, as in 1937, or in any other year, the continuance of recovery depends entirely upon the maintenance of a firm demand for the products of the capital goods industries. That, in turn, depends upon an increasing volume of consumption, an ample supply of money available for investment in industry and confidence in the continued profitability of industry. Under all three heads, the present position is encouraging. But any one of the three could easily be disturbed by reckless policies. If the Wages and Hours Act is administered in such a way as radically to raise the costs of production throughout industry, as happened in 1933 and again (though to a minor extent) in 1936-37, the result might well be to diminish the effective purchasing power of the people and lead to another decline in consumption. Credit policy, after the surprising experience of 1937, has now set its face, perhaps too firmly, towards expansion of the monetary circulation, and industrial expansion is unlikely to experience any interference from this direction. It is alleged in Wall Street that the third factor, "confidence," is an absolute function of the ideas that circulate in the White House. This view is undoubtedly exaggerated; politics, in America, depends upon economics far more than economics on politics. But so firmly is the view held that it must be taken into account as a reality. As the previous article suggests, Mr Roosevelt is likely to find his freedom of action smaller in the re-

* Credit for these figures belongs to Mr D. C. Elliott of the Reconstruction Finance Corporation and the Cleveland Trust Company.



maining two years of his term than at any other time in his Presidency. Opinions will differ about the long-term implications of that fact. In the short term, however, it will unquestionably lighten the spirits of the American investor, and assist the activity of the investment industries.

The events of the last twelve months have shown the capacity of the American economy for sudden and very

drastic fluctuations. They have also shown the extreme difficulty of determining, in retrospect, which are the most significant factors to isolate for observation. Every allowance must, therefore, be made for accidents. But with this formidable battery of qualifications it may be guessed that the present upward trend of American business will continue at least through the winter.

City Pleasures

THE Pioneer Health Centre at Peckham, whose work in the field of medicine has caused a flutter in the dovecotes of doctors and sociologists in recent years, is run in the belief that prevention is better than cure. By making periodic overhauls of whole families the Peckham practitioners arrest minor maladies and prevent major illnesses. By disclosing and dealing with ailments commonly treated as trivial they avert the onset of important disorders. Now the Centre's latest report reveals that its pioneers have gone still further in their analysis of family ills. "Far too often (they say) when sickness is cured, there remains *devitalisation* based neither on poverty nor on physical malnutrition. We have found evidence that it is in some way related to social malnutrition."

What do the Peckham scientists mean by "social malnutrition"? In brief, it is their view that people need from society not only wages, but companionship and a chance to take part in communal activities. Nor are their needs met by leisure pursuits as we know them: "a nation seeking health cannot leave that to football promoters, dog racers and the brewers." Accordingly, the Centre adds a host of social entertainments to its work of doctoring—as a necessary part of that work.

At first sight it might seem otiose for a clinic in London to provide amusements for its patients. In London the facilities for entertainment to be found nowadays in every town are multiplied to the *n*th degree. Eighteen months ago an article in *The Economist's* London Supplement described the spare-time pursuits open to Londoners and drew a rich and varied picture of the multi-sided gaiety always associated with the life of great capital cities. London is all things to all pleasure-seekers.

The report issued this week by the London Passenger Transport Board limns the same attractive portrait of the metropolis. One-third of each year's total traffic, or 1,250,000,000 passenger journeys annually, the Board compute, is made up by persons bent on recreation or pleasure. And these happy travellers spread themselves widely over the whole gamut of what London has to offer. London's population is less than ten millions; but forty million attendances are recorded at cinemas and theatres in the West End alone every year, and more than six times as many visit cinemas and theatres in the suburbs. Nine millions go annually to cricket, tennis, boxing and football matches, fifteen millions to racecourses or greyhound tracks, and as many as thirteen millions to museums and art galleries, the Zoo and Whipsnade, Hampton Court, the Tower, Madame Tussauds and the Imperial Institute. The Cup Final, the Derby, the Boat Race and the Lord Mayor's Show, and divers famous exhibitions, shows and fairs attract not far short of ten millions more. And even the aggregate of these impressive figures (each visit or attendance counts as a double journey) accounts for barely half the 1,250,000,000 passenger journeys recorded annually as recreational by the Transport Board—who not only carry London's citizens and visitors, but tell them where to go; by cultured and compelling posters; and in persuasive pamphlets, now initiating tyros into the city's serious pleasures, now teaching them how to look at buildings. For the rest, there is shopping—London's lodestone to the

suburbs and the world outside—skating, dancing, playing a whole host of games, visiting friends, week-ending and making holiday. And there is always, and almost everywhere, as Karl Baedeker discovered a century ago, the public-house.

To the Londoner with time to spare and money to spend, therefore, the city would seem to be indeed his oyster. The New Survey of London estimated that the average free time available to Londoners had increased 15 per cent. in forty years; and it is well known that, in spite of the scandalously long hours still worked in some shops and offices, recognised weekly hours of labour have fallen by between four and seven hours in most occupations since before the war. Most sections of the population have some six hours' leisure daily, including meal-times, and many have much more. In spite of this increase in leisure, real wages have risen in our generation, and the application of invention to transport and entertainment has created a new world for the enjoyment of leisure.

Yet the Peckham pioneers are not alone in the doubts they throw upon the real worth of all this pleasurable activity. A recent book on the pressing problem of leisure,* for instance, was largely written with the intention of demonstrating that existing facilities for recreation, entertainment and culture by no means meet the real requirements of city dwellers. Neither the nature of their work nor their living conditions, the author argues, with more than a little justification, provide the outlets they need; and contemporary amusements, for the most part, do not fill the gap.

There is a good deal in this sobering opinion. Some industrial psychologists tell us that ninety per cent. of people are engaged in work below their capacities. "Work has lost its thrill as a means to wealth and position," while most people's environment outside working hours scarcely helps them to make the best use of their spare time. Long hours spent in travelling to and from work sap energy and waste time; scope for the formation of social groups with common interests is seriously restricted by the conditions of city life; and, indeed, as Mr Durant points out, one of the most important and depressing characteristics of city dwellers is a sense of isolation, a feeling of being "lost in a crowd."

People so placed come willy-nilly to rely for their leisure upon "entertainment on tap," upon agencies of social intercourse provided ready made, upon the standardised romance and excitements of cinemas and race-tracks, upon the machinery of the great amusements industry. London's diversions may be widely diversified; but the pleasures of a great majority of Londoners are bounded by the pictures, the dogs, the pools and Saturday's football match. Indeed, the position is much the same all over the country, for four-fifths of the population live in towns and half of them in big cities. In the space of a single year the cinemas and football clubs take in admission money some £100 millions, or as much as is spent from rates and taxes on all kinds of public education; and the annual turnover of the gambling industry is close upon five times as much.

* "The Problem of Leisure." By H. W. Durant. Routledge. 276 pages. 10s. 6d.

Nor is this rush to standardised amusements surprising. For one thing, this is a mechanical age, a period of publicity and standardisation. For another, the man who has only a small part of a slender income available for recreation after he has paid for food and clothing and shelter must rely upon standardised, mass-produced and, therefore, relatively cheap methods of enjoyment. Highly organised urban transport systems provide him with cheap travel; the vast cinema industry offers him cheap seats; the pools and the dogs supply him with comparatively inexpensive thrills. On the other hand, the critics of the way in which the ordinary townsman is forced to spend his time do exaggerate the evils they want to see removed. After all, just to take one example, the visits recorded every year to museums and art galleries, historical places and zoological gardens run into very many millions, and trips like these scarcely come into the category of soulless and mechanical pleasure. As we have seen, most of the pleasure journeys made in London in a year are certainly not made simply in search of "amusement on tap"; townsfolk have to rely on mechanical ways of getting about, but there is a good deal of quiet companionship in the circle of families and friends, which finds no place in statistical charge-sheets. It is true that, as Sir William Beveridge once put it, work is a means of making money, while leisure is a method of spending it: in that far, the poor man must rely upon cheap pleasures that may be sometimes nasty.

It is true, too, that people who live in big towns, rich or poor, have very little choice in deciding what to do with their spare time: they are hemmed in by miles upon miles of houses; they live at one end of a tube or bus route and work at the other. But they are not yet in sight of becoming mere robots.

After all, civilisation as we know it means town life. The trouble is that many of our towns are too big; and many of our citizens are too poor. At bottom, this problem of leisure is a problem for the town-planner, for those who site industry, for architects, economists and politicians, for the Royal Commission on the Geographical Distribution of the Industrial Population, but scarcely for the moralist. The pleasures of to-day reflect the towns of to-day; and if, as the Oxford Dictionary contends, leisure means simply "freedom or opportunity to do something," then just as we need new roads for safer traffic and new houses for better health, so we need new towns for the freer use of time to spare. They are quite right at Peckham; prevention is better, and should be easier, than cure; we need to overhaul our towns as thoroughly and as purposefully as they do their families. The enormity of London and its lesser bloated brothers is to blame for the "social malnutrition" and sapping loneliness that they are seeking to remedy down Peckham way by adding concerts and cafés to their clinics and the Lambeth Walk to their list of prescriptions. Meanwhile, we play as best we can.

Japan Pays for War

THE past week has been the most successful, in a military sense, for Japan since the "China incident" began fifteen months ago. Both Canton and Hankow have been evacuated by the Chinese and handed over to the invaders. The first major phase of Japan's war on China is clearly at an end. It remains to be seen whether the Japanese will prove correct in their hope that the national unity of China will now crumble. But whether China makes terms or not, the large-scale military operations between the two national armies are probably now over. Japan's task is to digest what she has swallowed. The enormous devastations wrought by the "scorched earth" policy, the ubiquity of guerrillas and the passive resistance of the Chinese people will undoubtedly make the process of digestion very long and expensive. It will be a very long time before Japan's new Chinese Empire will pay its own way. The economic strain on Japan will continue.

The cost of Japan's continental policy has been high in recent years, as the following figures show:—

	1931-2	1936-7	1937-8	1938-9
Government expenditure (million yen)	1,477	2,272	5,463	8,400
Of which borrowings: mill. yen	120	680	3,393	5,800
War expenditure per cent. of total	31	46	73	81
Outstanding Govt. bonds, end December (mill. yen) ..	4,525	9,072	10,585	12,422†
* Budget estimate. † End June.				

Since the "incident" began its cost in budget and supplementary estimates stands at 7,400 million yen, and the outstanding total of government bonds is now about the same as the whole national income—a formidable total for a nation whose finance-capital is still proportionately small.

The cost of the war, it will be seen, is being met very largely by borrowing, which, on the Budget estimate, will amount to over 9,000 million yen in the two years ended March, 1939. Borrowing at such a rapid rate as this inevitably gives an inflationary twist to the economic system, and there have been manifold signs of inflation in Japan in recent months. The note circulation of the Bank of Japan, for example, has increased much more rapidly since the

summer of 1937 than previously. In the single year to the end of August, 1938, the increase was from 1,660 million yen to 3,071 million yen—an increase of 25 per cent. in a year. The deposits of the clearing banks increased in the twelve months ended July, 1938, by almost 20 per cent.

In order to restrain the growth of inflation, a lengthening list of controls has been developed to ensure that economic and financial resources are used to the minimum extent to satisfy consumers' needs, and to the maximum extent for the desired expansion of war industries, or for army supplies. Companies may not expand their capital without licence, supplies of consumers' goods are restricted, many prices are controlled, and every effort is made to force savings and divert them to the Government's needs. There is no satisfactory index of production which would show the changing structure of Japan's economy, since official figures for some of the heavy industries are no longer published. A new index compiled by the *Oriental Economist* (average 1931-33=100) puts consumers' goods production at 137 in April, 1937, and down to 119.7 in May, 1938. In the same interval the production of producers' goods grew from 194 to 221. It is probable that this index under-estimates the extent to which resources are being diverted to the needs of war. In any case, the combined index for all production stood virtually no higher in the summer of 1938 than a year earlier, while the same period's index of Business Activity fell from 118.3 in July, 1937, to 107.9 in June, 1938.

The great increase in the monetary means of payment has thus been unaccompanied by any corresponding increase in the volume of goods to be sold—the classical definition of inflation. Accordingly, prices have risen. There had been a steep rise in Japanese wholesale prices in the autumn of 1936; but this was intensified after the outbreak of war. The *Oriental Economist* index of Tokyo wholesale prices shows a 30 per cent. increase in the year to July, 1938; changes in some of the component series were: cereals, 13 per cent.; other foods, 12 per cent.; textiles, 60 per cent.; metals, 80 per cent. Some metals are at scarcity prices; lead trebled in price in the

past twelve months, and tin jumped from 483.75 yen per 100 kg. in July, 1937, to 1,200 yen this last July. Relatively to world prices, Japanese prices have risen by over 50 per cent. in a year.

Retail prices and the cost of living have not risen as rapidly as wholesale prices. The increase, nevertheless, has been considerable. The Bank of Japan's indices show a rise in the year to July, 1938, of 16 per cent. for the cost of living as a whole, of 6 per cent. for food, 24 per cent. for fuel and light and 31 per cent. for clothing. The Japanese worker is clearly having to pay much more for his necessities. Moreover, he has gained very little in cash income. There has been a slight increase—of the order of 5 per cent.—in average earnings, but this is due more to increased employment in the more highly-paid heavy industries than to increases in wage-rates. There has also been some reduction in unemployment. But hours of work, under the drive of patriotic necessity, are longer, and the real income of the workers is considerably lower. The Japanese people are paying very heavily in their own standard of living for the heavy expenses of ambitious militarism.

The effects of the war are most noticeable in Japan's foreign trade:—

	Imports (In million yen)	Exports	Balance
1936—1st half	1,578	1,263	— 315
2nd half	1,350	1,535	+ 185
Total	2,928	2,798	— 130
1937—1st half	2,238	1,598	— 641
2nd half	1,708	1,710	+ 2
Total	3,954	3,318	— 636
1938—1st half	1,479	1,284	— 196

It will be noticed that the adverse balance in the first half of 1938 was less than in 1937, which was a difficult year for Japan's balance of trade. During the first six months there were heavy imports of raw materials, particularly cotton, and of military materials. But the adverse balance has been reduced in 1938 only at the cost of a drastic shrinkage in all Japanese foreign trade. Exports have been reduced by 20 per cent, and imports by 34 per cent., in spite of the steep rise in prices. Japan has imposed a semi-blockade on herself. Moreover, the improvement in the balance was not quite as marked as indicated by the above table, from the point of view of the influence on the foreign exchanges. For this purpose one should exclude the trade with China and Manchukuo, which is handled in yen. The import balance, excluding these countries, was 747 million yen in the first half of 1937, reduced to 390 millions in the first half of 1938.

The decline in Japanese exports can be partly ascribed to the recession in world trade; but the concentration of Japanese industry on war and—latterly—the difficulty of procuring raw materials, have also played a big part. Some of the biggest falls are in exports to those Asiatic countries with low standards of living where Japan has hitherto had the greatest advantage. Thus exports to India (in the seven months January to July) fell from 147 million yen in 1937 to 93 million yen in 1938, to the Dutch East Indies from 136 million yen to 51 million yen, and to Malaya from 48 million yen to 12 million yen. Analysed by commodities, there has been very little fall in raw silk exports, but all manufactured products show steep declines. In the most important—cotton piece-goods—the decline was slow in showing itself. Thus exports in the seven months to July were only 18 per cent. lower than in 1937; but July exports were little more than half those of July, 1937, and that this was no isolated month is shown by the fact that imports of raw cotton in the seven months were cut from 238 to 75 million lb., and raw material imports as a whole from 1,497 to 752 million yen. Once stocks are used up, the problem of the exporting industries will get worse.

Thus the very drastic limitation of imports, with the aim of supporting the yen and facilitating the purchase of war supplies, is wreaking its own revenge. Naturally, drastic control is exercised over the use of foreign exchange for anything but military purposes. Long schedules have been published of permitted and forbidden goods for import, and official approval and permission must be obtained before foreign exchange can be acquired. Control is exercised over foreign assets of Japanese corporations to prevent their use for uncontrolled imports. Raw material imports are in future, according to a recent announcement, to be financed by a revolving fund which is to receive back its advances when the material is exported in manufactured form. Whether the military will be able to keep their hands off this fund for financing imports whose only exportable counterpart is the bombs that are "exported" to China, remains to be seen.

Japan has had to adopt many devices to protect her gold, of which heavy exports have been necessary. The Bank of Japan's reserves were valued at 1,262 million yen in August last, when they were written up to conform with the depreciation of the yen. Of this total, 400 million yen was allocated to an exchange account and a further 300 million yen to the revolving fund for purchasing raw materials mentioned above. There is some reason to suspect that the exchange fund has now exhausted its supply of gold, and the revolving fund may seep away in military purchases. The gold reserves are thus dwindling, and the annual domestic production of about 200 million yen will not be enough to meet the demand. The last line of reserves that could be mobilised in defence of the 1s. 2d. yen consists of Japan's holdings of foreign securities which, though considerable, are not large enough to stand a long-continued drain of the present dimensions.

The picture of Japan's economic position, whose main outlines have been sketched here, is unhappy, but not yet desperate. The strain of the war is imposing severe sacrifices on the Japanese people, distorting the economic structure of the country and undermining its international competitive position. But nothing has yet reached cracking point. Another year of war expenses as heavy as the last, however, would greatly intensify the stresses and strains. Inflation would have to be continued and, as is its nature, might well quicken its pace. The exhaustion of raw material stocks will lame the export industries, while any fall in the exchange value of the yen, which may become inevitable, would increase the cost of pursuing the war.

It is thus becoming a matter of urgent necessity for Japan to bring the financial and economic drain of the war to an end. But this may well prove far more difficult for the Japanese army than the capture of Shanghai, Canton and Hankow, and if the economic strain continues, with no relief to the standard of living of the Japanese worker, without the comforting glory of conquests, but merely with the hard work of "pacification," even the patient Japanese worker and peasant may begin to object.

Perhaps as much concern must be exercised in Japan over the post-war prospects as over the present costs. All her past wars have been turned to her economic benefit; after the wars, indemnities from the victim were augmented by heavy foreign loans and investments in Japan, and industry boomed. After this war, Japan will have the serious problem of shifting the drive from military to peace-time purposes, unaided by any indemnity from China, or by any loans from Europe or America.

These calculations are very present to all the wiser heads in Japan. If Japanese policy were decided by reason, they would lead to an immediate peace with China on such terms as could be secured by negotiation. But the Japanese generals have shown before that they have no patience with economics. They may yet prove strong enough to ruin their country.

Topics of the Week

We were not Ready.—It must have been with very deep feeling that Sir Kingsley Wood declared on Monday that the discovery of a means to combat bombing aircraft would be of incalculable benefit to mankind. Only a few weeks ago we in this country were wide open to aerial attack in the hour of danger; the Air Ministry had failed to furnish sufficient airplanes; the War Office had failed to provide the anti-aircraft equipment required; the Home Office had failed to make and execute adequate schemes for air-raid precautions. We know now, as day after day brings new confessions of wholesale failure from all quarters, what our real peril was in the dying days of September. We are inclined perhaps to exaggerate our failings in the enthusiasm of self-rebuke, but a list of the gaps and deficiencies disclosed would be one of the most staggering indictments ever published. At least, it would be, if the Cabinet were prepared to be as frank as Mr Eady, permanent head of the A.R.P. department of the Home Office, was in a speech on Wednesday. He told his audience of officers of the fighting services that we had hardly begun to prepare when the crisis came—despite years of discussions and promises—and, even now, we scarcely knew what to do to be better placed next time. On the one hand, Mr Eady said, the Home Office's own instructions to local authorities might be called "probably the sloppiest regulations ever produced by any Government department"; on the other, the recruits required for voluntary air-raid work had not come forward. The industrial workpeople had offered their services with reasonable willingness; the so-called "governing classes" had very largely stood aloof. In rural and suburban areas some householders were surprisingly fastidious about billeting working-class children—though many local schemes were admittedly ill-considered; and the panic purchases of foodstuffs in the West End and Central London which sent up retail food sales by 25 per cent. in September were scarcely more creditable to the populace than the lamentable lack of leadership shown by Government departments. A.R.P. needs a comprehensive plan for all places; a competent central department; a general staff of efficient experts; trained and able local and regional superintendent officers; and a full complement of trained local workers. The local authorities who are now bombarding the Home Office with unanswerable rebukes must be essential parts of the pattern; but full and sufficient orders must come from above.

Evacuation Plans.—Last May a Parliamentary Committee under the chairmanship of Sir John Anderson was appointed by the Home Secretary to consider the problem of transferring persons from areas likely to be exposed

to continuous air attack in time of war. The Committee's report was signed on July 26th, and the Government had already considered its proposals when the crisis burst upon the country in September. Publication of the report was postponed, but the Committee's recommendations, made public in a Blue Book on Thursday last, were clearly the genesis of the hasty instructions for evacuation and billeting sent to local authorities by the Home Office at the eleventh hour of emergency—though the confusion which then prevailed in several places cannot be taken as any test of the Committee's plans since the arrangements were so hastily improvised. Broadly, the Committee concluded that evacuation from densely populated areas might be a decisive issue in any future war; and the country could not be fully prepared against attack until the necessary organisation had been set up. On the other hand, wholesale evacuation is, in the Committee's view, neither practicable nor desirable, since industrial production must be maintained at a high rate in time of war; and measures for the active and passive protection of towns remain the first line of civil defence. The chief areas listed for evacuation in the report are London and Middlesex; Newcastle and Gateshead; Leeds, Bradford, Sheffield and Hull; Liverpool, Manchester, Bootle and Salford; Birmingham; Edinburgh, Glasgow and Dundee. A map shows the various zones in which persons from these areas would be billeted, Wales and Shropshire being reserved for further transfers in case of congestion. Compulsory powers for billeting in private houses are recommended (with the not very generous overcrowding standards of the Slum Clearance Acts), though evacuation is to be voluntary. An attached memorandum by the Home Secretary approves the principles laid down by the Committee, and accepts the view that the initial costs of evacuation should be borne by the Government. The course of events during the crisis lends special point to the emphasis laid by both the report and the memorandum upon the need for thorough, detailed and forehanded planning for evacuation, transport, billeting, feeding and welfare services. The Committee have done a good job of work, but it ought scarcely to have taken two years for the Government to find itself in agreement with its many earnest and sincere critics who urged the need for evacuation plans long ago.

The President and Palestine.—The rally in the military situation in Palestine which set in towards the end of last week has since been confirmed. The reoccupation of the walled city of Jerusalem has been completed; and although the greater part of the countryside is still in a state of utter insecurity and turmoil, the din of the physical conflict has for the moment sensibly diminished.

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Politically, the Mandatory Power is between the devil and the deep sea. If we persist in trying to execute our mandate, even on a minimum interpretation of its scope, it is to be feared that the Palestinian Arabs now in arms will have the support of all their fellow Arabs from Baghdad to Fez—and the Arab world to-day, like the Hungarians and the Ukrainians, feels strong in virtue of having secured the potent patronage of the Berlin-Rome axis. On the other hand, this country is not free simply to shape its policy in Palestine in accordance with its own necessities. Bonds of contract, of honour and of interest bind us, in respect of Palestine, to the League, to Jewry, and to the United States. This week the British member of the Permanent Mandate Commission has asked his colleagues for a ruling as to whether it is permissible, under the Mandate, for the Mandatory to restrict Jewish immigration. The Board of Deputies of British Jews has come out in support of the Jewish Agency for Palestine in declaring its opposition to any policy which may envisage either artificial restrictions upon Jewish immigration into Palestine or the relegation of the Jews in Palestine to the status of a minority. But the gravest of this week's pronouncements on Palestine came from the President of the United States.

President Roosevelt has made his views known in an interview with a United States senator. According to Senator R. F. Wagner, the President is prepared to take "a more than formal action" to safeguard the Jewish National Home in Palestine and to prevent any restriction of Jewish immigration. "I believe," added the Senator, "we are so situated that we can make our protests to the British Government effective." To another correspondent the President writes that "we have kept constantly before the British Government through our Ambassador in London the interest which the American people have in Palestine, and I have every reason to believe that that Government is fully cognisant of public opinion in this country." We do indeed know how disastrous it may be for any European Power which desires friendship with the United States to be—rightly or wrongly, reasonably or unreasonably—in Jewry's black book. We have only to see how the Nazis' anti-Semitism has made Germany odious to-day in America's sight. The American factor has been a vital consideration in British policy towards Zionism from first to last. At the beginning of the last war, Jewry was inclined to be anti-Ally because it was anti-Russian. After the great Russian retreat in 1915, the German General Staff took a party of American Jewish journalists round the newly occupied territories to show them what the departing Russian troops had done to the Jewry of the Pale. Great Britain had, somehow or other, to steal Germany's philo-Semitic thunder; and therefore, as soon as the Czar's veto on Jewish immigration into Palestine had fallen with the Czar himself, the Balfour Declaration was launched. A queer tale, which has not yet reached its end. The British Government must obviously walk very warily in the next steps of their policy for Palestine.

Central Europe and Italy.—The small province of Ruthenia, newly granted self-government, has frontiers with four other nations: the Czechoslovaks, Poles, Roumanians, and Hungarians. These four are engaged in more or less open diplomatic exchanges on what each of them severally thinks should be done with Ruthenia, from which it appears that the Poles and Hungarians are together in demanding secession to Hungary as a means of giving them a common frontier, and that the Roumanians and Czechoslovaks are together in supporting Ruthenian autonomy within the Czechoslovak State. The Roumanian attitude was made clear by King Carol's rejection of Colonel Beck's proposals made at Galatz last week. If that were the whole of the matter, commonsense would anticipate a repetition on Poland's part of her Teschen tactics with Hungary marching in from the south as bands of Hungarian extremists have already attempted to do. But behind the four immediate protagonists stand Italy and Germany, and although in

this matter they are ranged on different sides the public integrity of the Axis may on no account be endangered. Accordingly, there is a chance of peaceful negotiation on a far fairer basis than was the case in the Sudetenland. A slight fracture in the Axis which appeared when Italian support—openly avowed in Italian newspapers—for Colonel Beck's Roumanian visit was falsified in the event, will now be further strained if Germany and Italy agree to arbitrate, as they have been requested, in Czechoslovak-Hungarian differences. It is a rather piquant situation; for although it is unthinkable that Herr Hitler and Signor Mussolini do not know well enough what is in each other's mind, in the case of Ruthenia they seem to have engaged, at far remove and buffered by smaller protagonists, in a concealed test of strength. It may be Herr Hitler who looks like winning in Central Europe, yet he chooses this not very opportune moment to send his Foreign Minister hot-foot to Rome. Herr von Ribbentrop went to discuss the matter of arbitration on Hungarian claims—or, in other words, to define German wishes: but he went at a moment when Italy was concluding successful negotiations with Great Britain and a new French Ambassador was taking up residence in Rome. The French Government is eager to reach an understanding with both partners of the Axis: is it inconceivable that Herr von Ribbentrop, after making sure that the southern end of the Axis, though denied decisive influence in Central Europe, is not weakening, also discussed what terms the partners shall concert for France?

Decision in China?—Canton and Hankow have fallen to the Japanese. By Saturday the leading columns of troops landed the week before in Bias Bay had made a rapid thrust inland and taken command of a Canton deserted by the Kwangtung armies, lit by the flames of great fires, and packed with thousands of refugees in fearful plight. Four days later the same fate had overtaken Hankow; and so the Japanese are now in virtual control of all China east of a line drawn between Peiping and Canton. They control the seaboard from Tientsin to the Straits of Hainan: through their hands must pass all who wish to enter China by any other route but the long trails from Yunnan into Burma and French Indo-China, and from Lanchow and Hami into the U.S.S.R. Beyond the gorges of the Yangtse the Government is slowly reforming itself at Chungking, while its armies under their indefatigable Marshal have withdrawn south-westwards to cover the provinces of Szechuan, Yunnan, Kweichow and Hunan which, apart from Shensi and Kansu in the north, are all that remain to be defended. Although cut off from supplies from the sea, they must maintain themselves as best they can; in this they will be fortified by desperation, for their backs are hard against the wall, and the knowledge that with each retreating step their chance of victory or even of self-preservation only weakens. The invaders thus reach a decisive stage in their campaign. At this point they can afford not to press the immediate advantage, but instead consolidate their positions along the Peiping-Hankow-Canton railway, the most vital man-made artery in China, and consider what shall be their next move. They may decide to advance up the Yangtse to Ichang and try to detach Chiang Kai-shek from Chungking, or to carry the war into the south-west; but in any case, they can afford to ignore neither Chiang Kai-shek nor the guerrilla activities of the Eight Route Army and its like in the north. The war enters a new phase; but it is not over.

French Senatorial Elections.—Elections were held in France last Sunday for that third of the Senate which, under the French Constitution, automatically retires every three years. This time, as usual, the changes are not sensational; but, such as they are, they seem to show that the Radical-Socialists are somewhat out of favour with their previous supporters, and this on account of their having co-operated in the Popular Front. The Tranche Democratique, the Senatorial party which corresponds more or less to the Radical-Socialist party in the Chamber, though it stands rather farther towards

the Right, has lost eleven seats and, therewith, its previous absolute majority in the Senate. Nine of these seats have been gained by parties to the Right, but the other two have been gained by a Socialist and an Independent Socialist. Will M. Daladier break up the Front Populaire and co-operate with the Right? If that meant merely a breach with the Communists, no doubt he would not hesitate. But can he carry the Socialists with him, even to the extent of mere passive non-opposition? Can the Socialists afford, for their part, to make a complete breach with the Communists, who are their formidable competitors for the allegiance of the French working class? And with the Chamber as at present constituted—and this Chamber has a still unexhausted mandate from the electorate—could any government of the Centre and Right make headway against an active opposition on the part of the Socialists, who, after all, are the largest single party now represented? The only satisfying answer to these questions could be found in a coalition between all the parties from the Socialists to the Right. A government such as this is the obvious salvation for France. Its policy can even be said to be waiting ready-made—a compound of increased financial burdens on the rich, in an effort to balance the Budget, and of the temporary abandonment of restrictive labour practices by the Left, in an effort to restore French productivity. But in France (as, indeed, in England) the number of politicians who preach national unity is greater than the number of those who will make sacrifices to achieve it. Meanwhile, M. Daladier is deferring his use of the special powers granted him by Parliament until he knows more certainly to which section of opinion he must look to provide the main support for his decrees.

Farmers and the State.—It was an impressive-looking list of performances which Mr W. S. Morrison, Minister of Agriculture, advanced last week-end to rebut his critics' accusation that the National Government had neglected agriculture. A guaranteed wheat price, now double the world price; a guaranteed price, too, for bacon pigs; a subsidy for beef and financial aid for milk; tariffs on every important agricultural commodity purchased overseas, including meat, vegetables and fruit; and quantitative regulation of imports of beef and potatoes; to say nothing of the powers given to the Milk Board and the virtual monopoly of the Potato Board; a large amount of legislation for farmers has been passed in the years since the first National Government took office, and a great deal of administrative machinery has been set up. The cost, which in one way or another all comes out of the pockets of the public, either as taxpayers or consumers, has not been inconsiderable. A few months ago the Chancellor of the Exchequer announced that subsidies from public funds for beet sugar, cattle, milk, land fertility measures and oats and barley had added up in seven years to over £47 millions. A note in the latest issue of the Journal of the Royal Statistical Society puts the actual charge to public funds in 1938-39 at £32 millions, and this does not include the other sums which agriculture, with the assistance of the State, is enabled to exact from the consumer. Admittedly it would ill beseem anyone at a time when the principle of doles for industry is part and parcel of national economic policy, and especially when considerations of defence and proper feeding make a healthy and productive farming industry imperative, to deny agriculture's claim to comprehensive assistance. But it is as well that the formidable dimensions of the assistance already provided should be known and admitted.

Farming has been fairly consistently a State pensionary, usually quite an able-bodied one, throughout English history; and, although a plentiful supply of the cheapest possible foodstuffs from all sources, home and abroad, is unquestionably a first requisite for an urbanised industrial island like ours, the present is hardly the time to cut off agriculture's allowance. It should, nevertheless, be laid down as an infrangible principle of policy that pensions paid should be money expended to the best advantage.

The National Farmers' Union are right, for instance, when they contend that the piecemeal policy of the Government does not amount to a comprehensive and economical programme; just as the N.F.U. are wrong when they argue that agriculture is on its last legs through neglect—actually, though its acreage and personnel are declining, its output is markedly on the upgrade. The farmers are probably right again when they point to a policy of guaranteed prices over the whole range of their products as the most desirable method of State aid; but wrong when they suggest that such a programme ought to involve considerably higher prices than now prevail. The danger of guaranteeing prices is that the inefficiencies of vested interests may be protected and perpetuated; and our mal-nourished millions may be faced, as they often are now, with prohibitively expensive foods. Even now, as the Minister of Pensions admitted a few days ago, heralding a new Bill to amend methods of milk distribution, milk prices which are statutorily safeguarded cover defects in distribution which, if in existence in the distribution of tobacco and cigarettes, would cause millions of people to give up smoking as too expensive. Mr Morrison's list of *ad hoc* items do not add up to an effective policy for agriculture; we are admittedly wasting some of our money. As things are, we must take due care of farming in the most efficient and economical way, and it is an integrated price policy, with the widest interests of the whole community always borne in mind, over the entire field which is most urgently needed.

The Rôle of Roads.—Among the gaps disclosed in the nation's defences by the war-which-nearly-came, none was more conspicuous than the incapacity of our highway and transport systems to meet the demands made upon them. It is true that in appreciable measure this was due to the absence of prior arrangements. Mr Burgin himself told the National Liberal Forum a few days ago that he was taken by surprise when, at the peak of the crisis, he was told that the Ministry of Transport would be responsible for making possible the evacuation of city populations, the distribution of food (if possible from Western ports to the exclusion of Eastern ones) and the movement of troops. These duties might reasonably have been detailed and provided for in advance. But, even if Mr Burgin had had a complete scheme fully prepared and co-ordinated, he probably could not have put it into operation. The appalling casualty figures and the congestion always experienced at week-ends and holiday times are sufficient evidence that our roads are inadequate to carry the traffic which uses them, even in peace-time. A recent pamphlet of the British Roads Federation points out that our roads are the most congested in the world; that the

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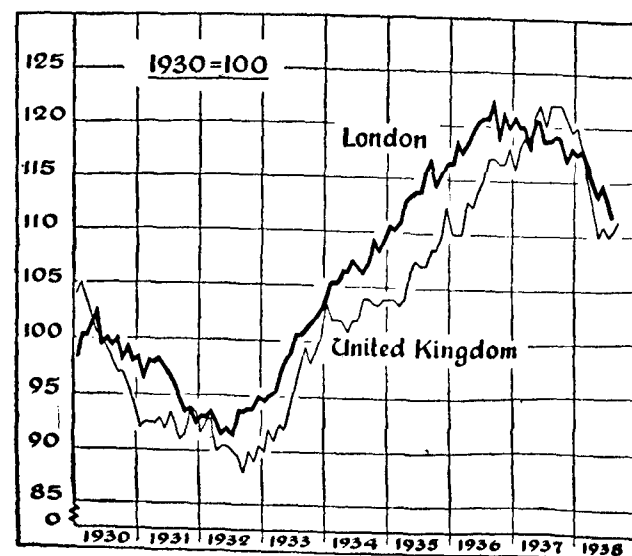
toll of deaths and injuries on our roads is relatively the highest in the world; that the number of vehicles on the roads is likely to double in 15 years; and that, since 1910, while the number of motor vehicles has risen by 2,000 per cent., the total mileage of roads has only been increased by 2 per cent. Yet the Minister of Transport now has full control over all trunk roads; in one of the Ministry's pigeon-holes the far-reaching Bressey plan for London's highway development is gathering dust; and for three years now the Government has been pledged to a five-year programme of road reform and reconstruction which, judged by annual figures of highway expenditure, has hardly been begun.

The Government's reliance upon by-passes here and road widening there demonstrably has not provided the smooth and safe flow of traffic required under normal conditions. It is even less likely to be adequate under war-time conditions when a wideflung pattern of transport and distribution would be the nation's lifeline. Mr Burgin has said that motorways would cost too much to build in this country, because of land prices, labour charges and limited space—though he seems to have made no allowance for the fact that our need for such roads was greater than that of other nations or that the revenue provided by our motor transport was relatively much the highest in the world. But, even if their cost in peace-time really would outweigh the price unceasingly paid in casualties and wasteful congestion, might it not reasonably be paid, or at least seriously reconsidered, in the cause of national security? At any rate, some programme of priorities should be devised, in the light of defence requirements; the new Redhill by-pass which has been opposed, with some reason, as a pleasure track, will cost £800,000, while Western Avenue, one of the vital war-time outlets to the West, is still incomplete at both ends.

Federal Problems in Australia.—In spite of their distance from Europe the people of Australia find much to concern them in the terms of the Munich settlement, and together with other British peoples have decided that their country's defences must be strengthened. Both Commonwealth and State Governments are much occupied with this decision. Last week-end the Loan Council met to consider Commonwealth proposals on the financing of defence works. The Council announced that the new internal defence loan of £4,000,000 (see *The Economist* of September 24th, page 586) would carry a rate of interest of 3½ per cent., and be redeemable within 14 to 16 years, and further that the £68,000,000 conversion issue recently decided upon would be on identical terms. But the crux of the Council's meeting was the rejection by Prime Ministers of all the States of Mr Lyons' proposals for unification of control over defence works. The Commonwealth Government suggested that the States should transfer loan expenditure earmarked for public works to those works most needed in the interests of national defence, and that an Advisory Committee consisting of Commonwealth and State representatives should be set up to investigate and pronounce upon the order of priority in which those necessary works were to be undertaken. To the States the Advisory Committee represented an invasion of their rights by the Federal power, and although Mr Lyons pointed out that without unified decision on priority the Committee's work was valueless, they would have none of it. At this they went home, with a general feeling of disappointment. Some of that feeling was expressed in Mr Curtin's Labour motion of censure in the Commonwealth Parliament which said that the Government had shown a "lamentable lack of leadership regarding urgent national problems." Mr Lyons refuses to regard the issue as closed, and he may appoint an Advisory Committee with abridged powers which would carry out investigatory work on the siting of new industries and other matters of national interest. It is understandable that the States should be jealous of their rights; but it would be an act

of folly on their part to burke an issue which in some form or other confronts all democratic systems of government: not to recognise that national safety depends upon national defence controlled from the centre.

London's Business Activity.—The annual report of the London Passenger Transport Board, the subject matter of which is so varied that it is mentioned in two other places in this issue of *The Economist*, contains a most praiseworthy piece of statistical pioneering in the form of an index of Business Activity in the London Transport area. By the courtesy of the Board, we are enabled to show the course of this new index, compared with *The Economist* index for the whole United Kingdom, from the beginning of 1930 (both indices are corrected for seasonal fluctuations):—



It is understood that the index is based upon bank clearings (corrected by a price index), employment statistics, the value of building plans passed and the number of new car registrations. The two first-named constituents are given the largest weights. The utility of the index to the Board is, of course, to serve as a comparison with their own traffic figures, which are consequently not included. From the public's point of view, this is a pity, as the Board's traffics should be one of the most reliable indications of conditions in the London area. The course of the index is such as would be expected from general observation. London suffered a less severe slump than the rest of the country, owing to its small proportion of heavy industries and export trade; but it recovered first and, at least to begin with, fastest. The most remarkable feature of the curve is that it reached its maximum as early as October, 1936, when it turned definitely downward. During the year between this date and the highest point of the United Kingdom curve, there was a definite slackening in housebuilding in the London area, and some decline in the volume (but not the value) of retail sales, while the gathering momentum of re-armament helped other parts of the country more than London. For these reasons, it would be reasonable to expect that London should advance during this year much more slowly than the rest of the country. But it is nevertheless surprising to be told by the new index that London was actually going downhill during a period when the country, as a whole, was still climbing the slope of recovery. The future progress of the index will be interesting to watch, and it is to be hoped that the Board will publish it at frequent intervals.

Memel and the Nazis.—Now and then in the past few years political wiseacres have declared that Hitler's "next step" would be to effect a junction of Memel with East Prussia. That feeling was roused afresh after the Munich agreement, not only by signs of renewed Nazi activity in Memel, but also by the attention given in

the Reich Press to conditions within the city and, most recently, by the draft of a new Lithuanian law remitting the state of martial law which has existed since 1926. At first sight this looks like a German gain, but in German eyes the Bill only gives with one hand in order to take away with the other, and does little or nothing to remove the heavy restrictions under which Memel strives to govern itself. The Bill has had its first reading, and is now in committee, where extensive modifications in answer to German protests may be made and are, in fact, already unofficially predicted. As things are, the Memel Diet has demanded full autonomy, and Nazi feelings are running high. Even if good relations with the Reich continue uninterrupted, there are those who see in the present moment a stage well appointed for a spectacular Hitlerian entry in the best Berchtesgaden manner. Early this year Dr Neumann came out of prison. As leader of the united German *Einheitsliste* group, which holds 24 out of 29 seats in the Memel Diet, he was one of those sentenced under charges of treason at Kaunas in 1935. Presumably he is now preparing for the Diet elections of December 11th, and between to-day and then there is likely to be a good deal of agitation for an administrative reform which would bring the status of Memel many steps nearer to that "legislative, judicial, administrative, and financial autonomy" stipulated in the Allied-Lithuanian Convention of 1924 which followed on Lithuania's seizure of Memel. Disregarding the rumours which fulminate around Dr Neumann's somewhat obscure head ("another Henlein," murmurs the popular Press), there is very much to be said for the institution in Memel of a more liberally inclined regime; and courses of prudent reconciliation will doubtless recommend themselves to the Lithuanian Government.

New President in Chile.—The Presidential election in Chile has had a surprising result. Señor Gustavo Ross, the candidate of the Right parties, who call themselves Conservatives, Liberals, Doctrinaire Radicals, Democrats and Agrarians, had the support of the present President, which, in any South American country, is a very powerful assistance. Until last month he seemed assured of election, since the opposition was split between two candidates. But the Nacista rising in Santiago on September 5th implicated General Ibañez, who, though acquitted of complicity, withdrew from the fight and threw his support to Señor Pedro

Aguirre, who stood as the candidate of a Popular Front, embracing Radicals, Socialists, the Democratic Party and two brands of Communists. Señor Aguirre has been elected by the very narrow majority of some 7,000 votes out of about 430,000. It will be noticed that the Chilean parties are fond of European political nomenclature. But the names do not have the same meanings in Santiago as in Paris, Berlin or Barcelona. Señor Aguirre himself comes from the Right Wing of the Coalition that elected him, and his policy is unlikely to be so extreme as to disturb either the peaceful development of the country or its relations with foreign countries. Chile has long been the most aristocratic of the Latin-American republics; even now, the electors are very few in a population of 4½ millions. It is a tribute to the country's political stability that a Popular Front candidate could be peacefully elected.

Leonard J. Reid.—It is with deep regret that *The Economist* has to record the untimely death of Mr Leonard Reid at the early age of fifty. For the greater part of his working life Reid served on the staff of *The Economist*, which he joined in 1912. For over ten years after the war he was assistant editor; and the character of the paper during the nineteen-twenties owes much to his lucid style, and his great gift for expounding complex economic and political affairs. Son of the late Professor of Ancient History in the University of Cambridge, Reid was brought up in a Liberal and literary atmosphere. The effect of this environment was a remarkable combination of enthusiasm with exceptional clarity of style and literary quality. His technical equipment as a financial journalist was of a high order; but he was at heart chiefly interested in finance and economics from the standpoint of their reaction on politics. It is characteristic that in his late years, and in particular after joining the staff of *The Daily Telegraph* in 1932 as City editor, he devoted much effort to pressing forward the project of an Anglo-American trade agreement, for in this he saw the only hope of reversing the tendency of the world towards autarky. And in that work he died, for he was taken ill on one of his many journeys to the States and succumbed in New York to an attack of bronchial pneumonia. His colleagues mourn the loss of a very loyal friend, and will miss very deeply the healing effect of his kindly and gentle nature. The City has lost one of the wisest and most respected of its interpreters in the Press.

Overseas Correspondence

From Our Special Correspondents

United States

Railroad and Utility Prospects

NEW YORK, October 17.—By October 27th, the fact-finding Board appointed by the President to examine the proposal of the railroads for a 15 per cent. reduction in wages must render its report. The hearings have been concluded, and it is expected that the Board will use the next ten days to elaborate its findings into something like a comprehensive railroad programme. Hopes of a comprehensive programme have been raised again and again in recent years, only to be disappointed; and the railroads have, so to speak, staggered from crisis to crisis, with a continuous increase in the mileage under receivership. This year, when the ability of certain roads to continue to make their operating expenses was an open question, the recovery in traffic came just in the nick of time to resolve the immediate and most pressing problems.

Hopes of an understanding between the Administration and the utility companies have also been raised. It will be remembered that the "death sentence" legislation of the summer of 1936 called for a reintegration of the utility systems, and plans for this have been scheduled for December 1st of the current year. The question whether this enact-

ment actually did pass a "death sentence" or merely required a more or less difficult reorganisation has always been more administrative than legislative, and the apprehensions aroused were based more upon the way in which the Act might be administered than upon the terms of the Act itself. This long and economically costly controversy may still be settled amicably within the terms of the existing legislation. *The*

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demand for electrical power has continued to rise steadily since 1929, and promises soon to be at a new record high level. This would tax existing facilities heavily, and there would be urgent need for additional plant and equipment.

The most active force in our economy at the moment is the motor industry. It was remarkably slow in getting the production of new models under way; it was not until the middle of October that output on a large scale was reported; and even now it is only a little more than half that of a year ago, but it does appear to be rising rapidly.

On the other hand, steel production, which was about 47 per cent. of capacity a month ago, has only slightly bettered that figure during the past four weeks; and at this level is still susceptible to weakness in the price structure, as was shown by the recent reduction in steel sheet prices. Some weakness in prices has also appeared in the oil industry, in spite of large consumption. Summarising industrial trends at the end of the third quarter, one could say that the impulse which first became effective at the end of June was still in operation, but with somewhat retarded momentum. Such a slackening is not at all surprising in view of the rapidity of the previous upturn, and may be but a temporary hesitation—so long as the motor car industry fulfils its programme for the remainder of the year.

Pressure for Pension Reform

The current elections are probably more significant than usual. In a large number of States the point at issue is a State pension proposal; and it is worth noting that these proposals are generated, not in States where the problem of old age is particularly acute, but in States where local sentiment is so divided as to promise a fairly close vote. In such States the balance of power may be held by any relatively small group, however hastily organised; old age pensioners or prospective pensioners can readily be converted into such a group.

The significance of this trend lies not merely in the fact that the various proposals are usually far beyond the resources of the respective States, but also in the fact that the cumulative effect of these local issues is already making itself felt in Washington in the shape of proposals for the extension of the provisions for old age benefits in the Social Security Act. This Act provided for a contributory pension plan to come into effect in 1942. In the meantime, the Federal Government will contribute \$15 a month per pensioner to any State establishing a satisfactory local pension provision of equal amount. A number of States are taking advantage of this legislation, but in several cases have been so short of funds that the actual monthly payments have been well below \$30. One State, in an effort to establish a \$45 rate (\$15 from the Federal Government) has enmeshed itself in serious financial difficulties.

In short, the entire pension system is in a condition of confusion, which promises to become even more tangled after the local elections. It requires no prescience, therefore, to anticipate that the provisions of the Social Security Act will come up for amendment in Congress, and to surmise that the amendments will take the form of more liberal provisions, with no corresponding increase in the contributory element; for the contributory benefit provided by the Social Security Act is far smaller than even the present non-contributory systems.

Gold and the Banks

The great gold imports of the past two months have materially influenced our banking position, as follows:—

RESERVE BANK ITEMS (\$000,000)			
	Aug. 10, 1938	Oct. 12, 1938	
Gold Stock	13,033	13,869	+ 836
Gold Certificates	10,633	11,020	+ 387
Member Bank Reserves	8,179	8,400	+ 221
Money in Circulation	6,503	6,667	+ 164

It will be noticed that these gold increments are being released gradually rather than dumped into the system; and that, owing to the seasonal increase in the currency, not all of the gold so monetised has yet gone into excess reserves.

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Nevertheless, bank credit has been expanding with great rapidity, as the following table shows:—

REPORTING MEMBER BANK ITEMS (\$000,000)			
	Aug. 10, 1938	Oct. 12, 1938	
Total Loans and Investments	20,611	21,295	
Loans	8,199	8,272	
U.S. Obligations	7,669	8,053	
U.S. Guaranteed Obligations	1,650	1,678	
Other Securities	3,093	3,292	
Demand Deposits	15,009	15,604	

From the end of March to August 10th demand deposits rose by over \$700 millions; in the last two months they have risen by \$600 millions—the total increase in a little over six months being almost 10 per cent. From the end of March to August 10th total loans and investments declined \$200 millions, but in the past two months they have risen by \$700 millions. Between the end of March and August 10th total loans fell almost \$500 millions; since then they have risen by less than \$100 millions. That is, the expansion in deposits was initially attributable to the release of the Inactive Fund, and was represented by excess reserves. In turn, the expansion of deposits was followed by an expansion of investments, which at first merely offset or partially offset the decline in loans. Then there was a net increase in total loans and investments, first in investments and recently and seasonally in loans. Expansion has been due to the gold programme and the deficit; and the consequence has been one of the most rapid expansions of demand deposits in American history.

France

Changing Political Opinion

PARIS, October 27.—M. Caillaux has emphasised that the first task of the Government is "to re-establish the stability of the purchasing power of the 100 francs banknote." This purchasing power has been considerably curtailed during the last two years by the rising cost of living. This has imposed no extra hardship upon the workers in industry, who have been protected by a rising scale of wages—though their standards of remuneration at the outset were far from generous. But the position of the middle-class has been different, for they received fixed incomes; and the peasants, too, have been hard hit, for the rise in the prices of wheat and of secondary cereals—after bumper crops—has markedly failed to keep pace with the increase in industrial prices.

The grievances of the middle-class and the peasantry have caused some discontent; and in the recent senatorial elections some impatience with Popular Front policy was in evidence for the first time. These elections were a setback for the Socialists. Radicals of Socialist inclinations were also beaten; and the main beneficiaries of this change-over in opinion were the Conservatives led by M. Marin. These electoral signs will doubtless have important echoes in the Radical-Socialist Congress at Marseilles, where M. Daladier is to reveal the outlines of the forthcoming decrees to bring about financial and economical recovery. It is generally considered now that the programme of recovery, even though it must be political in character, will nevertheless entail no dissolution of the Chamber, and no broadening of the Cabinet, except probably the inclusion of one or two Ministers delegated with the duty of pressing on with armaments and aircraft production.

The political issue is not simple. The Popular Front parties still command a majority in the Chamber; but the problem would not really be eased by the inclusion in the Government of such men as the Socialist, M. Blum, and the Conservative, M. Marin. Meanwhile, the decision to apply immediate penalties to all men refusing to work the extra hours ordered by the Government has cleared the air. The many failures of the Popular Front in economic and financial matters; the fear of war, much of the responsibility for which has been charged to the Communists; the determination of the trade union leaders to look first to the defence of their professional interests against the intrusion of political questions; the comparative failure of the Socialists in the recent elections—all these factors and many other less important events suggest that public opinion may now be ready for the firm policy which the military and monetary security of the country requires.

The recent weakness of the pound has improved the prospects of the franc. A large-scale programme of credit expansion, combined with an increase in working hours, as required, and stringent budgetary economies should now be

possible. Such a policy—and peace can only be safeguarded by a demonstration of France's determination to set her house in order—would certainly evoke a striking response in the country; and its salutary effects on all markets would disarm the Government's critics.

Reviving Foreign Trade

Professor Charles Rist has warned the Government against any further increase in protectionist measures in order to cut down the import surplus. This surplus is already falling. Excluding trade with the French colonies, the surplus over the whole of 1938 will amount to no more than 10,000 million francs, which will certainly be largely covered by invisible exports—interest on capital abroad alone is estimated to have brought in 7,000 millions last year. An increase in foreign sales of French manufactured goods is the best way to revive business now that internal purchasing power has been considerably curtailed by a series of monetary depreciations and an excessively heavy tax-burden. Moreover, the huge increase in the import surplus which took place in 1936 and 1937 was a consequence of devaluation which led to speculative imports of raw materials. Expressed in gold francs, the import surplus in the first eight months of this year was only 3,968 millions, compared with 6,548 millions in the same period of 1937 and 4,828 millions in eight months of 1936. Expressed in francs of 1912, this year's surplus so far amounts to 1,310 millions, or appreciably less than the surplus of 1,518 millions recorded in eight months of 1912 itself.

These views are endorsed by the Minister of Commerce, M. Gentin, who recently emphasised that the import surplus was steadily falling. And it is falling just at a time when Britain's import surplus is rising and Germany's export surplus has disappeared. Exports of manufactured goods rose by 50,000 tons in the first eight months of this year and the outlook is increasingly favourable. Exports will be further aided by the State by means of insurance credits, while the National Economic Council is searching for new markets and, in particular, investigating the possibilities of large sales to Anglo-Saxon and Scandinavian countries.

The railway accounts for 1938 will show a fresh deficit of 2,000 million francs, because of the fall in traffic; the loss on merchandise will be 3,000 millions, the same as in 1937, in spite of two increases in charges amounting to 25 per cent. and total economies of 1,000 millions. These measures have been neutralised by the general rise in prices, and especially by the increase in the price of coal. The Budget for 1939 will have to provide for additional railway charges according to the agreement which came into force this year. Further increases in charges are impracticable, so that any improvement in the position can only be brought about by fresh economies. But the best remedy would be a real revival in business and a consequent increase in traffic; and this depends upon the outcome of the Government's policy.

The following table shows the recent movements of wholesale prices:—

	Sept. 17th	Sept. 24th	Oct. 1st	Oct. 8th	Oct. 15th	Oct. 22nd
General index	645	648	646	652	657	653
Domestic products	666	669	664	671	673	670
Imported products	607	612	615	619	627	623
Foodstuffs	630	635	628	634	637	635
Raw materials	659	660	663	668	674	670

In the week ended October 15th, the number of persons out of work was 359,349, against 350,229 in the previous week and 314,436 a year ago.

Poland

After Czechoslovakia

WARSAW, October 24.—Three years and four months after his death the devout wish of Marshal Pilsudski was fulfilled with the disappearance of the Czechoslovakian Republic of Masaryk and Benes. The action of the leaders of Poland—the closest followers of Pilsudski and guardians of his political will and testament—during the Czech crisis showed beyond doubt that they were more anti-Czech than they were anti-German. This is not true of the Polish masses, but the Press and wireless services are now so heavily "doped" that the masses know only what those in control of foreign policy want them to know. But, even if the Polish masses had been fully informed about the events of the past few weeks, they could not have influenced their country's policy.

Poland has already gained substantially, and may gain still more, from the dismemberment of Czechoslovakia. The "redeemed" Teschen-Silesian territory is rich in mines and industrial plants, but if their exploitation merely means more guns, more shells, more discontent and more taxes, the "rich dowry" which the returning Poles brought to the motherland will benefit nobody except a few hundred officials and politicians. The operation of the plants, for the present, appears to have been thrown into confusion by the wholesale expulsion of Czech engineers and technicians or their voluntary flight. Polish skilled workers from Upper Silesia are being sent to replace Czechs in the "redeemed" territory, but it seems to have been both unnecessary and unwise to drive out specialists who had grown up with the plants.

Polish attention is now directed towards, first, the separation of Ruthenia from Czechoslovakia, primarily because some five million more or less discontented Ukrainians in Eastern Galicia will not be any happier with a "free" Ruthenia on their flank; and, secondly, to the separation of Slovakia from Bohemia so that, it is hoped, "peace and order" will at last be brought to the Danubian basin. This re-making of the map, with a recrudescence of the imperialism of the sixteenth and seventeenth centuries, now provides local leader writers with inspiring themes, but the grim realities of deepening economic distress are only momentarily obscured. For a poor agricultural nation like Poland to arm in competition with giants like Germany and Russia may have its inspiring side, but it does not presage a prosperous and contented future.

A New Parliament

So that the legislative houses should "more truly reflect the prevailing sentiments of the nation," President Moscicki, on September 13th, dissolved the Sejm and Senate elected in September, 1935, and new elections will begin on November 6th. On that day 208 Deputies from about 1,000 names which have already been submitted to the electors in 104 electoral zones will be elected to the Sejm, and on November 13th, on a much more restricted franchise, 64 senators will be elected. President Moscicki will then bring the Senate membership up to 96 by appointing 32 others.

Although the 1935 Parliament—the first to be elected under the present authoritarian constitution, enacted just before Pilsudski's death—was as "hand-picked" as the next one will be, it had begun to stray from the path marked out for it. Its doom was sealed when the Sejm, last June, following the death of M. Car, the "father" of the present Constitution, elected as Marshal (Speaker) Colonel Valerian Slawek, the former Prime Minister, who had hopes of becoming President in 1940. The second seven-year term of President Moscicki expires in that year, and the Parliament to be "elected" next month will have a decisive voice in the appointment of his successor. President Moscicki, now in his seventy-second year, may be invited to accept a third term.

All the Opposition parties which boycotted the 1935 elections—when less than 50 per cent. of the electorate voted—have announced their intention of doing so again; but the Government feels that its position has been much strengthened by recent successes in the international field. If this view is accepted by all those who owe allegiance to no political party, the poll on November 6th will reflect it. The anxiety of Colonel Beck, the Foreign Minister, to bring about a rapid and complete dismemberment of Czechoslovakia,

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and a common frontier for Poland and Hungary, may have been inspired, not only by the desire for "peace and order in the Danubian basin," but also by the election campaign.

Foreign Trade Difficulties

The following are the official foreign trade returns for the first nine months of the year:—

(In millions of zlotys)			
	1936	1937	1938*
Imports	725.6	929.5	982
Exports	741.2	867.7	837
Export (+) or Import (—)			
Surplus	+15.6	—61.8	—145

* Preliminary.

The armament programme, which requires increasing imports of industrial equipment as well as of raw materials, and the continuous growth of barter trade—mainly with Germany—are now finding reflection in a "stabilised" deficit in foreign trade of between ten and fifteen million zlotys a month. The gold and foreign exchange holdings of the Bank of Poland fell only by twenty million zlotys in the first nine months of 1938, indicating either that the Bank had "hidden reserves" of foreign exchange at the beginning of 1938 or that part of the present year's import surplus has still to be paid for.

The new trade agreement with Greater Germany (reported in *The Economist* of July 30, on page 227), which took effect last month, was supplemented by another agreement signed on October 18th. Under the latter, Germany will supply machinery and equipment—mainly for the new industrial region in South-Central Poland on which work began two years ago—to a value of 120,000,000 zlotys over the next four years, receiving in return timber and agricultural produce (chiefly rye) over a period of nine years.

Germany also pays annually to Poland a substantial amount in goods for railway transit across the Corridor, and when the existing agreements assume full effect about 40 per cent. of Polish-Danzig foreign trade will be with Germany. As Poland must continue to find foreign exchange for such necessary imports as cotton, wool, rubber, copper, etc., which cannot be obtained on a barter basis, it naturally follows that imports of machinery and manufactures from the free exchange countries will continue perforce to decline.

Canada

Isolationist Sentiment

OTTAWA, October 17.—The settlement achieved at Munich has been hailed with general relief throughout Canada, but it has left a legacy of deep anxiety about the future. A widespread feeling has developed that Canada cannot afford to continue with the nebulous and opportunist foreign policy practised by her present Government; and that she should either try to exercise more influence over the British Government's policy, in whose consequences she is deeply involved, or frankly disavow all responsibility.

The Prime Minister of Ontario, Mr. Hepburn, takes the line that, in view of the parlous plight of Europe and the likelihood of Canada's trade there shrinking steadily, it would be wise for Canada and the United States to co-operate in economic arrangements to make themselves independent of Europe. The negotiations for the new trade treaty with the United States, which is a move in this direction, have con-

tinued to make good progress. Mr. Mackenzie King has announced that agreement has been reached about basic principles, and he expects the treaty to be completed by the end of the present month.

The salient features of the story of the Bren gun contract are now reasonably clear. The Canadian Government was anxious to secure a supply of Bren machine guns, and Major J. E. Hahn, the President of the John Inglis Co., was anxious to provide them. Economical production required an order for 12,000 guns, and the Canadian Department of National Defence, which wanted only 7,000 guns, exerted itself vigorously to help Major Hahn, not only to obtain information from the British War Office, but also to secure an order for a further 5,000 guns. The unwillingness of the King Ministry to become involved with the British Government in any armament contracts was overcome, and considerable pressure was exerted upon the British War Office, which at first wanted Canada to make the guns in a Government arsenal, to place the order with the Inglis Company. No public tenders were called for, although the plant of the Inglis Company was a more or less derelict boiler factory, and the excuse advanced for this course was that speed was essential.

More Wheat

The harvesting of the Western grain crop has been virtually finished at an abnormally early date. The existence of a guaranteed price, now about 20 cents above the market price, gives the farmers no motive for holding up their wheat, and the new crop has been moving very rapidly to market. Visible stocks of Canadian wheat have been mounting steadily and, on September 30, were placed at 133,470,967 bushels compared with 74,809,661 on the corresponding date in 1937. So far export demand has been reasonably good, but there are fears that it will fall off when Argentinian and Australian crops appear, and a heavy carry-over is forecast.

The yield of the Federal revenues in September was 35 million dollars, roughly 2 millions below estimates, but the total expenditure of 29 millions was also down by some 1½ millions. For the first half of the current fiscal year, which ended on September 30th, total revenue was 287½ millions compared with 281 millions in the corresponding period of the previous fiscal year, while total expenditure was 235½ millions compared with 227 millions. Thus there is a surplus for the half-year of 51.8 million dollars compared with 53.9 millions last year, but in the second half of the current year the revenue returns will be less favourable, since the greater part of the income tax has already been collected; and the loss resulting from the guaranteeing of a price of 80 cents per bushel for wheat will be a heavy debit.

Business Confident Again

The dislocation of Canadian business caused by the war scare was serious and will take some time to repair; but some encouraging signs are now visible. In the week ended October 8th the general index of economic activity issued by the Bureau of Statistics showed the largest weekly advance this year, as the following table shows:—

	Weeks Ended			
	Sept. 24, 1938	Oct. 1, 1938	Oct. 8, 1938	Oct. 9, 1937
Car loadings.....	78.7	80.7	81.0	81.6
Wholesale prices	74.4	74.5	74.2	84.8
Bank Clearings	105.1	104.2	107.5	101.7
General Index	108.3	106.3	110.4	109.1

There has been a distinct revival in business confidence during the past fortnight, but the continuance of abnormally warm weather has injured retail trade by delaying the purchase of winter clothing and supplies. One favourable factor is the distinct recovery of business in the United States; if it continues, it is bound to increase the sales of Canadian products like newsprint. In September the output of newsprint was 231,940 tons compared with 220,803 tons in August and 312,351 tons in September, 1937.

The mining industry still enjoys substantial prosperity, and producers of base metals stand to gain by the rise in the price of copper and other minerals. The building industry is experiencing the usual seasonal recession, but this is not serious, and the latest employment bulletin of the Bureau of Statistics (up to September 1) showed a larger gain in employment than in any August on record. Manufacturing industry is enjoying varied fortunes, but hopes are cherished of further armament orders from Britain, and there has been a welcome improvement in the earnings of both railway systems, largely as the result of a much heavier movement of wheat.

Letters to the Editor

Germany's Next Moves

TO THE EDITOR OF THE ECONOMIST

SIR,—In the German advance towards the South-East the execution of the Munich Agreement, which will turn Czechoslovakia into a vassal of the Reich, if Czechoslovakia is frustrated in her attempt to retain a neutral position, has opened a new phase. The German advance can now be speeded up because the strongest bulwark in the South-East has been removed. Not only that; Czechoslovakia, with its entire economic, political and military capacities, may now become an instrument of the greatest value to Herr Hitler for the continuation of the push to the South-East. As the correspondent of a number of English papers in Prague until a few days ago when I left for London, I was able to observe the steadily increasing tempo of this process of "digestion" in Czechoslovakia. What is astonishing is not the cessation of resistance by a country abandoned by its friends and, after the surrender of the fortifications, almost completely bereft of military protection, but rather the speed with which it is being converted from a *bulwark* against the German advance into an *instrument* of that advance. Men with leanings to Germany now occupy the important Government and industrial positions. There is only one way to arrest the German march from the Rhine to the Black Sea: that is for this country and France to fulfil the guarantee they have given to defend the neutrality of this gallant people which has done so much for the cause of peace and democracy.

When I addressed British audiences some months ago, at Chatham House and elsewhere, the argument was frequently put to me in discussion that Czechoslovakia would certainly be difficult for Hitler to digest and that the course of the German advance to the South-East would accordingly by-pass Czechoslovakia and run down the Danube via Austria, Hungary and Yugoslavia, and possibly also through Poland, with the goal of reaching the Ukraine and the Black Sea. More recent events have shown that the Germans chose the alternative course, which was rightly much more feared; and events will, I believe, show in the future that Germany's whole South-Eastern policy will be chiefly determined by the best means of utilising the very valuable military and economic element of Czechoslovakia.

For these reasons I regard it as more than improbable that Berlin will seek support in the immediate future mainly from Hungary and Poland. The Hungarian problem is a difficult one for Germany, because it might easily lead to conflicts with the other partner of the axis—and Germany is, at least for the present, still anxious to avoid such conflicts. Moreover, at every further step in Germany's march to the South-East, Hungary, as has already been shown, will demand a share in the territorial booty by claiming the lands she lost after the war, and she might well be supported by Mussolini in these claims. Similar considerations apply to Poland, where the problem is perhaps even more difficult, since in this case a conflict with Russia might arise.

If negotiations are already going on in Berlin with the Ministers from Prague about the construction of a great highway directly linking Berlin and Hamburg through Prague to Jasina, the extreme south-easterly point of Czechoslovakia, this shows clearly that the next German object is the great mineral wealth of Roumania. This road and railway connection is to be ready in an astonishingly short time. Some links of it, as I have myself confirmed in Bohemia and Carpathian Ruthenia, are already prepared for the transport of considerable quantities of goods, troops and war material. It is probable that this trans-Continental axis, the alternative to the Danube, will be completed in a surprisingly short time. In this way, the military approach to the Roumanian frontier will be assured, if Poland and Hungary cover the flanks. From the political point of view, a German advance to Roumania is helped by the fact that almost every one of Roumania's neighbours has territorial demands upon her. Russia has never finally abandoned her claim to Bessarabia. Bulgaria had severe losses of territory to Roumania in the Balkan and World Wars. Hungary for twenty years has been claiming Siebenbürgen and now need take less notice of the two other partners of the little entente, Czechoslovakia and Yugoslavia. Moreover, from the standpoint of the principle of nationality, whose application to European politics has now been fundamentally recognised, Roumania is possibly the greatest mixture of nationalities in Europe.

Carefully assessing all the factors, anybody who has observed the methods hitherto applied by Germany in her push to the South-East will find it hard to feel any confidence that it is possible to erect in the Roumanian plain that barrier against Germany's advance which existed in the mountainous fortifications of Bohemia—and was abandoned.

Yours sincerely,

DR GERHARD SCHACHER.

London, W.C.2.

Branded Goods

TO THE EDITOR OF THE ECONOMIST

SIR,—In the article on "Branded Goods" on page 156 of your issue of October 22nd you say that:

One potentate of West End retail trade, for instance, has laid it down that retailers, because they come into direct contact with customers, form the essential link in the distributive chain: that they know what the customers want and, interpreting those requirements, they should direct and rule the manufacturers.

I would like to suggest two corrections to this, namely:—

(1) That those who know what the customers want and interpret those requirements should rule and direct, and it is simply a matter of convenience whether their head offices are situated at the manufacturing, the wholesaling or the retailing point, or elsewhere for that matter.

(2) That those who claim to know what the customers want and claim to interpret those requirements should brand their goods or services so that the customer may know whom to hold responsible for the interpretations.

Yours truly,

FRANK MURPHY.

Welwyn Garden City.

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The List of Applications will open and close on Tuesday, 1st November, 1938, for an

Offer for Sale by PHILIP HILL & PARTNERS LIMITED of 2,200,000 F. W. WOOLWORTH & CO. LIMITED Ordinary Shares of 5s. each at 58s. per Share.

The capital of F. W. Woolworth & Co. Limited is £12,500,000 divided into 5,000,000 6 per cent. Cumulative Preference Shares of £1 each and 30,000,000 Ordinary Shares of 5s. each, all of which Shares have been issued and are fully paid.

The Ordinary Shares comprised in this Offer form part of the existing issued Ordinary Share Capital of F. W. Woolworth & Co. Limited, the whole of which is already Officially Quoted on the London Stock Exchange.

All the Ordinary Shares of the Company rank *pari passu* in all respects and the Shares which are now offered for sale will, therefore, be entitled to any dividends which may hereafter be declared.

The Shares now offered will be delivered to purchasers FREE OF STAMP DUTY AND REGISTRATION FEES.

Firm applications for the purchase of 750,000 of the Ordinary Shares now offered have been received from Underwriters and Sub-underwriters and will be accepted in full.

The Offer for Sale will show that:

The Company, which was incorporated in 1909, operates 3d. and 6d. retail stores throughout Great Britain and Ireland, and 711 Branches were in operation at 31st December, 1937.

The Trading Profits of the Company for the seven years ended 31st December, 1937, as shown in its published Balance Sheets, were as follows:—

Year ended 31st December.	Trading Profit. £
1931	4,393,848
1932	4,671,778
1933	4,734,221
1934	5,108,748
1935	5,548,451
1936	6,127,221
1937	6,781,202

The net profit for the year ended 31st December, 1937, amounted to £6,490,013 after providing for depreciation. After deducting £300,000 the dividend on the 5,000,000 6 per cent. Cumulative Preference Shares of £1 each, and the sums recommended by the Directors to be transferred to Reserves, there remained £5,990,013 before providing for taxation. Deducting therefrom, say, £325,000 in respect of a full year's National Defence Contribution there would remain £5,665,013 before providing for Income Tax, which is equivalent to more than 75 per cent. on the nominal value of the 30,000,000 Ordinary Shares of 5s. each, or to £6 10s. 2d. per cent. on the price at which the 2,200,000 of such Shares are now being offered.

For the year ended 31st December, 1937, a dividend of 50 per cent. and a bonus of 10 per cent. were paid on the Ordinary Share Capital as increased by a Capital Bonus of 100 per cent. distributed in November, 1936. For the current year ending 31st December, 1938, an interim dividend of 15 per cent. was paid on 15th June last, being at the same rate as for the previous year.

Philip Hill & Partners Limited has been informed that the business of F. W. Woolworth & Co. Limited has been fully maintained during the current year, that during this period 20 new Branches have been opened, and that it is intended shortly to open additional Branches.

Copies of the Offer for Sale, on the terms of which alone applications will be considered, and Forms of Application are now available from:

Messrs. COUTTS & CO., 440, Strand, London, W.C.2, or 15, Lombard Street, London, E.C.3, and Branches; MIDLAND BANK LIMITED, Head Office, Poultry, London, E.C.2, and THE CLYDESDALE BANK LIMITED, 30, St. Vincent Place, Glasgow, C.1, and NORTH OF SCOTLAND BANK LIMITED, 5, Castle Street, Aberdeen, and any of their respective Branches Messrs. ROWE, SWANN & CO., 24, Old Broad Street, London, E.C.2; Messrs. JOSEPH SEBAG & CO., 22, Old Broad Street, London, E.C.2; Messrs. VIVIAN, GRAY & CO., 10, Throgmorton Avenue, London, E.C.2; and from PHILIP HILL & PARTNERS LIMITED, Kingsbury House, King Street, St. James's, London, S.W.1.

THE BUSINESS WORLD

London Transport Finance

RELIABILITY, as the Board's advertisements have recently reminded us, is a virtue eagerly sought by London Transport. Comparatively few of its 3,723,655,768 originating passengers last year would reject that claim. Even the "C" stockholder has come to rely upon the Board to produce an annual report which is a model of its kind—and which, incidentally, is the more acceptable this year because it is distributed free to stockholders. But in one crucial matter the Board has proved unreliable. It has completed its first five years, two as a probationer and three as a fully-fledged undertaking, without achieving the 5½ per cent. standard dividend on the "C" stock. The power to apply for a receiver has become operative (if holders of 5 per cent. or more of the £25,698,802 of "C" stock now outstanding wish to invoke it) at the earliest moment permitted under Clause 39 of the Act of 1933.

To write the Board off as a failure would be a crude judgment of which even the most disappointed holder of "C" stock would not be guilty. The opening sections of the report for 1937-38 review in minute detail the work of improvements to services, extensions to capital works, standardisation of wages and labour conditions, and the unequal race between rising traffic receipts and working expenses since July, 1933. On any objective analysis of this account of stewardship, it is impossible to deny that the Board has observed its primary duty to provide an adequate system of passenger transport in its area; that it was essential to remove anomalies in staff conditions and expedient to raise wages in certain grades; and that the increase in other operating expenses, such as fuel and coal, has been largely outside the Board's control. The Board, indeed, can fairly claim that but for increased efficiency an even greater increase in working expenses might have been recorded.

That is the general background of the first five years of London Transport, of which the detailed financial results are analysed in the following table:—

LONDON TRANSPORT REVENUE, 1934-1938

	Years to June 30th				
	1934	1935	1936	1937	1938
Revenue:—					
Traffic receipts ...	27,379,351	29,016,085	29,724,723	30,247,378	30,923,828
Work'ng & gen. exps.	21,583,744	22,515,889	23,515,821	23,917,085	24,923,256
Renewals.....	2,020,500	2,526,000	2,300,000	2,400,000	2,425,000
Net traffic receipts	3,775,107	3,974,196	3,908,902	3,930,293	3,575,572
Other receipts ...	1,520,408	1,500,014	1,563,214	1,623,539	1,654,246
Misc. charges ...	Dr. 338,824	Dr. 347,939	Dr. 298,077	Dr. 293,779	Dr. 35,216*
"C" Stk. int. fund	...	...	28,632	30,843	28,344
Total	4,956,691	5,126,271	5,202,671	5,290,896	5,293,378
Appropriation:—					
Tram. debt fund	35,895	26,158	20,337	16,339	13,982
and int.	2,893,169	2,894,955	2,894,955	2,894,955	2,894,955
"A" stock int. ...	£2,891,537	1,183,506	1,185,492	1,185,492	1,185,492
"B" stock int. ...	£1,181,694	1,015,192	1,027,952	1,092,199	1,027,952
"C" stock int. ...	£874,664	3½	4	4½	4
Do. rate %	21,275	8,246	8,246	1,731	8,246
Payments under guarantee	...	...	...	...	...
Int. on Lon. Elec. Trans. Finance	...	...	35,050	†212,646	†351,841
Loans	...	...	30,639	28,061	26,202
"C" Stk. int. fund	...	...	...	...	...
Total	4,956,691	5,126,271	5,202,671	5,290,896	5,293,378

NOTE.—The figures for 1933-34 and 1934-35 are not strictly comparable with those of succeeding years. In 1936-37, the results were affected by the Central bus strike.
* Less £48,374 charged to capital cost of new works. † Less £140,527 charged to capital, 1936-37, and £215,292, 1937-38. * After crediting £230,000 income tax not required.

It is, however, plain that the benefits of rising traffic receipts have been short-circuited, so far as the "C" stockholder is concerned, into the various constituents of working and general expenses. This effect was rather masked in 1937, owing to the saving of direct bus costs during the strike. But in the latest year its force is more evident. Total traffic receipts, after pooling, have advanced from £30,247,378 to £30,923,828—an increase which roughly agrees with that shown by the Board's own traffics for the 52 weeks to June 25, 1938. But while traffic receipts have increased by £676,450, working and general expenses are over £1,000,000 higher at £24,923,256. Net traffic receipts, after renewals provision, amount to £3,575,572—the lowest yet recorded. In fact, the "C" stockholder has to thank a special windfall even for his 4 per cent. dividend; but for the release of a previous provision for income tax, amounting to £230,000, earnings for the "C" stock would have been nearer 3 per cent. than 4 per cent.

Once again, therefore, the "C" stockholder has sharp proof that he ranks after a process of double gearing, in which operating expenses first absorb over three-quarters of gross revenues, and renewals and interest on prior charges between them another 20 per cent. The following percentage analysis, showing the composition and allocation of the Board's gross revenues since its inception, throws vivid light on this fact:—

ALLOCATION OF GROSS REVENUE
Years to June 30th

	1934	1935	1936	1937	1938
Traffic Receipts.....	94.7	95.1	94.9	94.8	94.8
Other Receipts	5.3	4.9	5.1	5.2	5.2
Gross Revenue	100	100	100	100	100
Allocation:					
Rates, taxes, vehicle and fuel	8.6	8.3	8.5	8.7	8.5
duties	4.6	4.4	4.8	4.9	5.3
Electric current	51.6	51.8	52.9	52.7	53.4
Wages and staff payments	11.0	10.4	9.9	9.7	9.2
Other expenses	75.8	74.9	76.1	76.0	76.4
Total operating expenses	7.0	8.3	7.4	7.5	7.4
Renewals.....	14.1	13.5	13.1	12.8	12.5
Interest: Prior charges	3.0	3.3	3.3	3.4	3.2
Do., "C" stock	0.1	...	0.1	0.3	0.5
Misc. items.....	100	100	100	100	100

Gross receipts have increased during the quinquennium from £28,919,759 to £32,606,418, but of this larger cake operating expenses (and particularly wages and staff payments) have taken a growing slice. Of all participants in the allocation of gross revenues, the "C" stockholder obtains the smallest return; he is also the only partner, in the nexus of passengers, staff and stockholders, who has not shared in the progress of the past five years.

Two major questions thus arise. First, will the Board be able to improve the "C" stockholder's lot, either by any reduction in operating costs or by obtaining increased receipts? Secondly, what are the chances of an application for receivership before the High Court? The answers to the first question may considerably affect the second. In order to meet the standard rate of 5½ per cent. on the "C" stock, the Board must augment its net revenue by approximately £385,000. From what direction is this sum to be found? Some stockholders have held that over-generous provision has been made for renewals. In previous years, however, we have shown that the renewals allocations

appearing in the Board's accounts do not seem to put an excessively conservative estimate of life on the rolling stock, quite apart from any replacements on the railway lines and electricity services which may be required. The renewals reserve now stands at the considerable figure of £9,818,497. But the accumulation of a fund of this size is not a peccadillo of "sound finance." It has a definite relation to the assets in service—as the increase in last year's provision indicates. In the following table we again relate the renewals allocations for the latest year to total capital expenditure on different types of rolling stock to illustrate this point:—

COMPUTED WORKING LIFE OF ROLLING STOCK
(Capital expenditure ÷ renewals provision)

	Years		Years
Railway rolling stock.....	11.3	Trams	5.9
Buses and coaches.....	8.5	Trolley buses.....	9.4

This, of course, is the roughest basis for estimating the adequacy of renewals provisions. But when the estimates are compared with those of previous years, they appear to lend little support to the view that the Board is over-providing for renewals. As for direct operating costs, it is evident that the adjustments of wage rates and conditions have come to stay. Nor would it be wise to expect any reduction in rates, taxes and vehicle and fuel duties, which together absorbed 8½ per cent. of gross revenue last year. Some reduction in the cost of fuel, which has increased by over 30 per cent. since 1934, may be more likely. It has been estimated that 1d. per gallon on oil means £180,000 for London Transport, and a 10 per cent. saving in coal costs, on last year's consumption, would represent £53,000. But while rising prices of fuel and stores have been detrimental in the Board's early years, they represent an ordinary trade risk which every commercial enterprise must face. Apart from movements in operating costs, again, the time is approaching when the interest on the London Electric Transport Finance Corporation's loan to the Board will be fully chargeable to revenue, although the earnings from the underground railways extensions, which come into operation from next year onwards, may not fully provide for their capital cost in the early years. And the Board has the long-term problem of replacing these loans, between 1950 and 1955, by its own issues of stock.

Clearly, there is little hope of attaining standard dividends by way of a permanent reduction in working expenses and capital charges. It must be left to the Board's revenues to correct the deficiency, not necessarily for the aversion of a threat of receivership—that is already too late—but so that the Board may play its full part as a self-supporting public service. It has always been emphasised by Lord Ashfield that a blanket adjustment of fares would not make a satisfactory contribution to net revenues. But it does seem possible that the Board, in co-operation with

the main-line railways which contribute to the pooling scheme, may seek an adjustment of charges at some future date. Reports in specific terms that the main-line companies are about to apply to the Railway Rates Tribunal for a basic 5 per cent. increase in passenger fares in the London Transport area, which were excluded from the award of last year, are officially stated to lack foundation. The Board, for its own part, has the independent power to adjust railway fares in cases where they are below the statutory maxima, to determine bus fares as it deems fit, and generally to adjust anomalous and reduced rate fares, subject to any statutory limits. At present it is impossible to estimate what proportion of a given basic increase in main-line suburban fares (if it were granted) would in fact be retained by the companies. And the volume of extra revenue which the Board might contribute to the pool, if it chose to adjust fares, is even less certain. Two points, at least, appear to be clear, and they are of importance alike for the passenger and for the "C" stockholder. The first is that any over-all increase in fares is ruled out by the impossibility of adjusting low-priced tickets and short fare stages—although the main lines might well be more successful than the Board in this respect. The second point is that, granted the desire of the Board to achieve standard dividends on the "C" stock (for it must be in a position to raise new capital at some future date) the extra margin of net revenue required is relatively small. It is imperative, of course, that if the pooling scheme is to work smoothly, on the present basis, each party should make an increased contribution which bears some rough relation to his final share. London Transport's present share in the pool is just over 62 per cent. It follows that to provide the Board with the £385,000 of additional revenue required to pay the standard dividend, the pool receipts must increase by about £620,000. This figure is approximately 1.47 per cent. of the total pool receipts last year, or 3.18 per cent. of the receipts from the main-line companies and the Board's railways, subject to operating allowances.

If these changes occur—and at present they are hardly in the blue-print stage—when may the "C" shareholder expect to benefit? Clearly, it would be unwise to expect any substantial addition to revenues during the current year. Even if terms had been agreed for the adjustment of fares, the sanction of the Railway Rates Tribunal must first be obtained. The problem of fare adjustment in the London area is obviously extremely complex and lengthy. But, if there is no basic change in economic conditions, it seems reasonable to assume that the Board may be much nearer the payment of a standard dividend on the "C" stock in 1939-40 than it is to-day. That is the argument for retaining the stock at its present price of 77. It is also a powerful argument which any application for the appointment of a receiver might have to overcome in the Courts.

Jute in Dundee and Calcutta

FOR a number of years the Dundee jute industry has been the helpless victim of a struggle between the associated mills and the so-called "outside" mills in India. This struggle, which had resulted in over-production and in unremunerative prices, has now been terminated by official intervention. The recommendation of the Jute Advisory Committee (set up under the State Ordinance promulgated by the Governor of Bengal) to restrict the production of jute manufactures by limiting the hours of work to forty-five a week in the big mills and to seventy-two a week in five small mills, came into force on September 26th. This step, coupled with the amelioration of the conditions under which Calcutta mill-hands labour, should go far to remove Dundee's grievances and assist in expediting the negotiations for the renewal of the Anglo-Indian trade agreement. The occasion calls for a fresh review of the position and prospects of the jute industry in this country and in India.

Though India has a virtual monopoly in the production of raw jute, neither the cultivator of the crop nor the Calcutta manufacturer can be said to have reaped the full advantages accruing from such a position. Jute is grown on relatively small holdings by thousands of poor cultivators in the Provinces of Bengal, Bihar and Assam, who sell their season's crop as soon as the fibre is prepared for baling or transport. Unlike the capitalistic tea and rubber plantation industries, jute growers lack organisation, and they were harder hit than the manufacturers in the early phase of the great depression. The price of raw jute (first marks) fell sharply in 1930 and the downward trend continued until 1934, when the average price was £15 10s. per ton, or just half that of 1929. It recovered to about £18 10s. in 1935 and 1936, rose above £20 in 1937, and now stands slightly above £19 per ton. The reduction in the area under cultivation since 1930 was due to this catastrophic fall in the price rather than to official propaganda.

The official estimate, which persistently understates the actual yield, forecasts the current season's crop at 1.675 million tons, but unofficial opinion is inclined to place it in the neighbourhood of 2.250 million tons.

AREA AND PRODUCTION OF RAW JUTE IN INDIA

	1930-31	1933-34	1934-35	1935-36	1936-37	1937-38
Area ('000 acres).....	3,492	2,517	2,670	2,181	2,886	2,861
Yield ('000 tons).....	2,001	1,426	1,518	1,293	1,710	1,534

The Indian jute mills, situated on the banks of the Hooghly, purchase their raw material a year in advance and carry substantial stocks at the end of the season. Their stocks have varied from 1,071,000 tons in 1931 to 855,000 tons in 1936. Exports of raw jute and jute manufactures from India have registered a steady increase, especially during the past four years.

INDIA'S EXPORTS OF JUTE

	1930	1933	1934	1935	1936	1937
Raw jute ('000 tons).....	626	729	721	795	769	830
Jute manufactures ('000 tons).....	842	677	669	735	911	1,031

The 36 per cent. increase in exports of Indian jute manufactures since 1934 is to be attributed to the general trade revival following the economic depression, reinforced by re-armament demands. The leading importers of Indian raw jute last year were the United Kingdom (158,000 tons), the United States (122,000 tons), Germany (98,000 tons), Italy (86,000 tons), France (74,000 tons), Belgium (43,000 tons), Brazil (26,000 tons), Japan (24,000 tons), Holland (14,000 tons), China (14,000 tons) and Argentina (10,000 tons).

Over 50 per cent. of the Indian jute crop is consumed by local mills, whose output of manufactures increased from 932,000 tons in 1934 to 1,271,000 tons last year. Moreover, the internal consumption of jute manufactures last year was equivalent to 20 per cent. of the total output. Stocks of manufactures at the end of the past four years, including those of the associated mills and of four of the "outside" mills, are given below:—

STOCKS OF JUTE GOODS IN INDIA
(In million yards)

	1934	1935	1936	1937
Hessian cloth	63.3	45.7	95.2	185.9
Sackings	75.0	103.7	82.2	81.9

Stocks of hessian cloth at the end of last July amounted to 433 million yards, an increase of no less than 342 millions over those of July, 1937, while stocks of sackings, at 188 million yards, were 74 millions higher than those of a year earlier. The huge accumulation of hessians

is a measure of the unhealthy position of the industry, due to prolonged internal competition, aggravated this year by the advent of the recession in world economic activity.

The struggle within the industry began during the great depression. The decline in demand for jute manufactures during that period led to over-production, which the Indian Jute Mills Association sought to cure by restriction of output. This "self-denial" on the part of the Association mills was accompanied by an increase in the output of the "outside" mills, whose capacity was expanded by the erection of additional mills. The Association therefore approached the Government with proposals for an increase in the export duty on raw jute, a reduction of duty on manufactured jute and a statutory restriction of working hours to fifty-four a week. Following the rejection of these proposals, the Association removed the voluntary restriction of output by stages.

Early this year the position was as follows: There were 82 concerns engaged in the manufacture of jute, with 66,000 looms. Of these 71, with 63,000 looms, were operating in Bengal, where 57 concerns with 57,000 looms are members of the Indian Jute Mills Association. This left in that Province 14 non-associated mills with 6,000 looms, and outside it 11 mills with 3,000 looms. While the 9,000 looms operating outside the Association form less than 14 per cent. of the total number of looms, they produced a substantially bigger proportion of the total output by working two or three shifts.

This "outside" production defeated the attempts of the Association to maintain prices. The unremunerative prices and the heavy accumulation of stocks were the cause of the bitter complaints from the Scottish industry in Dundee. In addition to severe competition, the Indian jute industry has had more than its share of labour troubles. No less than 4,891,000 working days were lost by strikes last year, and the Premier of Bengal had to intervene to bring about a settlement between the mill-hands and mill-owners. The improvement in labour conditions is a move in the right direction and as welcome to Dundee as the restriction of output.

The Scottish industry has had its own troubles in recent years. The industry centred round Dundee was superimposed a century ago on an existing flax industry, and in due course the cheaper fibre replaced linen in many uses. It was largely on the initiative of the Scotsmen from Dundee that jute mills were established in the middle of last century on the banks of the Hooghly, where the crop grows and labour is cheap. The industries in both countries were then reaping the full benefit of expanding international trade, though even then there was a tendency for the Indian mills to concentrate on the cheaper standardised qualities, while Dundee was discovering new uses for the fibre and concentrating on the output of quality

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goods. As in the case of cotton, many overseas countries which were formerly customers of Dundee or Calcutta set up their own jute mills during the Great War. But if the British jute industry felt the full force of the world depression, it also shared in the general prosperity during the years of recovery, as the following statistics show:—

IMPORTS OF RAW JUTE INTO THE U.K.				
	1934	1935	1936	1937
Tons.....	194,618	173,242	181,730	192,632
Value (£'000)	2,872	2,911	3,328	3,729

VALUE OF U.K. JUTE EXPORTS (in £'000)				
	1934	1935	1936	1937
Yarn	276	304	350	435
Jute manufactures and piece goods	1,128	1,388	1,342	1,548
Sacks, bags, etc.	822	893	925	1,137
All other descriptions.....	118	76	103	183
Total	2,344	2,661	2,720	3,303

There is, however, a darker side to the picture. The number of insured persons in the jute industry declined from 38,400 in July, 1927, to 30,030 in July, 1937, and it would seem that this shrinkage is permanent. The number of insured workers unemployed fell steadily from 14,026 in January, 1933, to 6,354 in January, 1937, and rose slightly to 8,340 last January. It is presumably this hard core of unemployment that prompted Dundee to demand the imposition of a quota, based on the figures for 1928, on Indian jute manufactures entering the United Kingdom market. As the Indian jute industry is many times larger than the British, Dundee is naturally afraid for its market. The Indian industry is not inclined to accept Dundee's terms, retorting that Great Britain enjoys a

certain measure of preference on her manufactures in the Indian market and that Dundee should not be allowed to jeopardise the national interests of both countries by agitating for an impossible quota limit on Indian imports. If that were done it is open to India to raise the price of raw jute to the Dundee manufacturers by an increase in the export duty. Moreover, by restricting the working hours and improving the conditions of Indian labour, the Hooghly mills are already doing something to meet Dundee's grievances.

Meanwhile, the British Government has been assisting the home industry in two ways. In trade agreements with foreign countries the Government has endeavoured to bring a measure of relief to the domestic jute industry by stipulating that the foreign countries should buy a quantity of British jute bags sufficient to contain their exports to the United Kingdom, provided the price of the British product did not exceed by a certain percentage that of foreign manufacture. In connection with the re-armament programme some 32 million sand bags were acquired by the Government and orders for 275 million more bags are on the industry's books.

Jute is used mainly in the form of bags for meat, grain, beet, potatoes, etc., but it is also employed in the manufacture of imitation leather foundations, linoleum, floor cloth backings, cable wrappings, roofing felts, tailors' paddings, shoe soles, and in road making. In the long run, the fortunes of the jute industry in this country and in India are linked to the course of international trade. But Dundee could probably do much to improve its position not only by increasing the technical efficiency of the mills, but also by the development of new uses for jute and by concentrating production on high-quality goods, leaving Indian mills to turn out the bulk materials.

Finance and Banking

Northern Ireland Bills.—The clearing banks' ban on municipal bills—other than those eligible for rediscount at the Bank of England—as collateral for money market loans has already made its effect felt on the terms on which two local authorities have been able to borrow in the bill market. Midlothian offered £100,000 of six months' bills dated October 26th for tender on Monday, but as a result of the ban the applications proved to be based on so unattractive a price that the offer was withdrawn. As in the case of the recently abandoned Liverpool bill tender, the necessary accommodation, unavailable on reasonable terms in the bill market, has been obtained direct from the local authority's bankers. A more important operation was the tender for Northern Ireland bills which took place at the beginning of this week. The tender was for close on £300,000 of three months' bills and resulted in the full issue of the bills on offer at an average rate of discount of 25s. per cent. per annum. Northern Ireland has a bill indebtedness of about £2,000,000, and its three months' bills have in the past been placed at rates approximating very closely to the British Government Treasury bill rate prevailing at the time. Since the clearing banks' ban covers Northern Ireland bills, few houses in the discount market felt disposed to tender for these bills, and those which did based their tenders on prices which allowed fully for this new factor in the situation. Consequently the Northern Ireland Treasury has found itself forced to pay just about double what it would otherwise have paid for its accommodation.

The outcome of this tender is likely to bring the whole problem of municipal bills to a head. There can be little cavilling at the attitude of the clearing banks in declaring their ban on non-eligible municipal paper. These institutions cannot allow their second line of defence to be weakened by the acceptance as collateral of bills which in an emergency could not be turned into cash at the Bank of England. The attitude of the Bank in determining what are and what are not eligible municipal bills seems, how-

ever, to require restatement. At present it is dictated by a wholly arbitrary consideration, namely, whether the bills in question were issued through the Bank or not. If they were, they will be rediscounted. This privilege applies to four local authorities for which the Bank of England acts as banker. For all others, however important and credit-worthy, the privilege of rediscount by the lender of last resort is withheld. The ruling is hardly in the orthodox tradition of central banking. It tastes more of that tradition of commercial banking which in most respects the Bank of England is at pains to forget and live down. Perhaps there is a more fundamental principle at stake. The British Treasury may wish to keep the bill market free from the intrusion of municipal borrowing in view of its own needs. The authorities may, for other reasons, deem it undesirable to give municipal finance the cheap facilities of the discount market. Even if these wider issues enter into the question, they do not obviate the need for a less arbitrary rediscounting rule on bills issued by local authorities than that which obtains at present.

Exchange Speculation and the Sterling Bloc.—Without contesting the substantial advantages of the sterling bloc system from this country's point of view, it is necessary to admit that there are a few items also on the debit side of its balance sheet. The existence of the sterling bloc tends, for example, to increase the strength both of downward and of upward pressures on sterling and thus to make more difficult the task of the British authorities. This arises from the fact that the speculative activities of traders in sterling bloc countries tend to be concentrated in London. During the last two months speculation in dollars by the Scandinavian countries has been one of the outstanding features of this market. Stockholm, Oslo and Copenhagen do not possess a very good market in dollars, and since their exchanges are pegged in relation to sterling it is convenient for Scandinavian speculators to

operate in London. Were they to operate in Amsterdam or Paris they would lose an extra turn, since, owing to the fluctuation of the Scandinavian exchanges in both markets, the margin between buying and selling rates is apt to be wide. On the other hand, owing to the sterling bloc arrangement, their margin in London is very narrow, so that Scandinavian speculators can buy and sell dollars in this market against the sale of their national currencies on very advantageous terms. The result is a selling pressure on sterling whenever Scandinavian speculators choose to go long in dollars. For their respective monetary authorities offset the selling pressure on their currencies through sales of sterling out of their foreign exchange reserves kept in London, and the Exchange Equalisation Account has to stand the burden of the Scandinavian demand for dollars. It is true that sooner or later these speculative operations are covered, but while the positions are running they constitute a drain on the resources of the Exchange Equalisation Account.

New Zealand Exchange.—On October 20th, the New Zealand trading banks raised their selling rate for telegraphic transfers on London from £NZ124 10s. to £NZ125 per £100 sterling, while their buying rates were raised from £NZ124 to £NZ124 10s. Rates for other usances were also increased by ten shillings. The custom of the trading banks is to operate upon a ten shilling margin, while the New Zealand Reserve Bank quotes a margin of one pound, buying at £NZ124 and selling at £NZ125. The effect of this change, therefore, is to bring the trading banks' selling rate into line with that of the Reserve Bank. Hitherto, the trading banks have been able to sell sterling out of their own accumulations of London funds, but as the following table shows, these have lately become attenuated.

LONDON FUNDS			
	July, 1936	July, 1937	July, 1938
	(£NZ millions)		
Held by—			
Reserve Bank	22.1	20.9	15.1
Trading banks.....	21.1	14.1	8.2
Total	43.2	35.0	23.3

By a few weeks ago, the trading banks were finding some difficulty in meeting their customers' needs out of their own resources, and it is becoming clear that they will shortly have to replenish their sterling by purchases from the Reserve Bank. This is why they have decided to bring their selling rate into line with that of the Reserve Bank, for otherwise they would have found themselves selling sterling at a loss.

The most significant of the reasons for the recent diminution in New Zealand's London funds are the effect of the recent recession in world trade and prices upon New Zealand's exports; the recent nervousness of capital, due to political fears and motives; and the fear lest the spending policy of the Labour Government will prevent any reduction in imports. Also the primary produce marketing scheme of the Labour Government, already applied to exports of dairy produce, means that the proceeds of all such exports accrue to the London balances of the Reserve Bank, and not to those of the trading banks. Hence, as the table shows, the London funds of the trading banks have suffered more than those of the Reserve Bank. These are the reasons behind this recent adjustment in the trading banks' rates. It is only necessary to add that an alteration of this magnitude is far too small either to affect New Zealand's balance of payments or by itself to check any future drain of funds from New Zealand.

MONEY MARKET NOTES

Foreign Exchanges

THE London market has been very quiet all the week, but sterling has had a stronger undertone, having risen from \$4.75½. Thursday's improvement in the dollar from \$4.77½ to \$4.77½ was mainly technical. Paris is closed from Friday to Tuesday of this week-end, and certain operators bought dollars on Thursday, in case any new development came from Paris during the holiday—as indeed, has happened several times in the past. French francs have been weak at Frs. 178½, but hardly any support has been needed from the French Control. Spot belgas followed the dollar, but forward belgas improved in sym-

pathy with the reduction of the Belgian Bank rate from 3 to 2½ per cent. On Thursday one month's belgas were quoted at a small premium, and three months' at par to one cent discount. There have been very few dealings in guilders and Swiss francs, and these rates have moved with the dollar in a largely nominal market.

The Bank Return

MORE of the "crisis" notes have returned, and the note circulation is now only £3.3 millions bigger than it was

before these notes went out. The Reserve is consequently strengthened, while the Proportion has been restored to 28.1 per cent.

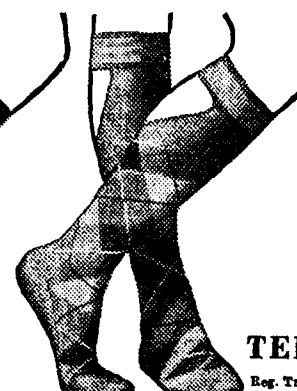
	Oct. 27, 1937	Oct. 12, 1938	Oct. 19, 1938	Oct. 26, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold	326.4	326.4	326.4	326.4
Notes in circulation	483.1	496.4	486.4	482.5
Banking Dept.:				
Reserve	44.9	31.4	40.0	43.9
Public Deps.	32.2	28.3	33.8	25.0
Bankers' Deps.	87.7	94.9	90.9	100.0
Other Deps.	36.6	36.6	35.9	35.5
Govt. Secs.	100.2	114.5	104.9	107.6
Discounts & Advances	8.1	9.6	8.0	4.2
Other Secs.	20.9	21.9	23.9	21.6
Proportion.....	28.6%	19.6%	25.7%	28.1%



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There were several wide movements in the banking department. First Government disbursements and a discrepancy between the dates of Treasury bills issues and maturities have reduced public deposits by £8.8 millions. Hardly any of this decrease is due to Exchange Account operations. Next there is a small increase in Government securities, more than offset by a reduction of £3.8 millions in discounts and advances, the latter movement being unconnected with the money market. Other securities, which rose by about two millions last week, have fallen back again. As a result of these changes and the increase in the Reserve, bankers' deposits have risen by £9.1 millions.

The Money Market

MONEY has become considerably easier this week, and by Thursday discount rates were showing signs of returning to the low levels current prior to the crisis. The clearing banks were buying mixed parcels of December and January Treasury bills at $\frac{1}{2}$ per cent., and were prepared to take them even in the proportion of 75 per cent. Januarys and only 25 per cent. December. The market rate for January Treasuries alone and also for three months' bank bills is no better than $\frac{1}{8}$ per cent. Bond money is also plentiful at $\frac{3}{4}$ per cent. The simple explanation of their ease lies in the increase in bankers' deposits shown in this week's Bank returns. This

	Oct. 28, 1937	Oct. 20, 1938	Oct. 27, 1938
Bank Rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
London Deposit Rate...	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	$\frac{1}{2}$ - $\frac{3}{4}$ -1*	$\frac{1}{2}$ -1*	$\frac{1}{2}$ -1*
Others	$\frac{1}{2}$ - $\frac{3}{4}$	$\frac{5}{8}$ - $\frac{3}{4}$	$\frac{5}{8}$ - $\frac{3}{4}$
Discount Rates:			
Treasury bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Three months' bank bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$

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

does not account, however, for the fact that money has once more become easy in spite of the continued absence of the large quantity of funds transferred to New York during August and September. The real explanation is that if the market now has less money at its disposal, it also has fewer bills in which to invest it; for the Exchange Equalisation Account is holding many more bills than two months ago, while the total amount issued by tender is considerably less. The banking system, in fact, is working on a smaller turnover.

The Bullion Market

THE firmer tendency of sterling during the early part of the week made arbitrage more difficult, as arbitrageurs saw greater risk in covering their exchange after buying their gold. Also on most days the authorities were only ready to sell gold at a premium. Thus in spite

of some Continental buying, the total volume of business was limited. On Thursday, however, sterling developed weakness and so arbitrage became more attractive. Therefore, although gold was fixed at a penny premium, there was a big increase in the amount dealt in at the fixing.

Date	Gold			Silver, price per oz. standard	
	Price per fin. oz.	Prem. or Dis-count	Amt. dealt in †	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Oct. 21 ...	146 2½	10pm	662	19½	19½
" 22 ...	146 1½	10pm	579	19½	19½
" 24 ...	145 11	10pm	447	19½	19½
" 25 ...	145 11	par	764	19½	19½
" 26 ...	145 9	1 pm	467	19½	19½
" 27 ...	145 7	1 pm	1,085	19½	19½

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing.
The New York price of silver remained at 43 cents per ounce .999 fine during the week.

In the silver market, most of the demand came from the United States. Sellers were rather reserved, but India operated both ways, with some bear covering in evidence on Friday. Wednesday's price was rather too high in comparison with the New York exchange, and so the price was left unaltered on Thursday, in spite of the intervening appreciation of the dollar. This brought out a better American demand, with the general feeling that Thursday's price was "about right" in comparison with that morning's quotation of \$4.77½ to the pound.

are known can these uncertainties be terminated. The relative part to be played by borrowing and taxation and the possibility that industrial mobilisation might cut across civil work and possibly interfere with the size of company profits and dividends—these are among the unresolved quantities which prevent any precise formulation of investment policy.

Repatriation and Control.—No method, it would seem, is better calculated to inspire new life into a comatose capital market than to market a substantial block of shares which already have high investment favour. That, however, is not the only interesting aspect of the deal by which 2,200,000 5s. ordinary shares in F. W. Woolworth and Company will be offered for sale by Philip Hill and Partners on Tuesday next at 58s. per share. It is permissible, perhaps, to speculate on Treasury policy in consenting to the repatriation of so large a block of shares, involving the transfer of over £6 millions sterling at a time when pressure on the pound was attracting comment in Washington. That consent, however, is strictly in accordance with the more liberal objectives of control announced some time ago. Further, it would appear that the transfer of this block of shares from a private holder in the United States does not affect the control of the British company in any way. The American Woolworth company will continue to hold a majority of the 30,000,000 5s. ordinary shares now in issue. The offer will, of course, provide a stern test of the market's digestive powers, for £6,380,000 is a large sum to find even for the opportunity of acquiring the best type of industrial share. The offer must be listed among the important repatriations of recent years, including those, such as Boots and Edmundsons Electricity, which have restored control to British

ownership. There is a natural limit to transactions on this scale, but in the long run other direct investments in British industry may well be transferred, in part at least, from American to British ownership. That is already the case with Woolworth and Ford Motor. An exception which will spring to the investor's mind is the 100 per cent. control of Vauxhall Motors' equity, which is held by General Motors Corporation.

Mitchells & Butlers Setback.—The report of Mitchells & Butlers for the year to September 30th shows a disappointing fall of 9 per cent. in total profits. The percentage is not large in itself, but it is somewhat unexpected for a business operating in the Birmingham region, which has been more successful in maintaining industrial activity than some districts. Trading profits, struck after depreciation and taxation, are reduced from £754,412 to £686,730. It would seem, in fact, that higher taxation and the increased cost of materials are jointly responsible for this decline, for the directors state that turnover was fully maintained. As we show in the following table, the reduced dividend represents approximately the same proportion of available earnings as in recent years:—

	Years ended September 30th		
	1936	1937	1938
Profit	719,119	754,412	686,730
Fees	2,500	2,500	2,967
Debt interest	29,246	29,631	37,387
Preference dividends	45,750	45,000	43,500
7 per cent. maximum ord. div.	28,728	28,258	27,315
Shares:—			
Earned	612,895	649,023	575,561
Paid	518,052	510,651	450,705
Earned %	27.2	29.2	26.8
Paid %	23*	23	21
To reserves	65,000	100,000	100,000
Carry forward	583,209	621,581	645,239†

† After £1,198 issue expenses. On gross basis.

As in 1936-37, £50,000 is placed to general reserve, and £50,000 to the property reserve account, which was inaugurated a year ago to provide for expenditure on properties which does not add to capital value from a trading point of view. The balance sheet again shows impressive strength, and reflects the issue announced last May of £535,000 nominal of 4 per cent. "A" debentures, which has raised the amount outstanding to the maximum of £1,250,000. Fixed assets continue to expand—they now exceed £8½ millions—while cash holdings amount to no less than £1,065,369, against £823,379. The latest year's setback, in fact, is of minor importance when related to the company's financial strength and satisfactory profits record—merits to which the current yield of £5 10s. 3d. per cent. on the £1 shares bears witness.

American Steel Profits.—The publication of third-quarter earnings by the leading American steel companies has provided a salutary reminder that, despite the improvement in operations recorded since June, the companies are still "in the red." United States Steel, in particular, has announced a net loss of \$5,847,791 for the September quarter, compared with a profit of \$30,618,000 for the third quarter of 1937. The average level of operations, at 34.6 per cent. of capacity, was, however, only 2.6 per cent. higher than in the June quarter, when the smaller loss of \$5,010,000 was recorded. This fact reveals the consequences of the change in the industry's price structure, following the abandonment of the "basing point" system last June, and of the outbreak of price-cutting. The latest results for the leading steel companies are summarised in the table at the head of the following column. In each case profits (or losses) are shown before providing for preferred stock dividends. The United States Steel Corporation has declared the usual quarterly payment of \$1.75 on the preferred stock, while Inland Steel—an exception to all generalisations on American steel conditions

AMERICAN STEEL EARNINGS
In \$'000s

	September Quarter		Nine Months	
	1937	1938	1937	1938
U.S. Steel	30,618	Dr. 5,848	95,353	Dr. 12,150
Republic Steel	3,237	Dr. 2,388	9,291	Dr. 8,306
Youngstown	3,586	Dr. 728	10,494	Dr. 750

—has declared a further dividend of 50 cents on the common stock (making \$2.50 this year), from earnings of 69 cents per share. The market received these results rather coldly at first. Then it gathered fresh inspiration from optimistic trade reports, among which the estimate by *Iron Age* that ingot production had advanced to 54 per cent. of capacity, compared with 51 per cent. a week ago, coupled with evidence of a continued expansion in demand and more stable prices, was most welcome. But the latest results suggest that the expansion in output has further to go than recent optimistic estimates have suggested before the industry is earning positive profits.

B.A. Western Position.—In his report, the Director-General of B.A. Western Railway describes the past year as one of the worst in the company's history. Operating profits were, in fact, lower even than in the last depression. Disastrous crop conditions reduced receipts from cereals traffic from £729,703 to £279,690, and only an improvement in passenger receipts lessened the force of this serious setback. Passenger traffic, mainly in the suburban services, provided about £50,000 more revenue, and though receipts fell on other traffics, the loss was on a relatively modest scale. Livestock receipts, for instance, were only 1.68 per cent. lower, at £866,222, than in 1936-37, and general merchandise, which accounted last year for as much as 24 per cent. of all goods receipts, fell by only 2.02 per cent. Operating expenses fell in a smaller proportion than total receipts, since a 17½ per cent. increase in the price of fuel prevented larger economies. The 5 per cent. wages cut took effect only in April, and though this reduction has since been increased to 8 per cent., the effect on the present year's wages bill is not yet known. As we show in the following table of results, stockholders do not suffer the full force of the reduction of £314,713 in operating profits, for exchange differences require about £70,000 less, and no charge against revenue is made for renewals:—

	Years ended June 30th		
	1936	1937	1938
Operating receipts	3,502,899	3,735,632	3,340,028
Operating expenses	2,921,846	2,971,985	2,891,094
Operating profit	581,053	763,647	448,934
Other revenue	261,542	213,775	210,763
Exchange differences	273,755	299,488	229,562
W'k'g. Agreement payments ...	77,320	70,401	92,472
Special charges†	15,450	49,072	...
Debt interest	457,774	457,774	454,773
Earned for dividends	18,295	100,687	Dr. 117,110
Preference divs. paid	40,523*	104,332*	...
Carry forward	33,205	29,561	12,451†

* On 5 per cent. preference stock in full in both years; on 4½ per cent. preference, 1 per cent. in 1935-36 and 3½ per cent. in 1936-37. † 1935-36, claims reserve; 1936-37, renewals from revenue. ‡ After transferring £100,000 from general reserve.

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Renewals expenditure absorbed £61,876 during the year, but it was entirely provided by the renewals fund, which now stands at £2,825,030, whereas in 1936-37 net expenditure of £49,072 was met in full from revenue. In spite of these savings, however, debenture interest is short-earned to the extent of £117,110, and no preference dividends are paid. The profit and loss account is restored to credit by a transfer of £100,000 from general reserve. Total reserves now stand in the balance sheet at £1,651,372. By present indications passenger traffic is developing satisfactorily, crop conditions are more hopeful, and in 1938-39 wages reductions may play a more important part. But the 17 per cent. decline in sterling traffics already recorded for the 16 weeks to October 22nd will damp any undue optimism.

B.A. and Pacific Results.—The disappointing story of British-owned Argentine railways for 1937-38 is completed with the issue of the Buenos Aires and Pacific report. As in the case of the other major systems, the improvement recorded in 1936-37 was not sustained, and the latest results are but little better than those for 1935-36. Buenos Aires and Pacific depends predominantly on goods traffic, and the 10.47 per cent. drop in gross receipts is due chiefly to the serious decline in grain freights. The effect of drought and small crops was to reduce total receipts from cereals by one-half to £625,348. But the most important product carried is wine, which accounts for over one quarter of gross operating receipts of all kinds. In this category the decrease of 12.27 per cent. to £1,706,851, was smaller, but cereals and wine traffics together show a drop of no less than £880,170. A modest but satisfactory rise of 4.03 per cent. in passenger receipts, and an increase of £37,519 in parcels traffic, limits the fall in total receipts to £756,955. As we show in the following table, working expenses have been reduced by 7 per cent. to £5,116,262:—

	Years ended June 30,		
	1936	1937	1938
Operating receipts	6,529,274	7,226,550	6,469,595
Operating expenses	5,179,229	5,501,273	5,116,262
Operating profit	1,350,045	1,725,277	1,353,333
Other receipts	169,205	147,584	143,433
Exch. differences	985,586	658,225	708,978
Depreciation of currency float- ing assets	Cr. 275,527	94,123	Cr. 38,429
Debenture interest*	938,819	954,113	960,395
Rent charges*	759,485	773,281	779,938
Net loss	Dr. 889,114	Dr. 606,881	Dr. 914,117
Carried forward	Dr. 4,184,665	Dr. 4,791,546	Dr. 5,705,663

* Including interest on arrears.

Despite the operation of lower wage charges during part of the year, this reduction is proportionately smaller than the fall in gross traffics, and the operating ratio is nearly 3 per cent. higher at 79 per cent. Renewals charged in the various operating accounts amount to only £168,422 against £280,802, but this item of expense in recent years has been on too small a scale to affect operating results very considerably. The balance available for fixed charges amounts to £826,217 against £1,120,513. But the heavy weight of accumulated losses robs the annual results of any special significance. The renewal of the moratorium last June for a further five years was, in fact, scarcely more than a formality, for while interest payable in respect of debentures and guarantees, as well as interest on arrears, is fully charged each year, it is only partly paid. At present the first and second debenture stocks are receiving interest

in full, payments on the 4½ per cent. consolidated debenture stock have been made to July 1, 1934, while holders of the 5 per cent. (1912) debenture stock have 6½ years' arrears due to them. The General Manager's report points out that crop prospects are better this year, but in the meantime, stockholders will derive little consolation from a fall of £156,264 in gross receipts for the first 16 weeks of the current year.

Associated Piano Scheme.—The report of Associated Piano Company for the year to March 31st shows that net profits have been reduced from £17,104 to £13,364. Hence, the net preference dividend, which requires £8,925, is covered 1½ times. In these circumstances the directors' proposal to convert the £160,000 of 7½ per cent. cumulative preference capital into a corresponding amount of 5 per cent. loan stock, repayable by the end of 1944, is somewhat surprising. It may be conceded at once that the company's circumstances are unusual. The retailing side of the company's business has not shown a satisfactory return in recent years; on the other hand, the capital invested in this branch is represented largely by hire-purchase debts, which will be gradually realised during the next five years. In a situation where the preference capital is fully covered by assets, but may be prejudiced as to dividends (although that is a problem which lies in the future) the board offers preference shareholders the opportunity to exchange their status for that of creditors, holding a security whose service will not depend upon profits. It is doubtful, however, whether this point offers adequate compensation for the loss, first, of one-third of current income rights and, secondly, of the capital right to be paid off at 25s. per £1 share. The present quotation of 13s. 9d. for the preference shares may possibly represent a fair market appraisal of their prospects. But if the preference shares were converted into loan stock the company might be able to take advantage of any fall in the market value of the stock below par, by making drawings on advantageous terms. The company, on the directors' own showing, is over-capitalised in relation to its profit-earning capacity. In that event it would surely be possible to accumulate free resources as surplus assets are realised, and then to proceed to a reduction of share capital in the normal way, observing in the process all existing rights of the preference shareholders.

Imperial Smelting Prospects.—The failure of Imperial Smelting Corporation to pay its preference dividend in full, coupled with the general setback in metal prices, had prepared shareholders for a sharp decline in profits for the year to June last. Actually, total revenue, at £117,447, is 57 per cent. lower than for the previous year, and also the lowest figure recorded in the Corporation's existence. The consolidated profits of the group show a smaller reduction of 45 per cent. to £268,812, but the two years are not strictly comparable. The amount earned for dividends by the Corporation is £103,327, against £257,092, and the 6½ per cent. preference shares receive a dividend of 4½ per cent. out of a possible 5 per cent., the excess of £10,186 being used to increase the carry forward to £80,806. This sharp contraction in earnings is explained by the rapid fall in spelter prices last autumn; the average price during the financial year was reduced by £3 7s. to £16 15s. 1d. per ton, while profits were also affected by a general increase in costs. The outlook for the current year, however, may be very different. The Corporation has long urged that assistance should be given to the British zinc smelting industry, and Empire zinc producers have put forward a scheme which is now under consideration by the Import Duties Advisory Committee. It is proposed that the present duty on foreign imports, and the equalising premium of the Empire metal over the market price, should be raised from 12s. 6d. to 30s. a ton. Empire producers would retain only 2s. 6d. out of this increase; of the balance they would pay 10s. a ton to Imperial Smelting Corporation and also 5s. to a pool for subsidising exports, and the Corporation would

also contribute 5s. for each ton of metal produced to this pool. On the basis of imports and domestic production for the year to June 30, 1938 (when the Corporation produced 65,153 tons of zinc, and imports from the Empire amounted to 106,124 tons), the Corporation would receive some £150,800 gross from the 30s. premium obtainable from its sales and from the 10s. a ton levy on Empire imports. After deducting its own contribution to the pool of, say, £16,300, and the premium of 12s. 6d. a ton already obtained, the net gain to the Corporation would represent £93,800—equivalent to 3.7 per cent. actual on the ordinary capital. In addition, there should be some gain from increased exports since, on the basis of the 1937 figures, receipts into the pool would subsidise exports amounting to some 27,000 tons, against actual exports in 1937 of 7,316 tons. Moreover, the market price of spelter has already improved in the present financial year. The current price of 12s. 9d. for the £1 ordinary shares makes due allowance for the Corporation's improved outlook, assuming that the proposed scheme is officially approved.

"Twin Eagle" Guarantees.—It is not easy to summarise the revised terms which in future will govern mutual guarantees between the Canadian Eagle and Mexican Eagle companies. These guarantees have covered the due operation of sinking funds for each company's first preference shares, and, so far as profits permit, the payment of dividends on their respective first preference and participating shares. The Canadian Eagle report, issued in August, announced that the obligations of the Canadian company under its guarantee agreement were to be submitted to arbitration. The two companies and the trustees, however, have instead negotiated a tri-partite agreement. As from the end of 1937, the existing provision that any debit balance shown by one of the companies must be offset by a corresponding reserve provision by the other, before the latter can pay a dividend, will be deleted—obviously a point of importance for Canadian Eagle in the present situation. For the determination of respective liabilities, the two companies are to act on the basis of the best profit and loss account which can be produced by Mexican Eagle (whose books and records have been seized), with the proviso that adjustments may subsequently be made if proper accounts are subsequently prepared. Payments from available profits will be made by the Canadian company under its guarantees to the extent to which the Mexican company is unable to pay its first preference and participating dividends. It is laid down, however, that any amounts received under guarantee in respect of dividends on the first preference shares shall be repayable by the company concerned out of future profits (subject to the prior claim of the first preference dividends), while payments on the participating preference shares may be recouped only from profits, if any, which might have been applied, but were not in fact applied, in payment of such dividends. Finally, the mutual guarantees of sinking funds on the first preference shares of both companies remain in force.

Canadian Eagle Distributions.—Following this agreement, the Canadian Eagle company proposes to distribute the available balance of £741,650 (after paying first preference dividends) shown in the 1937 report. A sum of £5,624 is required to meet the Mexican Eagle first preference dividend for two months to the end of 1937. A dividend of 23.88 Canadian cents is declared on Canadian Eagle participating preference shares, absorbing £42,525, while the fixed dividend on the Mexican Eagle participating preference shares requires £10,800. The distribution of 6d. per Canadian Eagle ordinary share absorbs £303,207, leaving £379,494 to be carried forward. These payments, of course, relate to 1937, and have been held in abeyance. For the current year, the situation is obviously obscure. The Mexican oil companies now await the Supreme Court's decision on the legality of the expropriation of their property, while the Canadian Eagle

concern has been compelled to seek new sources of supply for its trading activities. President Cardenas has recently claimed that Mexico would be able to wipe out her obligations if she could sell a portion of her oil through the expropriated companies. What this statement means in terms of political or economic probabilities is not immediately apparent. The revision of the agreement between the Eagle companies implies first that the revenue obligation upon Canadian Eagle for the payment of Mexican Eagle preference dividends should be relatively moderate; the capital obligation for the sinking fund on the latter's first preference shares is, of course, well covered by its own liquid resources.

Trinidad Leaseholds Profits.—Although the dividend was reduced from 30 per cent. to 27½ per cent., and total profits were 12 per cent. lower, the Trinidad Leaseholds accounts for the year to June 30 make a satisfactory impression. The report points out that the average price obtained for the company's products rose, but an important proportion of sales is in the form of heavy oils for the bunker and export markets, and these showed a decrease which more than offset an improvement in "Regent" petrol sales in this country. Total sales, however, amounted to 10,062,000 barrels—a reduction of 2 per cent.—which is considerably lower than the rate of decline in profits. But the company has incurred expenses incidental to a larger production and to the extension of the refinery operations, as a result of which 10,476,000 barrels of crude oil were treated in 1937-38, against 10,169,000 barrels in 1936-37. Moreover, the introduction of the new plant involved extra expense, and there was a rise in the cost of labour and materials. The refinery extensions were practically complete before the end of the financial year (£898,503, incidentally, was spent on capital works of all kinds in 1937-38, against £588,628 in 1936-37), but they have not been at work long enough to affect profits. Meanwhile the reduction in earnings available for the shareholders, as we show in the following table, exceeds the fall in total profits by £63,240.

	Years ended June 30,		
	1936	1937	1938
Total profit	679,409	1,108,833	977,147
Expenses and fees	36,147	46,062	46,269
Depreciation	231,411	250,169	245,008
Written off shares, etc.	12,650	26,566	81,262
Taxes	55,000	137,500	151,000
Shares:—			
Earned	344,202	648,534	453,608
Paid	327,891	491,835	450,849
Earned %	26.2	39.6	27.7
Paid %	25	30	27½
Reserve	...	100,000	...
Carry forward	86,472	143,171	145,930

This reduction is due chiefly to an increased provision for writing down interests in other companies, while the total taxation allocations include £21,000 for the Trinidad cocoa levy. The dividend is in consequence covered with only a trifling margin and no addition is made to reserve. The current year's outlook is affected by the uncertainties of the oil price structure, and in the absence of a recovery in shipping movements sales might well fall further. The company, however, has an established position in the British petrol market, and in due course the new refinery should make a considerable contribution to profits. The £1 shares are quoted at 91s. 3d., to yield £6 0s. 6d. per cent.

Consolidated African Selection Trust.—The less prosperous circumstances of the diamond industry are strikingly reflected in the results of Consolidated African Selection Trust for the year to June 30th last. Net revenue from diamond production and trading account fell by £186,700 to £419,150. The substantially increased

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £17,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 25 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

amount of £21,000 was expended upon investigation, while new issues expenses were higher. Taxation absorbed £68,330 net, against £84,610 for 1936-37, when a sum of £27,500 was written back. The net balance available for dividends on the ordinary shares amounts to £271,220, against £457,910, and since the capital was increased last year by a 300 per cent. scrip bonus, the 15 per cent. distribution requires £226,220, against £339,330 for the 90 per cent. paid on the former capital. Only £24,220 has been set aside to reserve, which received £100,000 a year ago, and the slightly increased amount of £39,920 is carried forward. The general reserve account, which now stands at £170,000, shows the effect of crediting £1,027,550 arising from the revaluation of investments and deducting £1,139,090 in respect of the share bonus. Investments, chiefly at directors' valuation, now stand in the balance sheet at £1,252,090, compared with £224,680 at cost. On the basis of last year's dividend the return at current price of 13s. 6d. for the 5s. shares is over 5 per cent., tax free. In view of the continued demand for industrial diamonds, and of the more cheerful conditions now prevailing in the United States, shareholders may feel justified in expecting somewhat improved results for the current year.

The Week's Company Profits.—This week reports have been received from 43 companies, excluding two for which comparable figures are not available. The total net profits of these concerns amount to £3,411,000, showing a fall of 18 per cent. compared with their earnings of £4,181,000 for the previous year. The cumulative total for 1,994 companies reporting to date is £259,622,000, a rise of 9½ per cent. on the corresponding total last year of £236,794,000. The week's results are discussed in preceding Notes and on page 236 under the heading "Shorter Comments," while our usual analysis table appears on page 252.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
NOVEMBER 8 NOVEMBER 10

THE new account opened in encouraging fashion this week. From the outset it was evident that the demand for iron and steel issues was of a determined character, well able to resist the profit-taking to which many shares were naturally subjected after their recent gains. But the advance was not on a broad front, nor was it fully sustained. Lord Halifax's references to the financial obligations inherent in national preparation first checked the rise, and the German colonial demands, with their unpalatable possibilities for Imperial politics, have taken fresh toll of gold mining issues. The course of the fixed-interest securities has been irregular, and neither gains nor losses were extensive.

A limited amount of support for gilt-edged stocks on Monday, led by support for War Loan before the deduction of interest, produced fractional gains of the order of a quarter of a point. On Tuesday, War Loan was marked ex interest, but lost more than the due amount. Some bear operations were reported and investment support was lacking. Further falls were initially recorded on Wednesday, but the sharp advance in sterling provided a signal for bear covering and small gains were recorded at the close.

In the foreign bond market, both Chinese and Japanese bonds responded

to the hope that the fall of Hankow would be followed by a truce. Some Japanese issues jumped as much as six points on Monday, although later profit-taking limited their net advance. Some shortage of Chinese bonds contributed to the two-point advances on Tuesday and again on Wednesday. European bonds were firmer, and Czech issues recovered after an early reaction associated with Hungary's demands.

Home rail stocks responded at first to hopes of good traffics with preference issues well in the lead, though ordinary stocks were not without support. Part of this bloom had already been lost by Tuesday evening, however, and when the traffics were published an all-round setback occurred, except in Southern preferred. Small declines were also recorded in the preference list. Demand for Argentine rail preference and ordinary stocks was well maintained.

Apart from activity in iron and steel and armaments shares generally, the industrial market passed an uneventful week, with no pronounced trend in either direction. Iron and steel shares went ahead strongly at the opening, with Dorman, Long in the lead, although nearly all the principal shares showed good gains. Investment demand slackened in mid-week, and there was also some profit-taking, but after it had been absorbed the market became firmer. More interest was taken in coal shares than in recent weeks, and on the whole the trend was upward. While there were some good gains among engineering

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 243. At the Buenos Ayres Great Southern Railway meeting, Sir Follett Holt referred to heavy increases in costs. At one time last year, coal delivered rose by as much as 7s. 7d. a ton. Strenuous efforts to reduce expenses were described by Mr H. Howard-Williams at the Central Argentine Railway meeting. A total reduction of about £1,000,000 had been effected. Addressing Manila Railway (1906) Company members, Lieut.-Colonel C. A. Reid Scott showed that the estimate of an annual surplus of £16,000 would have been exceeded under normal conditions. Coal traffic was declared by Mr E. A. A. Joseph to be the main cause of the Assam Railways and Trading Company's rise in profits. Sir Auckland C. Geddes, at the Rhokana Corporation meeting, expressed the opinion that the Corporation's total plant capacity was largely in excess of 10,000 short tons a month—the figure previously given to shareholders. Addressing shareholders of John Delaney, Limited, Mr A. Woolley-Hart pointed out that the output of lime had increased by over 30 per cent. to 86,546 tons. Sir Louis Sterling informed members of Herrburger, Brooks that the effect of lower turnover had been partly offset by reductions in expenses. Dr Hans Pirow, at the New Modderfontein Gold Mining meeting, explained the reasons for the company's decision to undertake a certain amount of development work on the Black and Kimberley reefs. Nourse Mines shareholders were informed by Mr R. S. G. Stokes that capital expenditure to be incurred during the current year was expected to exceed £60,000, but that this work should practically complete the programme. At the first annual meeting of Blyvooruitzicht Gold Mining Company, Mr Stokes summarised certain additional information which had been obtained by West Witwatersrand Areas and which had a favourable bearing upon their own company's prospects.

shares, the tone was irregular. Electrical equipment issues also became more uncertain as the week progressed. Motor shares were firm rather than exciting, although Triplex was well supported. Aircraft shares made a mixed showing, for a slightly easier tendency followed the firm start. Imperial Airways lost 1s. on the dividend announcement. Except for a burst of interest on Tuesday, textiles lacked special features, though in the rayon section Courtaulds went ahead quietly. Breweries were at first well supported from the provinces, but the Mitchells and Butler's report depressed prices later. Seager Evans were bought on market rumours, but reacted in mid-week on profit-taking. Tobacco shares were neglected. Store shares were undecided, but showed a somewhat steadier tendency on Wednesday. Woolworth were inclined to droop before the terms of the offer for sale, but showed a sharp advance to 59s. 6d. on Thursday. Tate and Lyle were a firm feature in the provision and catering section. As in the previous week, price movements in miscellaneous shares were unimportant. Until profit-taking brought a reaction, Imperial Smelting were firm, despite the report.

Idle conditions continued in the oil share market, and though occasional gains were recorded, an easier tendency developed later in the week from lack of support. The firm opening note was not maintained, for a little Continental selling subdued prices. Mexican Eagle were indifferent to news of the rejection of the companies' petition to President

New York

AFTER reaching new highs at the end of last week, Wall Street evidently felt that the time for a breathing space was at hand. For two days, stocks moved within the narrowest of margins, until mid-week brought a profit-taking test which, on the whole, the market survived very satisfactorily. For the first three days, turnover remained fairly stable, only dropping below 1½ million shares on Tuesday. Reports that the Administration had reached a *modus vivendi* with the utilities (which would release substantial expenditure for new construction), coupled with the further rise in steel activity, encouraged the industrial market at first, but after a bout of profit-taking, the market relapsed into featureless trading. The prospects of increased armament expenditure brought support in the aircraft section and the general background of market sentiment undoubtedly remained bullish. Nevertheless, the third quarter steel earnings figures proved less palatable than the optimists had hoped. The mid-week reaction, however, was in any case overdue, and its importance for the chartists was tempered by the ability of the market to stage a vigorous rally in the last hour. Rail stocks were generally out of favour (although rail bonds improved), but utilities have continued to rise unhampered into new high ground.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord shares*	20 fixed int.†
Oct. 21	6,565	7,315	83.7	125.6
Oct. 24	6,650	8,730	83.0	125.7
Oct. 25	6,720	6,930	83.8	125.6
Oct. 26	6,285	7,000	83.4	125.6
Oct. 27	6,095	7,145	83.4	125.5
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12	Feb. 4
			73.7	119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial share prices reflects the recovery that has taken place since the September crisis. On Tuesday, October 25th, this index stood at 63.7, compared with 58.0 a month ago, but with 77.5 a year ago. The corresponding average yields are 5.85, 6.50 and 4.69 per cent. A selection of the separate indices, and also the usual monthly particulars of fixed interest prices and yields, follow:—

Groups (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Oct. 26, 1937	Sept. 27, 1938	Oct. 25, 1938
Fixed Interest			
2½% Consols. (1)	131.7	119.1	127.8
Misc. indus. debts. (13)	121.0	118.7	119.7
Misc. indus. pref. (26)	116.1	111.6	112.4
Ordinary			
Insurance (10)	121.1	102.7	114.0
Building mats. (6)	87.0	69.1	76.1
Coal (9)	114.1	69.0	81.1
Elec. manufacturing (12)	136.7	108.0	117.2
Iron and steel (17)	71.6	45.4	55.6
Motors (6)	45.2	30.5	34.1
Shipping (6)	21.5	12.6	14.4

Groups	Yields (%)		
	Oct. 26, 1937	Sept. 27, 1938	Oct. 25, 1938
Fixed Interest			
2½% Consols.	3.39	3.75	3.49
Misc. indus. debts.	4.10	4.02	3.98
Misc. indus. pref.	4.46	4.42	4.38
Ordinary			
Insurance	3.62	4.16	3.75
Building materials	6.21	8.00	7.28
Coal	4.30	7.59	6.30
Electrical manufg.	4.61	6.27	5.75
Iron and steel	5.46	8.99	7.38
Motors	5.41	7.77	6.25
Shipping	2.02	5.24	4.67

New York Prices

	Close		Close	
	Oct. 20, 1938	Oct. 27, 1938	Oct. 20, 1938	Oct. 27, 1938
1. Rails and Transport				
Atchafalpa	3814	3978	Briggs	3518 3412
Balt. & Ohio	858	858	Chrysler	8134 8354
B.M.T.	1012	1224	Elec. Autolite	3358 3314
Can. Pac.	612	654	Gen. Motors	3578 5084
Ches. & Ohio	3514	3512	Hudson Mr.	1012 1044
G.N. Ry. P.	2378	2312	Nash Kelvair	5 6
Illinois Cent.	1414	1578	Packard Mtr.	2358 2338
N.Y. Central	1212	1208	Bendix Avtn.	2714 2918
Northern Pac.	1212	1208	Boeing Airplan	5684 69
Pennsylv. R.	2114	2114	Douglas Air.	3312 3678
Southern Pac.	1912	1978	United Aircraft	6414 6412
Southern Ry.	1718	1978	Air Reduction	191 18912
Union Pac.	96	9212	Allied Cheml.	9312 94
Greyhound	1914	1978	Col. Carbon	14512 14778
			Dupont	87 8818
2. Utilities and Communications			Un. Carbide	5134 5212
Am. W. Works	1312	1434	U.S. Ind. Alc.	4444 4534
C. with. & S.	178	218	Alis Chalmers	1164 1194
Con. Edison	3134	3378	West. Elec.	10034 10312
Col. Gas & El	834	9	American Can	2878 27
El Bond & Sh.	124	134	Addressograph	5312 53
Nat. Bwr. & L.	85	918	Caterpillar	45 4414
N. American	2338	2412	Cont. Can.	10218 10218
Pac. Gas & El	2878	2978	Int. Harvester	1734 1814
Pub. Serv. N.J.	3318	3434	Johns Manville	69 6998
Stan. Gas & E.	412	434	Am. Radiator	92 9512
United Corp.	4	4	Gen. Electric	25 25
Un. Gas Imp.	1134	1134	Glidden	5212 5414
Amer. Tel.	14612	14812	G. Am. Trans	1218 1234
Internat. Tel.	918	10	Allied Stores	2278 24
West. Union	2978	2734	Celanese of A.	27 27
Radio	818	878	Ind. Rayon	1378 1534
" B. Pref	6358	6512	Colgate Palm.	18112 18112
			Eastm'n Kdk.	878 918
3. Extractive and Metal			Gillette	1312 168
Am. Rol. Mill	1918	2078	Lambert Co.	5512 59
Beth. Steel	6238	6878	Loews	26 2534
Beth. Steel P.	107	110	20th Cen. Fox	2534
Republic St.	1818	20		
U.S. Steel	6234	6534	4. Manufacturing	
U.S. Steel P.	11614	11912	Briggs	3518 3412
Alaska J'neau	958	4312	Chrysler	8134 8354
Am. Metal	4212	4312	Elec. Autolite	3358 3314
Am. Smelting	54	56	Gen. Motors	3578 5084
Anaconda	3878	3914	Hudson Mr.	1012 1044
Bohn Alum.	2914	2812	Nash Kelvair	5 6
Cerro de Pas.	53	54	Packard Mtr.	2358 2338
Int. Nickel	5514	5618	Bendix Avtn.	2714 2918
Kennecott	4814	48	Boeing Airplan	5684 69
Patino Mines	1178	1238	Douglas Air.	3312 3678
Tex. Gif. Sul.	34	33	United Aircraft	6414 6412
U.S. Smelt.	69	6812	Air Reduction	191 18912
Vanadium	23	2478	Allied Cheml.	9312 94
Atlantic Refg.	2312	2312	Col. Carbon	14512 14778
Phillips Petr.	38	3938	Dupont	87 8818
Shell Union	1478	1538	Un. Carbide	5134 5212
Shell Un. P.	10234	10412	U.S. Ind. Alc.	4444 4534
Socony Vac.	1312	14	Alis Chalmers	1164 1194
Stan. Oil Cal.	2812	3014	West. Elec.	10034 10312
Stan. Oil N.J.	5278	53	American Can	2878 27
Texas Corp.	42	44	Addressograph	5312 53

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

	WEEKLY AVERAGES				
	Low Mar. 30	High Oct. 26	Oct. 11, 1938	Oct. 19, 1938	Oct. 26, 1938
347 Ind's. ...	75.9	113.9	110.8	112.1	113.9
32 Rails ...	19.0	51.4	29.3	29.4	30.0
40 Utilities ...	57.7	82.4	78.0	80.2	82.4
419 Stocks ...	63.7	95.1	92.2	93.4	95.1
Av. yield %*	8.35	3.49	3.60	3.57	3.49

* 50 Common Stocks. † January 12th.

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

Oct. 20	Oct. 21	Oct. 22	Oct. 24	Oct. 25	Oct. 26
130.5	131.0	132.6	132.3	132.5	130.6

1938 High: 132.6 October 22nd. Low: 83.6 March 31st.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Oct. 20	1,620	6,370	214
" 21	1,720	8,670	233
" 22	1,130	4,560	133
" 24	1,680	7,500	268
" 25	1,490	7,870	287
" 26	1,700	8,710	288

* Two-Hour Session

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
October 29	Nil	Nil	Nil
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	106,718	...	312,598
Sav. Certs., week ended	Dr100,000	...	Dr100,000
October 22	...	...	...
Year to date	246,464,900	224,718,490	471,183,390
1938 (New Basis)	470,888,827	421,642,764	892,531,591
1937 (New Basis)	177,021,743	156,255,428	333,277,171
1937 (Old Basis)	268,284,371	222,120,687	490,405,058

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign ex U.K. Countries
1938 (New Basis)	171,007,844	50,860,469	2,850,177
1937 (New Basis)	360,506,950	57,877,455	3,258,359
1938 (Old Basis)	130,813,375	22,621,981	2,820,072
1937 (Old Basis)	203,910,009	16,718,178	1,492,500

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	137,016,878	15,982,344	71,719,268
1937 (New Basis)	209,516,307	27,296,222	184,830,295
1938 (Old Basis)	125,491,813	9,752,053	21,011,562
1937 (Old Basis)	151,006,824	16,784,365	53,639,498

NOTE.—"Old Basis" includes only public issues and issues to shareholders only; "New Basis" includes all new capital in which permission to deal has been granted.

PRIVATE PLACINGS

Associated Gas and Water.—This company has placed privately £60,429 3½ per cent. debenture stock, 1951-61.

United Kingdom Gas.—There has been placed privately £16,920 3½ per cent. debenture stock.

Henekeys.—This company has placed privately £40,000 4½ per cent. first mortgage debenture stock.

BY TENDER

Elham Valley Water.—The directors are offering for sale by tender 2,000 £5 7 per cent. ordinary shares at a minimum of £5 10s.

(Continued on page 236)

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Oct. 26, inclusive				Prices, Year 1938 Jan. 1 to Oct. 26, inclusive				Prices, Year 1938 Jan. 1 to Oct. 26, inclusive				Prices, Year 1938 Jan. 1 to Oct. 26, inclusive			
High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est		
84 1/2	73 1/2	79 1/4	64	113	105 1/2	111 1/4	98	101 1/2	94 1/2	100 1/4	90	103 1/2	97 1/2	103 1/4	92	106 1/2	99 1/2		
101 1/2	94 1/2	100 1/4	90	103 1/2	97 1/2	103 1/4	92	106 1/2	99 1/2	103 1/4	92	106 1/2	99 1/2	103 1/4	92	106 1/2	99 1/2		
108	105	105 1/2	100	117 1/2	111 1/4	115 1/2	102	92 1/2	89	91 1/2	81	96 1/2	89 1/2	91 1/2	81	96 1/2	89 1/2		
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116 1/2	109	114 1/2	98	99 1/2	96	101 1/2	93	101 1/2	94 1/2	100 1/4	90	103 1/2	97 1/2	103 1/4	92	106 1/2	99 1/2		
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(Continued from page 233)

FORTHCOMING ISSUE

F. W. Woolworth and Company, Ltd.—An offer for sale is to be made of 2,200,000 5s. ordinary shares, at 58s., by Philip Hill and Partners, Ltd. Subject to firm applications from underwriters, preferential consideration will be given to existing preference and ordinary shareholders. The list will open and close on November 1st.

RESULT OF ISSUE

Scottish Power Company.—It is understood that the basis of allotment of the 500,000 4 per cent. cumulative £1 preference shares is about 30 per cent. to the public, and 50 per cent. to the stockholders.

SHORTER COMMENTS

Company Results of the Week.—The relatively favourable position of the heavy industries is again illustrated by recent company reports. **ROUND OAK STEEL WORKS**, for example, have earned £119,433 against £88,169 (though the dividend is unaltered at 6 per cent.), while **LAMBERT BROTHERS** pay 15 per cent. against 8 per cent., and the change in **SNEYD COLLIERIES** profits, though small, is in the right direction. **HENLYS, LTD.**, profits have suffered severely from the fall in the general demand for motors, and also from inability to obtain delivery of S.S. cars. Some orders were cancelled and many of the remainder were unfilled at the end of the year. The majority of the rubber companies whose reports have appeared this week have reduced their dividends, though the degree of change in profits varies widely. Trading profits of **BURBERRYS, LTD.**, have contracted sharply from £139,506 to £96,983; of the latter sum, about half is appropriated to write down the investment in H. J. Nicoll and Company. Some improve-

ment in net earnings is shown by the **CAVENDISH FURNITURE COMPANY** and the **BRITISH AND COLONIAL FURNITURE COMPANY**, the latter company doubling its dividend at 20 per cent. The fertiliser manufacturers, **FISON, PACKARD AND PRENTICE**, show a satisfactory improvement in profits from £128,891 to £160,580, and sales have expanded in every department. The accounts are now presented in a much improved form, and include two consolidated balance sheets covering the group's interests, which are listed in the report. During the year ended July 31, 1938, the expansion of **TECALEMIT, LTD.**, continued, and net profits rose from £97,487 to £110,851. A sharp drop in earnings has been experienced by **THE TIMES PUBLISHING COMPANY**, whose net profits are some £72,700 lower at £84,006. The ordinary dividend, however, is reduced only from 10 to 7½ per cent.

MISCELLANEOUS

Burberrys, Ltd.—Profit for year to March 31, 1938, declined from £129,993 to £74,602. Dividend on preference stock for 16 months to September 30, 1935, £100,000. To writing off investment in H. J. Nicoll and Company, £50,000. Carry-forward reduced from £146,160 to £70,762.

Round Oak Steel Works.—Profits for year ended June 30, 1938, £184,240, an increase of £59,076. Tax and N.D.C., £47,500 (£17,000). For depreciation, etc., £32,052 (£30,397). Ordinary dividend maintained at 6 per cent. To reserve, £60,000 (nil). Carry-forward, £18,157.

Lambert Brothers, Ltd.—Total income year to June 30, 1938, £133,640 against £105,310. To depreciation of investments, etc., £12,082 (£35,315). Tax and N.D.C., £14,500. Preference dividend, £10,312 (same). Ordinary dividend, 15 per cent., absorbing £84,375. (Last year 8 per cent. dividend absorbed £45,000, but a further 1½ per cent. tax free was paid from capital accretions.) Carry-forward raised from £90,417 to £100,788. Consolidated balance-

sheet shows rise in fixed assets, after depreciation, from £377,004 to £406,663.

South Wales Aluminium Company.—This has been registered as a private company, with an initial share capital of £500,000, to erect an aluminium factory in South Wales. The new company has been promoted by Swiss interests in association with the British Aluminium Company and the Aluminium Company of Canada. In addition, there are £200,000 of debentures. The chairman is Sir Rhys Williams. The board consists of Messrs Arnold Bloch, Emil Kaufmann, Wm. M. Morrison and Elmer G. MacDowell.

Ferranti, Ltd.—Net profit for year to June 30, 1938, increased from £64,923 to £68,263. Total profits rose from £246,676 to £279,605. General charges and N.D.C., £154,349 (£127,638). Ordinary dividend unchanged at 6 per cent. To reserve, £15,000 (£10,000). Carry-forward, £56,658.

Fison, Packard and Prentice, Ltd.—Gross profits for year ended June 30, 1938, £222,528 against £174,602. Tax and N.D.C. take £16,400 more at £48,912. To depreciation, £21,174 (£22,149). Net profit increased by £32,108 to £126,391. To general reserve, £15,000 (£8,740). Ordinary dividend is raised from 9 to 10 per cent. Carry-forward rose from £32,366 to £37,295.

Imperial Airways, Ltd.—Net profit for year to March 31, 1938, £97,267 (after £145,420 for obsolescence), against £164,735 after providing £193,918. To tax reserve, £5,000 (£30,000). Ordinary dividend 7 per cent., against 7 per cent. plus 2 per cent. bonus. Owing to capital increase from £624,089 to £1,624,089, dividend absorbs £82,738 against £42,126. To contingency reserve, £10,000 (£95,000). Carry forward, £5,447.

Celanese Corporation of America.—Net profit for September quarter, 1938, \$1,325,098, compared with \$1,695,279 for June quarter, 1938, and \$1,748,828 for March quarter, 1938. Consolidated earnings statement for 12 months ended September 30th shows net income is \$1,857,336 (£371,667).

Industry and Trade

Cocoa Commission's Report.—The Report of the Commission appointed to inquire into the marketing of West African cocoa is a curious document. The trouble in the cocoa trade in the Gold Coast and Nigeria started with the decision of the European buyers to work in co-operation in their purchases during the 1937-38 season. The avowed purpose of this Agreement was to eliminate the costly services of the middlemen, and the price to be offered was to be determined by the price prevailing on world markets. The formation of a buyers' monopoly happened to coincide with a collapse in the world market, and the native African growers not unnaturally associated the sharp fall in the price they could obtain with the conclusion of the agreement among the buyers. They consequently withheld their supplies and brought the trade to a standstill. The Commission acquits the buyers of having, in fact, depressed the price, but they hold that a buying monopoly is inherently open to suspicion. The remedy they suggest, however, is remarkable. The buyers' agreement is to be dissolved, but the producers are to be organised in an elaborate scheme on the lines of the English Agricultural Marketing Boards.

Thus the monopoly of buyers is to be replaced by a monopoly of sellers, with the difference that there is to be no obligation to fix the price by reference to world markets. This seems, in principle, to be as unbalanced an arrangement as that to which the Commission takes exception. Moreover, it is questionable whether, in practice, the elaborate organisation prescribed for the producers' marketing body will not be beyond the capacity of the natives. The real crux of the matter would seem to be not organisation but price. A fair price is not, of course, the same thing as a good price, but it might go some way to improving the atmosphere in the trade if an impartial body were set up to decide what is, at any time, a fair price, having regard to the world market. As for improving the world price, the Commission points out that West Africa can do little or nothing by itself. The possibilities of a world-wide agreement, from which some British colonies would benefit, are worth official exploration.

Steel Price Truce in America.—The dissensions among American producers of steel sheets and strips for the motor industry, reflected in competitive price-cutting during the past six months and acknowledged a fortnight ago by a cut of 6 dollars per ton in the official selling prices of the two largest producers, have ended in a truce last week, when the official prices were restored to their former level. The shading of official prices for sheets and strips was a direct consequence of the dearth of orders for motor-car steel, and it contributed to a decline in prices on world markets, for the lower prices were quoted for export orders. The abandonment of competitive price-cutting is

expected to stimulate purchases of other than motor-car steel in the United States, and this week's increase in the proportion of America's crude steel capacity in operation to 53.7 per cent.—the highest rate for exactly one year—compared with 49.4 per cent. a week ago, may be partly attributed to the price truce. It seems that the larger part of the steel requirements of the motor industry has been covered at the low prices ruling before the truce. The improvement in the demand for steel for domestic purposes in the United States will, in turn, have a stabilising effect on the price structure in Europe, although there are still no signs that the American producers who do not co-operate with the European Cartel are inclined to give up their export connections formed during the last one-and-a-half years.

Increase in Idle Shipping.—As a result of the shrinkage in international trade since the autumn of last year, unemployment among shipping tonnage has been steadily increasing. Thus, the tonnage of vessels laid up at the ports of Great Britain and Ireland rose from 99,496 net tons at October 1, 1937, to 332,004 net tons on July 1st and 455,667 net tons on October 1, 1938. Between July 1st and October 1st the shipping tonnage on the United Kingdom Register increased by 67,000 gross tons as a result of the completion of vessels ordered during the boom in freight rates. As the laid-up tonnage increased by 193,000 gross tons during this period, there must have been a decrease of 126,000 gross tons in the tonnage of vessels in commission. Despite the increase in idle shipping tonnage little has been heard recently of the scheme designed to compensate owners of unemployed tramp tonnage by means of a levy on vessels in commission. Fortunately, there are indications that the force of the downward movement in international trade has been broken. Thus the indices of the volume of imports and exports, published in this week's *Board of Trade Journal*, show a slight rise between the second and third quarters of this year, from 104.8 (1935 = 100) to 105.3, and from 94.3 to 95.5, respectively. The firmer trend of freight rates also reflects an improvement in the outlook.

Proposed Changes in Zinc Duty.—At the end of last week an official plan for assisting the domestic and Empire zinc industries was circulated. It proposes to continue to allow imports of Empire zinc duty-free, while raising the duty on non-British zinc from 12s. 6d. to 30s. per ton. Of this increased preference, Empire exporters would pay 10s. per ton to the Imperial Smelting Corporation—whose need for assistance is revealed in the decline of profits from £257,092 in the year ended June 30, 1937, to £103,327 last year. A further 5s. per ton would be paid into a pool from which British exporters of zinc products would be compensated for the rise in the cost of their raw material. The scheme is, as yet, only in draft form, and it has been sent for comment to British circles interested in the supply, trading and consumption of zinc. Criticism has been levelled against this plan on the grounds that consumers may not be able to add the increased costs to their selling prices, and also that the marketing of zinc will be complicated, possibly even requiring two markets, one for British and one for non-British metal. It should be noted, however, that at the present price of zinc the new duty would not exceed the 10 per cent. *ad valorem* tax agreed upon at Ottawa. It is felt that a short trial period before its final adoption might enable some of the difficulties of working the scheme to be overcome.

The Nickel Monopoly.—Since the discovery of the Sudbury deposits in the province of Ontario in 1883, Canada has dominated the world nickel market. This domination has become even more marked since the amalgamation of the old International Nickel Company with Mond Nickel into the International Nickel Company

of Canada late in 1928. This company, which produces over four-fifths of the world's nickel, has so far been able to retain its monopoly without any major challenge, partly because of its far-sighted price and marketing policy and partly because of its policy of participating in the exploitation of new nickel deposits. The development of the Finnish deposits near Petsamo by the Mond Nickel Company, for example, has prevented the emergence of an important competitor. Last week reports from Amsterdam indicated that International Nickel might take an interest in the new company formed by the Billiton Tin group to exploit the promising nickel deposits of Celebes in the Dutch East Indies. Simultaneously, it was reported from Rio de Janeiro that the Brazilian Federal Minister of Agriculture has given orders for a survey of the Goyaz nickel deposits with the object of preparing road and other transport schemes necessary to link the deposits to the Brazilian transport system, thus rendering possible their exploitation. It is hoped in Brazil that International Nickel, with its large cash reserves, will take a hand as soon as the Goyaz deposits are brought within reach of the world market. Whether these expectations will prove correct remains to be seen. At any rate, there is no doubt that International Nickel will continue to defend its world monopoly. Nickel consumers, however, have no reason to be disturbed by these endeavours, for the nickel monopoly is one of the few organisations of this species which are not exploiting their customers by means of unreasonable prices and other harmful trade practices.

Rise in Agricultural Wages.—The steady increase since 1932 in the minimum rates of wages prescribed by the Agricultural Wages Boards has been noted in recent issues of *The Economist*. There is, however, very little evidence concerning the rate of wages paid in England and Wales to the different classes of agricultural workers. Apart from the occasional surveys of farming conditions carried out by the various agricultural advisory centres, the data collected by inspectors under the Agricultural Wages Act form the only comprehensive estimate of the wages actually paid. It is, therefore, the more to be regretted that the annual report of the proceedings of the Agricultural Wages Boards,* in which this information is given, should be published so long after the conclusion of the year to which they refer. The latest report, published last week, covers the year ended in September, 1937. During that year, the average of the minimum wage rates prescribed by the Wages Boards for ordinary male workers was 33s. 4d. per week, while the average wage paid is estimated, on the basis of the data collected, at 2s. a week higher. For the more skilled grades of workers, the average wage paid ranged from 38s. 4d. per week for horsemen to

* Report of Proceedings under the Agricultural Wages (Regulations) Act, 1934. Stationery Office. 1s.

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LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

40s. 10d. per week for stockmen. It may be noted that the minimum wage rates have again risen considerably since last September, so that it is probable that the average wages paid to agricultural workers is now about 1s. per week higher than in the year ended in September, 1937.

* * *

Growth of Asbestos Production.—The world output of asbestos, the fibrous mineral with fireproof qualities, has increased enormously with the general industrial revival, reinforced by re-armament demands. It is indispensable to all types of motor transport on land and essential to many machines and equipment. The highest grades of fibre, $\frac{3}{8}$ in. long and over, are suitable for manufacture into woven brake-bands, clutch facings, gaskets, packings, firemen's suits and other fabrics. Chrysotile, chief asbestos of commerce, is the only variety capable of being spun and woven. Shorter fibres are used in fireproofing building materials and heat insulation. Leading producers of asbestos include Canada, the U.S.S.R., Southern Rhodesia, the Union of South Africa, Cyprus and the United States. The British Empire is in a strong position as a producer of this mineral fibre. As is to be expected, the United States and the United Kingdom are the major consumers. The subjoined table gives the world production of asbestos in recent years:—

	1934	1935	1936	1937
	(In metric tons)			
Canada	141,502	190,931	273,332	371,967
U.S.S.R.	92,200	95,500	125,117	(c)
Southern Rhodesia.....	29,224	38,644	51,116	51,722
Union of South Africa....	15,960	20,600	22,894	25,975
Cyprus (a)	7,712	7,634	9,659	11,892
U.S.A. (b)	4,615	8,092	10,037	10,958
(a) Exports. (b) Sold or used by producers. (c) Not available.				
[Source: Minerals Year Book, 1938.]				

The price of the fibre varies with its quality and length, "Crude No. 1" ($\frac{3}{8}$ in. and over) fetching \$700-750 per ton and "Crude No. 2" ($\frac{3}{8}$ in. to $\frac{3}{4}$ in.) \$200-250 per ton. Mineral wool and glass wool are now used extensively for heat insulation and to that extent they encroach on a field hitherto the monopoly of asbestos. Neither of these materials, however, has the unique combination of qualities—fineness, requisite length, flexibility, strength and non-inflammability—which would enable it to supplant the use of asbestos in industry.

* * *

Wholesale Price Movements.—British wholesale prices continue to maintain the stability which was such a noticeable feature of the crisis weeks. The complete *Economist* index number has only fallen during the past fortnight from 116.8 to 116.1, while the British primary products index has fallen from 135.9 to 134.9. The main changes have been a continuation of the fall in the cereals

INDUSTRIAL REPORTS

THE tone of this week's reports from industry is definitely more encouraging, a reflection of the increase in new orders. Although transactions in iron and steel have been hampered by the uncertainty concerning steel prices next year, consumption appears to be expanding. The proportion of the capacity of the Welsh tinplate industry in operation increased from 49.8 per cent. during the week ended October 8th, to 54.6 per cent. in the following week. The demand for coal is also increasing, and the brighter outlook in the iron and steel industry is reflected in the heavier orders for furnace coke. The improvement in the cotton textile industry has been maintained, and the volume of business in wool textiles has shown an encouraging increase. The general trade outlook, as well as the

position of individual industries, is discussed in the *Trade Supplement* accompanying this issue of *The Economist*.

Coal

Sheffield.—The inland market is showing steady improvement. Industrial steam coals are in good request, but heavy stocks of the smaller grades make restriction of output necessary. There is some shortage of best hard. All screened coal is well booked, and the approach of winter has raised the demand for household coal. Gas fuel is fairly active, and electricity works are in excess of requirements. Prices generally are unchanged.

In the export market best steams are firm and in demand, and there is a moderate demand for bunkers. A few inquiries for coke are about, but actual business is small.

Workington.—The coal trade has not yet recovered from the effects of the accumulation of stocks during the crisis. Irish shipments are only occasionally above 6,000 tons weekly. Last week there was a shipment of 1,360 tons of coal from Workington to Latvia. Local sale is sluggish and is likely to remain so for a few weeks to come. Industrial fuel is in diminished request as the coking plants supplying the local blast-furnaces are on short-time and needs of smalls are therefore restricted. Other descriptions are, however, in fair demand. Prices are firm.

and meat groups, offset by a firmer tendency in textiles and a fresh rise in non-ferrous metals. *The Economist's* index number of primary products' prices in the United States is fractionally higher, but there has been a fall of nearly one point in the complete Irving Fisher index number. There is little change in prices on the Continent.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsamt
	British Complete Index (sterling)	Primary Products (sterling)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	116.3†
1937 Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24	136.3	166.2	185.5	167.4	131.8	116.8	96.2
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28	142.0	169.9	183.5	165.4	135.6	120.5	97.0
June 2	142.7	170.2	178.9	165.6	134.3	119.8	97.5
June 30	139.5	165.9	176.8	165.7	134.1	119.8	97.5
July 28	140.2	167.1	171.8	164.5	133.8	130.8	97.9
Aug. 25	137.9	164.4	165.3	164.2	133.0	133.3	98.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	139.4	97.6
Oct. 20	133.6	157.2	152.3	165.4	129.5	138.8	97.3
Dec. 1	127.5	145.4	138.9	164.8	125.1	134.0	97.0
Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	97.0
1938 Feb. 2	126.6	144.4	135.4	164.5	119.8	137.9	97.0
Mar. 2	125.1	143.1	138.7	164.5	120.3	138.1	97.2
Mar. 30	122.7	137.0	129.3	164.6	117.7	139.4	97.1
Apr. 27	121.4	137.8	127.5	164.3	116.9	139.9	97.0
May 25	119.6	132.2	121.9	165.5	117.2	145.6	96.3
June 22	119.3	133.2	124.8	165.8	117.6	147.3	96.9
July 6	120.8	135.7	129.7	165.9	117.7	148.7	97.0
July 20	119.5	137.4	128.6	166.5	118.2	147.8	97.1
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	97.5
Aug. 17	118.3	136.1	124.7	167.6	115.9	145.5	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	97.3
Sept. 14	115.2	133.0	126.9	170.6	117.0	146.8	97.0
Sept. 28	116.2	134.8	126.8	173.0	116.6	146.0	97.0
Oct. 12	116.8	135.9	126.8	172.3	116.7	147.7	96.9
Oct. 16	116.1	134.9	127.0	171.6	115.8	147.6	97.3*

* These figures relate to October 19th. † Monthly average.

The Economist INDEX (1927 = 100)

	Sept. 18, 1931	Oct. 20, 1937	Oct. 12, 1938	Oct. 19, 1938
Cereals and meat...	64.5	91.0	73.3	69.5
Other foods	62.2	67.4	57.8	58.2
Textiles	43.7	63.6	54.1	54.4
Minerals	67.4	98.9	95.5	96.6
Miscellaneous	65.8	83.2	75.1	75.3
Complete index	60.4	80.7	70.5	70.0
1913 = 100	83.1	111.0	97.1	96.4
1924 = 100	52.2	69.7	60.9	60.6

Grain prices are again lower, while bacon is also cheaper. Tea, coffee, butter and cheese are all dearer, but sugar is slightly lower in price. Cotton and jute are higher, wool unchanged, and flax cheaper. There were fresh advances in non-ferrous metal prices. Among miscellaneous materials, Swedish timber and rubber were lower, but there were advances in hides and creosote.

Newcastle-on-Tyne.—With indications of some recovery in the iron and steel trade, home demand for Durham manufacturing coal is beginning to show improvement. Seasonal trade is also brisker and altogether Durham collieries are now better placed than they have been for some months. Northumberland steam collieries continue to work more regularly, there being steady shipments for both export and home accounts, and a number of collieries are fully sold until the end of the year. Patent oven coke is a steady market with shipments abroad at a good level.

Glasgow.—There has been no change of note in conditions in the coal trade. The majority of the collieries are now working regularly, with trade moving steadily for the most part. Shipping business has been handicapped to some extent owing to boats being delayed by stormy weather, and there is still rather a marked scarcity of forward business in this branch of the trade, although the movement against contracts remains on a fairly satisfactory scale. Home trade is broadening and coastwise business to London and elsewhere is steady. The market tone generally is firm, with nuts a strong feature in Fife and the Lothians.

Cardiff.—Business has been a little more active during the past week. The improvement in exports, both foreign and coastwise, is maintained, and in the week ended October 23rd they totalled 457,500 tons, compared with 458,400 tons in the previous week and 442,047 tons in the corresponding period last year. Contracts are now being renewed for next year with shipping companies as well as with foreign railways and other large consumers, and the Egyptian State Railways have placed orders with T. Beynon and Company, Ltd., Cardiff, for 600,000 tons, principally Monmouthshire grades.

The firmest classes of coal on the market are best large and sized, for which recent quotations are firmly maintained. Washed smalls are also steady, but for ordinary smalls current demand is quiet and stocks remain very heavy. There are indications of reviving tendencies in the pig iron industry, and these are reflected in an improved demand for furnace coke. Patent fuel is featureless.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that the volume of business remains disappointing. Although occasionally there appears to be some improvement in the tonnage changing hands, consumers in all departments are pursuing a cautious policy.

In the pig iron section of the market, demand has become more active, and additional furnaces are being put into operation. Business in the foundry iron department has been helped to some extent by requirements for the re-armament programme and there has also been a better demand from the engineering trades in connection with defence work. Many consumers have allowed their stocks to drop to a very low level, with the result that even a slight movement in the direction of replenishment has an immediate effect upon the market.

Consumers of semi-finished steel have

also shown more interest in the market than for some time, although a considerable amount of business passing has been in special quality steels. Production in this department, however, is still restricted, but imports of Continental material have been limited during recent months.

In the finished steel market conditions have improved and there is a more general inclination noticeable to undertake forward commitments. This movement, so far, has been confined to a few departments, but it has imparted a better tone to the market. Business on overseas account has consisted of comparatively small parcels, but the volume of inquiry has shown signs of expansion.

Sheffield.—The tone of the iron and steel market shows definite improvement, although the volume of actual business is still comparatively meagre. There are more inquiries for pig iron, and consumers of foundry iron are coming more readily into the market for parcels for early delivery. Basic iron is in fairly steady request, but forge iron makes no great headway at present. Not much forward business is being booked, consumers holding off until the price question is settled, although a reduction is now less confidently expected. Some impression is being made on producers' stocks, but it is likely to be some time before these are disposed of. There is rather more doing in hematites, and in finished iron common bars are the best feature.

There is a wider inquiry for basic steel billets, and acid qualities also make a better showing. Wire rods are more freely bought, and strip and stainless steel sheets are good lines. Structural steel business continues rather slow, but the outlook is improving.

Better inquiries for iron and steel scrap are coming to hand, and prices not subject to control show a rising tendency.

Production of steel ingots and castings in this district in September was 110,000 tons, against the low level of 94,100 tons reached in July. The aggregate output for the first nine months of this year is 1,164,900 tons, against 1,277,500 tons in January-September, 1937.

Workington.—A welcome feature in the North-West Coast hematite pig-iron trade is that at last consumers are beginning to take quicker and larger deliveries against contracts arranged more than a year ago. Not only the Midlands and Scotland, but also South Wales is affected, and if the condition of the steel trade were to improve to such a degree that the rolling mills at Workington and Barrow could work to capacity and thereby restore local consumption to its normal level, the liquidation of the 160,000 tons of iron on the ground would be in sight. There is not yet any considerable volume of new business available, nor is much expected before the fixation of new and lower prices at the end of the year. The steel trade is exceedingly quiet, and the mills seldom roll for more than two to three weeks in four. Native ore, at 24s. 6d. per ton f.o.t. is in decreased local request.

Middlesbrough.—The improvement in the tone of the market has

been maintained, but transactions are mostly for parcels for early delivery. Consumers of Cleveland foundry pig iron are taking deliveries more regularly and stocks in makers' yards are being reduced. East Coast hematite pig iron is also in increasing demand and deliveries against existing contracts are improving. Forward business is not entertained pending an announcement regarding prices after the end of this year. More inquiries from the Continent for pig iron are reported but business is small as prices quoted are not always competitive.

Semi-finished steel is in rather better request, and the demand for manufactured steel is slowly increasing; here, again, an announcement is awaited with regard to the prices applicable after December 31st.

The schedule prices for heavy steel scrap remain unchanged, and deliveries are restricted. Heavy machinery scrap is, however, in good demand. Foreign ore is not mentioned so far as new business is concerned, whilst deliveries continue to come forward under existing contracts, but are much below the requisite quantities. Good Durham blast furnace coke can be obtained at 27s. 6d. per ton free on trucks at the ovens, with demand easy.

If the present general improvement in the position continues it is expected that more furnaces will be put into operation in this area before the end of the year.

Glasgow.—Conditions continue to show signs of improvement and in practically every branch the immediate outlook is regarded hopefully. Steel-makers are booking greater tonnages for forward delivery than they have done for some months past. Production of semis is still somewhat restricted, but here too some improvement is discernible and a more regular business is anticipated as the excessive stocks at consumers' works have almost disappeared. The demand for finished material is satisfactory.

Cardiff.—The revival of the tinplate industry is becoming more marked, and the proportion of its capacity in operation during the week ended October 15th was nearly 10 per cent. higher than in the preceding week. Business is decidedly better in both the inland and the export trades, and it is anticipated that the upward trend of production will be maintained. The inland market is also a better customer for sheets, but in the export trade the demand for galvanised sheets continues depressed. In the heavy branches of the iron and steel industry there is no material change and existing stocks of pig iron and ingot steel must be further reduced before operations at furnaces and mills closed down during the depression will be resumed.

Textiles

Cotton (Manchester).—The improvement in the market has been maintained. Buyers can no longer dictate prices, and there is determination on the part of producers to obtain more remunerative prices. Only minor fluctuations have occurred in raw cotton prices.

The yarn market has been unsettled. Few sales have been made in American (Continued on page 242)

BRITISH WHOLESALE PRICES

CEREALS AND MEAT	Oct. 19, 1938		Oct. 26, 1938	
	s. d.	s. d.	s. d.	s. d.
Wheat—				
No. 2, N. Man, 496 lb.	23	27	3	
Eng. Gaz. av., per cwt.	5	2	5	1
Liv. Oct., per cental	4	11	4	7
Flour, per 280 lb.—				
Straights, d/d London	24	6	24	6
Manitoba, ex store	24	0	24	0
Barley, Eng. Gaz. av. per cwt.	9	1	9	0
Oats,	6	6	6	3
Maize, La Plata, landed, 480 lb.	28	0	27	0
Rice, No. 2 Burma, per cwt.	9	0	7	9
MEAT—				
Beef, per 8 lb.—				
English long sides	4	0	4	0
Argentine chilled h.nds	4	6	4	5
Mutton, per 8 lb.—				
English wethers	3	8	4	0
N.Z. frozen wethers	3	8	2	10
Lamb, per 8 lb.—				
N.Z. frozen	4	10	4	8
Pork, English, per 8 lb.	6	4	6	4
BACON (per cwt.)—				
English	96	0	94	0
Danish	99	0	95	0
Dutch	96	0	92	0
Irish	89	0	84	0
HAMS (per cwt.)—				
Canadian	100	0	100	0
United States	96	0	96	0
OTHER FOODS				
BUTTER (per cwt.)—				
Australian	110	0	110	0
New Zealand	114	0	114	0
Danish	126	0	132	0
CHEESE (per cwt.)—				
Canadian	72	0	73	0
New Zealand	71	0	70	6
English Cheddars	86	0	86	0
Dutch	59	0	60	0
COCOA (per cwt.)—				
Accra, g.f.	22	9	23	0
Trinidad	33	0	33	0
Grenada	32	6	32	6
COFFEE (per cwt.)—				
Santos supr. c. & f.	33	6	34	0
Costa Rica, medium to good	55	0	58	0
Kenya, medium	58	0	60	0
EGGS (per 120)—				
English (15-15½ lb.)	20	0	22	6
Danish (15½ lb.)	15	3	16	3
FRUIT—				
Oranges, S. African boxes	10	9	11	6
" Brazilian Peras... boxes	8	6	9	6
Lemons, Naples boxes	20	0	20	0
" Sicilian boxes	12	6	12	6
Apples, Amer. (var.) barrels	24	0	24	0
" Canadian: Nova Scotian (var) Barrels	13	0	15	0
Grapes, Almeria barrels	9	6	10	0
Grapefruit, S. African	10	0	10	0
" Jamaica, Seeded	15	9	15	9
" Jaffa, Seedless	10	0	10	0
LARD (per cwt.)—				
Irish, finest bladders	50	0	50	0
U.S.	46	0	47	0
PEPPER, per lb.—				
Black Lampong (in Bond)	0	23½	0	25½
" (Duty paid)	0	33½	0	35½
White Muntok (in Bond)	0	33½	0	35½
" (Duty paid)	0	43½	0	45½
POTATOES (per cwt.)—				
English, King Edward, Siltland	5	0	5	0
BUGAR (per cwt.)—				
Centrifugals, 96°, prpt. shipt.	5	2½	5	0
c.i.f. U.K./Cont.	5	2½	5	0
REFINED LONDON—				
Yellow Crystals	18	9	18	7½
Cubes	23	0	23	4½

* Weeks ended Oct. 13th and Oct. 20th.

SUGAR (per cwt.)—cont.	Oct. 19, 1938		Oct. 26, 1938	
	s. d.	s. d.	s. d.	s. d.
Crushed	21	3	21	1½
Granulated	19	1½	19	0
Home Grown	19	0	18	10½
TEA* (Auction Average) (per lb.)—				
N. India	14	60	14	53
S. India	13	51	13	53
Ceylon	15	26	15	12
Java	17	19	17	99
Sumatra	12	51	12	19
Africa	11	83	11	62
Total	14	71	14	62
TOBACCO (per lb.)—				
Virginia stemmed and unstemmed, common to fine	0	8	0	8
Rhodesian stemmed and unstemmed	0	9	0	9
Nyasaland stemmed and unstemmed	0	7	0	7
East Indian	1	4	1	4
Stemmed	0	4	0	4
Unstemmed	1	6	1	6
TEXTILES				
COTTON (per lb.)—				
Raw, Mid-American	5	16	5	23
" Sakulandis, F.G.F.	8	14	8	51
Yarns, 32's Twist	9	3	9	3
" 40's Twist	9	3	9	3
" 60's Twist (Egyptian)	17	12	17	12
Cloth, 32 in. Printers, 116 yds.	16	6	16	7
" 36 in. Shirts, 75 yds.	23	2	23	4
" 38 in. ditto, 38 yds.	9	9	9	9
" 39 in. ditto, 37½ yds.	8	9	8	10
FLAX (per ton)—				
Livonian ZK	65	0	65	0
Pernau HD	90	0	90	0
Slanetz Medium, 1st sort	93	0	93	0
HEMP (per ton)—				
Italian PC	70	0	70	0
Manilla, Nov.-Jan. "J2"	21	0	21	0
JUTE (per ton)—				
Native 1st mks., c.i.f. H.A.R.B.	19	12/6	19	12/6
Oct.-Nov.	19	10/0	19	10/0
Danish 2/3 c.i.f. Dundee, Oct.-Nov.	14	0	14	0
Sisal, (per ton)—				
African, Nov.-Jan.	17	0	17	0
SILK (per lb.)—				
Canton	7	9	8	0
Japan	8	6	8	9
Italian, raw, fr. Milan	7	3	7	3
WOOL (per lb.)—				
English, Southdown, greasy	13½		13½	
" Lincoln hog, washed	13		13	
Queensland, scd. super combg.	23		23	
N.S.W. greasy, super combg.	13		13	
N.Z., greasy, half-bred 50-56	12½		12½	
" Crossbred 40-44	10		10	
Merinos 70's average	28½		28½	
" 64's	26½		26½	
Crossbred 48's	16½		16½	
" 46's	16		16	
MINERALS				
COAL (per ton)—				
Welsh, best Admiralty	19	6	19	6
Durham, best gas, f.o.b. Tyne	22	6	22	6
Sheffield, best house, at pits	22	0	22	0
IRON AND STEEL (per ton)—				
Pig Cleveland No. 3, d/d	109	0	109	0
Bars, Middlesbrough	265	0	265	0
Steel rails, heavy	202	6	202	6
Tinplates	21	6	21	6
NON-FERROUS METALS (per ton)—				
Copper	46/16/3	46/17/6		
Three months	46/18/9	46/18/9		
Tin	47/1/3	47/2/6		
Standard cash	210/10/0	210/10/0		
Three months	211/0/0	213/5/0		
Lead, soft foreign	212/0/0	213/7/6		
Cash	16/8/9	16/2/6		
English, pig	16/11/3	16/15/0		
Spot	15/8/9	15/8/9		
Aluminium, ingots and bars	15/11/3	15/11/3		
" rolling billets	94/0/0	94/0/0		
Nickel, home and export	102/0/0	102/0/0		
Antimony, Chinese	185/0/0	185/0/0		
Wolfram, Chinese	60/0/0	60/0/0		
Platinum, refined	8/0/0	8/0/0		
Quicksilver	14/10/0	14/10/0		

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

GOLD, per fine ounce	Oct. 19, 1938		Oct. 26, 1938	
	s. d.	s. d.	s. d.	s. d.
SILVER (per ounce)—				
Cash	1	7½	1	7½
MISCELLANEOUS				
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—				
4-ton loads and upwards	42s.	per ton		
CHEMICALS—				
Acid, citric, per lb., less 5%	1	0	1	0½
" Nitric	0	2	0	2
" Oxalic, net	0	5	0	5
" Tartaric, English, less 5%	1	1	1	1
Alcohol, Plain Ethyl	12	0	12	0
Ammonia, carb.	20/0/0	20/0/0		
" Sulphate	7/6/6	7/6/6		
Arsenic, lump	35/0/0	35/0/0		
Borax, gran.	13	6	13	6
" powder	15	0	15	0
Nitrate of soda	8	0	8	0
Potash, Chlorate, net	0	4½	0	4½
" Sulphate	10	0	10	0
Soda Bicarb.	10	0	10	0
Crystals	5	0	5	0
Sulphate of Copper	19/5/0	19/5/0		
COPRA (per ton)—				
S.D. Straits, c.i.f.	10/12/6	10/7/6		
HIDES (per lb.)—				
Wet salted, Australian	0	4¼	0	4¼
West Indian	0	3¼	0	3¼
Cape	0	4¼	0	4¼
Dry and Drysalted Cape	0	6¼	0	6¼
Market Hides, Manchester—				
Best heavy ox and heifer	0	4¼	0	4¼
Best cow	0	4¼	0	4¼
Best calf	0	5¼	0	5¼
INDIGO (per lb.)—				
Bengal, gd. red-vio. to fine	5	0	5	0
LEATHER (per lb.)—				
Sole Bends, 8/14 lb.	1	11	1	11
Bark Tanned Sole	2	0	2	0
Shoulders from DS Hides	0	6	0	6½
" Eng. or WS do.	0	8	0	8½
Bellies from DS do.	0	5	0	5
" Eng. or WS do.	0	7	0	7
Dressing Hides	1	0	1	0
Ro. Eng. Calf, 20/35 lb. per doz.	3	6	3	6
PETROLEUM PRODUCTS (per gall.)—				
Mot. Spirit No. 1, London	1	6	1	6
Petroleum, Amer. rid. brl. Lond.	0	10	0	10
Fuel oil, in bulk, for contracts				
ex instal. 1 hams—				
Furnace	0	3½	0	3½
Diesel	0	4½	0	4½
ROSIN (per ton)—				
American	15/10/0	15/15/0		
RUBBER (per lb.)—				
St. ribbed smoked sheet	0	8½	0	8½
Fine hard Para	0	8	0	8
SHELLAC (per cwt.)—				
TN Orange	38	0	49	0
TALLOW (per cwt.)—				
London town	17	6	17	6
TIMBER—				
Swedish u/s 3x8	21/0/0	21/0/0		
" 2½x7	20/10/0	20/10/0		
" 2x4	18/10/0	18/10/0		
Canadian Spruce, Dls.	23/0/0	23/0/0		
Pitchpine	13/10/0	13/10/0		
Rio Deals	35/0/0	35/0/0		
Teak	25/0/0	25/0/0		
Honduras Mahogany logs	0	12/0	0	12/0
English Oak Planks	0	6/0	0	6/0
English Ash Planks	0	7/0	0	7/0
VEGETABLE OILS (per ton net)—				
Lined, naked	21/17/6	21/15/0		
Rapeseed, refined	33/5/0	33/5/0		
Cotton-seed, crude	19/10/0	19/10/0		
Coconut, crude	15/0/0	14/10/0		
Palm	13/2/6	13/5/0		
Oil Cakes, Linseed, Eng.	9/2/6	9/2/6		
La Plata, Oct.	10/18/9	10/16/3		
Calcutta	12/1/3	12/1/3		
Turpentine	33	3	34	3

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-September	
	Oct. 8, 1938	Oct. 15, 1938	1937	1938
Northumberland	288.9	297.6	10,663.4	9,927.2
Durham	626.4	613.9	24,807.7	23,685.8
Yorkshire	891.3	900.0	33,385.3	31,463.3
Lancs, Cheshire and N. Wales	343.0	338.8	13,182.0	12,680.9
Derby, Notts & Leicester	661.6	661.6	24,992.5	23,601.9
Staffs, Worcs, Salop & Warwick	393.8	393.8	15,032.1	14,509.8
South Wales & Monmouth	775.5	797.9	28,378.7	27,001.0
Other English districts*	120.6	122.5	4,090.6	4,063.4
Scotland	613.3	630.6	23,936.4	22,462.8
Total	4,714.4	4,756.7	178,468.7	169,396.1

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners				
('000 bales)				
Variety	Week ended		Total Deliveries	
	Oct. 14, 1938	Oct. 21, 1938	Aug. 1, 1937- Oct. 22 1937	Aug. 1, 1938- Oct. 21, 1938
American	21.5	21.2	266	230
Brazilian	6.1	4.7	89	45
Peruvian, etc.	2.3	2.5	36	22
Egyptian	7.1	4.6	60	57
Sudan Sakel	3.5	3.3	41	42
East Indian	6.6	3.8	74	97
Other countries	2.3	2.8	53	29
Total	49.4	42.9	619	522

(Continued from page 239)

counts, but there is much nervousness concerning the price agreements, and certain difficulties have arisen with regard to the 42's weft price pact. The demand for Egyptian yarns has continued healthier, not only in home quantities but also in export numbers.

Business in piece-goods has not been of a general character, but numerous contracts have been arranged for small and moderate lots, and certain manufacturers have again tended to improve their position. Steady buying has taken place for India in regular styles. The better demand for South America has been maintained, and fair orders have been booked for the Continent and the Dominions. Some substantial Government contracts are pending in tent cloths, overall materials and heavy goods generally. Isolated cases are reported of idle looms being restarted in certain weaving districts.

Wool (Bradford).—The past two weeks can be regarded as probably among the most satisfactory in the wool world for several months. Considerable activity has prevailed at the raw material end of the industry, there being a good weight of raw wool dispatched to the Continent in fulfilment of orders placed immediately after the recent crisis. The improvement in the demand for raw wool, with prices slightly in favour of sellers, has had a beneficial effect at the spinning and manufacturing end of the industry. There has been more business, and cross-breeds have perhaps benefited most. This is largely due to the increase in hosiery requirements, it being commonly reported that Leicester hosiery manufacturers have been in receipt of considerable Government orders for khaki purposes, and altogether there is more machinery running throughout the West Riding.

According to the National Council of Wool Selling Brokers of Australia, there is every prospect of a further reduction of about 100,000 bales in the original estimate of the current clip, and a revised estimate will be issued as soon as the November statistics become available.

THE COMMODITY MARKETS

The movements of the prices of the principal primary products have been irregular this week. Thus, the prices of wheat and raw sugar continued to decline. While rubber was slightly cheaper on Wednesday than a week earlier, many industrial raw materials were dearer, in sympathy with the sustained improvement in business activity in the United States. Prices of copper, tin, lead and spelter, for example, rose further. In view of the temporary abandonment of output restriction, the renewed advance in copper prices is significant. Raw cotton also gained a few points, in spite of the heavy surplus of this raw material.

Moody's index of the prices of staple commodities in the United States (per 31, 1931=100) rose from 144.9 during the week ended Wednesday. A month ago the index stood at 144.4 and a year ago at 144.0.

Metals

Copper.—In spite of the lifting of restriction the copper market remained firm and standard cash closed on Wednesday at £46 17s. 6d. per ton, a net gain of 1s. 3d. on the week. Demand by consumers and speculators as well as by the armament authorities of various countries continues to be substantial, while sellers are inclined to hold back in anticipation of higher prices. If the United States trade activity continues to make headway these anticipations may prove well founded, particularly as the lifting of restriction will not make itself felt in supplies until the end of this year.

Tin.—Tin gained another £1 5s., thus closing on Wednesday at £212 per ton, the highest official quotation for exactly one year. The turnover of the L.M.E. reached very high levels this week, due to restocking purchases by European consumers and the revival of United States' buying. Activity in tinplate mills on both sides of the Atlantic is still at very low levels, but it is expected that an increase in production is imminent. If that expectation should prove correct, the price of the metal will probably rise further, as current supplies would be below demand.

Lead and Spelter.—Lead gained 3s. 9d. and thus closed on Wednesday at £16 12s. 6d. per ton, while spelter, at £15 8s. 9d., showed no change on the week. The demand for the two metals was less pronounced than that for copper and tin, due largely to the fact that the building trade, which absorbs huge quantities of the two metals, has now passed its seasonal peak and shows a disappointing state in many countries. Further, there was again no news regarding the international cartel discussions, though it is learned that the endeavours to bring producers together have not yet been given up. The August zinc production figures published this week were again disappointingly large. According to the Metallgesellschaft the world's smelter output outside the United States reached 94,461 metric tons in August, against 95,969 tons in July; the monthly average of last year was 94,037 tons. Production in the first eight months of this year reached 771,808 metric tons, against 742,101 metric tons in the corresponding period of last year.

Grains

ON a quiet market prices for wheat have tended to sag slowly. Beneficial rains have been reported from Australia, whose wheat area has suffered severely from the prolonged drought; the estimate of the forthcoming crop has been correspondingly increased, but, at the best, only a moderate production can be expected. The second estimate from the Argentine Government raised the area seeded to wheat in the Argentine by 618,000 acres to 20,625,000 acres. Shipments from Canada are heavy, while sales of Russian wheat have fallen off. A certain reserve on the part of American shippers of maize brought a firmer tendency in prices during the past week and more attention has been paid to Danu-

bian maize. The market for barley has also been quiet, though a better demand developed in the early part of the week.

Other Foods

Provisions.—Bacon prices were reduced at the end of last week, since when the market has been steady. Trade in meat has been slow and prices, particularly for frozen meat, have tended to fall. Egg prices continue their seasonal rise and Danish butter was marked up at the end of last week.

Colonial Produce.—Sugar prices were reduced by 1½d. per cwt. on Monday and again on Wednesday. There was a tendency towards higher prices for coffee and Accra cocoa, but demand at the tea auctions slackened early in the current week.

Fruit and Vegetables.—Good supplies of potatoes at the Borough were easily cleared, with no alteration in prices. Trade in fruit and vegetables was brisk at the end of last week, but slackened after the week-end. The demand for dessert apples remains good; the supply of cauliflowers has been reduced by the cold weather and prices tended higher.

Miscellaneous Commodities

Oilseeds and Oils.—Very quiet conditions have prevailed in these markets; prices have been steady with the exception of Plate linseed, which is somewhat lower. The price of linseed oil moved in sympathy and is now about 25s. per ton below the level ruling early in the month. There is a fair demand for cotton oil at £21 per ton ex Hull.

Rubber.—The market has been dull and inactive during the past week, and prices have moved within narrow limits. Although reports from the American motor industry indicate increased activity, manufacturers are postponing their purchases of rubber, in the hope that the Regulation Committee may raise the export quotas for the January quarter. Such an action is considered unlikely, but the possibility will weigh on the market until the Committee's meeting on November 15th.

Radium.—Reports have arrived in London this week that an agreement has been reached between the Belgian and Canadian radium producers with the object of preventing price-cutting on the international market. Until officially confirmed, these reports should be treated with caution, as the Canadian firm, the Eldorado Gold Mines, Limited, has in the past systematically reduced its prices in order to widen the market for its rapidly increasing production. Its output, which amounted to 0.086 grams in 1935, is scheduled to total about 70 grams in 1938 and its capacity is estimated at 108,000 grams. Its output in 1938 will probably exceed, for the first time, that of the Belgian firm, the Union Minière du Haut Katanga, which was for many years the world's largest producer of radium.

COMPANY MEETINGS

JOHN DELANEY, LIMITED

DIVIDEND OF 10 PER CENT. FOR THE YEAR

MR A. WOOLLEY-HART'S ADDRESS

The thirteenth ordinary general meeting of John Delaney, Limited, was held, on the 25th instant, at the registered offices of the company, 11-12 Pall Mall, London, S.W.

Mr A. Woolley-Hart, the chairman of the company, presided.

The Secretary (Mr L. A. Daly) read the notice convening the meeting and the report of the auditors.

The Chairman said:—The directors' report and the accounts for the year ending July 31st last having been in your hands for some time, I propose they be taken as read.

It is with pleasure we meet our shareholders again and are able to put before them a considerably improved state of affairs. Shareholders are usually most anxious to know two important points as regards any undertaking they are interested in, the first is that the company is in sound condition, the second as to the dividends and prospects.

THE RESOLUTION

The report issued with the balance sheet, I claim, concisely reassures you upon these subjects, as I hope, to your satisfaction. I will now put to you the resolution I have to propose, which I will ask to be seconded. It will then be before the meeting.

I now formally move that the statement of accounts and balance sheet as at July 31, 1938, as presented, together with the reports of the directors and auditors thereon, be and they are hereby approved and adopted. That a final dividend of 5 per cent., less tax (making 10 per cent., less tax, for the year), be paid forthwith to the ordinary shareholders whose names appear on the register on October 11, 1938, that a sum of £597 2s. 8d., less tax, be distributed by way of dividend to the deferred shareholders in accordance with Article 8 (1) of the company's articles of association, that the sum of £2,163 be written off debenture expenses and redemption account, and that the balance of £3,407 9s. 7d. be carried forward to next year's accounts.

Before putting this to the meeting I will make a few remarks as to the balance sheet and ask for any questions or remarks you may wish to make.

BALANCE SHEET

The balance-sheet items call for little comment, with the exception of one or two noteworthy features. On the liabilities side the only items to note are the amount owing to bankers, which has been reduced from £17,691 to £7,529, and sundry creditors, which have increased from £14,260 to £16,705, this latter figure including an extra reserve for taxation which I will explain later on. On the assets side sundry debtors are £22,889, as against £23,940 last year. Stocks on hand, £12,095, are up by £2,158, largely due to increased price of fuel and stores.

THE INVESTMENTS

Our investments show a reduction of some £15,700. Against this you will have noted from what I said just now that the overdraft at the bank has been reduced by £10,162, and almost the whole of the balance has been spent on capital expenditure.

The shares in our subsidiary company stood at £2,521 10s. 3d. last year, which was the actual net cost to the company, your directors having decided that until the Craven Quarry was reopened they should be taken in on this particularly low basis. The quarry having now restarted—we believe it will shortly be working to full capacity—we have thought it quite right to revalue the shares at £7,935—i.e. par (7s. 6d. per share)—at which price the investment returns us 25 per cent. The difference of £5,413 has been placed to investment reserve account, and we have lowered the value of another investment, although we believe it fully worth the price at which it previously stood. We feel that the total of investments and the shares in the subsidiary company standing at £51,566, is quite a reasonable valuation.

Full provision has been made in the accounts for income tax and National Defence Contribution, but the substantial increase in the company's profits during the past year will involve a much heavier assessment for 1939-40. In order to make provision for this we have held up, out of the profits, an additional £1,000.

TRADING POSITION

Our output of lime has increased over 30 per cent. from 65,333 tons to 86,546 tons. The output of hydrated lime has increased

from 4,522 tons to 8,266 tons, and the demand being much in excess of this necessitated working to full capacity. The improved outlook for sales last year caused us to decide upon the erection of a new and improved hydrating plant at the Horton quarry having a capacity of 4 tons an hour, which is now almost complete, and we hope within a few weeks to be turning out a much larger tonnage than heretofore and an improved product.

The electrification of certain portions of our plant already shows a considerable saving in cost.

During the year the cost of fuel and other materials has increased considerably, but this has been more than offset by economies we have been able to effect and by the increased selling price that has been in operation since January 1, 1938.

I will anticipate that you expect me to say something as to the prospects for next year. It is rather unwise to try and prophesy, particularly in view of the times such as we have been passing through and are still living in. I think, however, we are justified in being optimistic in contemplating that we shall at least maintain the present position, and I hope be able to show some further improvement at our next meeting.

Mr Hill-Cole seconded the resolution and it was unanimously approved.

The auditors, Messrs Joshua Wortley and Sons, were reappointed, and the proceedings then terminated with a unanimous vote of appreciation and thanks to the staff.

RHOKANA CORPORATION, LIMITED

DIVIDEND OF 62½ PER CENT.

The sixteenth ordinary general meeting of the Rhokana Corporation, Limited, was held, on the 27th instant, in London.

The Rt. Hon. Sir Auckland C. Geddes, G.C.M.G., K.C.B., the Chairman, said that their interest in Mufulira Copper Mines still remained at 32.303 per cent. Although there was no market quotation for those shares they had, taking a line through Rhodesian Selection Trust, a value on last Monday's quotation of £5,124,000. Their holding in Nchanga Consolidated Copper Mines, Limited, remained at 2,323,150 shares, which at June 30, 1938, had a value of £3,920,315. Sales of metal had increased by £132,000 and operating costs and realisation charges had also increased; the operating profit was, however, decreased by only £8,500. The balance of profit and loss account was £2,138,917, as compared with £2,137,128 last year. The dividend received from Mufulira Copper Mines, Limited, this year was £217,149, as compared with £144,826 in the previous year. The directors had decided to appropriate to general reserve £200,000 and recommended a final dividend of 37½ per cent., less tax, on the ordinary "A" shares, making 62½ per cent., the same as for the previous year.

Their production for the year was 44,247 long tons of blister copper and 32,028 long tons of electrolytic copper, making a total of 76,275 long tons, as compared with 75,254 for the previous year. During the year development in both sections of the mine amounted to 196,709 ft., and they now had 9,212,608 short tons of ore of a grade of 3.9 per cent. copper immediately available for stoping, compared with 7,391,776 short tons of 3.74 per cent. copper last year.

Various additions had been made to the concentrator, and the additions, together with the subsidiary equipment which was also being installed, were additional to the plant ordered when they told the shareholders that it was their intention to equip the Rhokana plant for a capacity of 10,000 short tons a month. He thought he could safely say that, together with the expansion in capacity given by improvements in technical operation, their total capacity in the plant was largely in excess of that figure. They were more than satisfied at the excellent progress and standard of the work done at Nchanga.

The report was unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.4

Telephone: Central 8631

BUENOS AYRES GREAT SOUTHERN RAILWAY COMPANY, LIMITED

IMPROVED PROSPECTS

The one hundred and twentieth ordinary general meeting of this company was held, on the 26th instant, in London.

Sir Follett Holt, K.B.E., M.Inst.C.E., the chairman, in the course of his speech, said: Last year at our meeting I described to you how in one year Argentina had turned round from depression to prosperity. At that time all promised well, but in the following weeks a series of heavy frosts fell over the country and except in comparatively small areas, caused the almost total loss of the ripening crops. The exports and balance of trade figures for the first eight months of 1938 as compared with those of last year show the disastrous effect upon the country. Nearly eight million tons less was exported and the favourable trade balance of 50 millions sterling was converted into an adverse balance. Our hopes, therefore, of a better exchange and other improved conditions were dashed to pieces for the time being, and now can only revive with the advent of a normal crop, which with any good fortune may come to us within the next few weeks. In the meantime we have all had to face unpleasant consequences, with the result that our total traffic receipts fell by £112,000. On the expense side, as I warned you last year would be the case, we had to face a heavy increase in the cost of practically all materials, oil fuel, for instance, rising at one time as much as 8s. 8d. per ton and coal delivered 7s. 7d. per ton.

With the loss in revenue and increase in expenses, after charging to the year the full cost of operating, we found ourselves £514,000 worse off than in the previous year, and this explains how it became necessary to reduce the payments to the preference stockholders.

For us, and, I maintain, for the best interests of the Republic, the amelioration of the railway industry is an urgent need. It is inevitable—in my opinion at any rate—that the people of Argentina through their Government should at least be prepared to share some of the responsibilities and the financial risks of the railways upon which their continued progress and prosperity depend.

As to immediate prospects, the message received from Mr Harris for this meeting indicates that, unless we are smitten again with frost in the near future, you will be able to look forward next year to hearing a better account than it has been possible to give to-day.

The report was unanimously adopted.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

AN ALL-ROUND IMPROVEMENT

The fifty-eighth ordinary general meeting of this company was held, on the 26th instant, in London.

Mr E. A. A. Joseph, the chairman, presided, and, in moving the adoption of the report and accounts, said that in the railway the profit had improved from £44,594 to £66,464. Coal traffic was mainly responsible, but general traffic also showed a definite improvement. Passenger traffic showed an increase in money owing to the reduction in fares, but the number of passengers carried was growing. Their two rail cars, now in service, were doing very well; the board were continuing and developing the feeder bus services, and were also about to experiment with two motor lorries which might be successful in retaining for the railway the traffic of some outlying gardens. Expenditure again showed a decrease, while the percentage of earnings represented by profit—44.56 per cent.—had not been reached since 1933.

The company's collieries showed a very considerable and encouraging improvement; the timber department had again done well, showing a good advance, and the brick works, in their small way, had had a good year. The result of those activities was that the general trading account had improved by over £15,000, to £49,744. Dividends received also showed an improvement corresponding to that in the other headings of accounts. Both the tea companies in which they were interested had been able to increase their dividends, the Makum paying 15 per cent. and the Namdang 10 per cent., while the Rivers Company had improved its dividend from 5 per cent. to 6 per cent., free of tax. The company's cash position also was sound.

He thought he could say the condition and prospects of their property were not unsatisfactory. In the current year they had made a good start. The railway was holding its own, colliery sales had improved, and the monthly accounts so far received showed good results. Therefore he was hopeful about the result of the present year.

The report and accounts were unanimously adopted and the payment of 4 per cent. on the "A" stock as recommended was approved.

CENTRAL ARGENTINE RAILWAY, LIMITED

DIFFICULT CONDITIONS

The ordinary general meeting of the Central Argentine Railway, Limited, was held, on the 27th instant, in London.

Mr W. Howard-Williams, C.B.E. (the chairman), said that at the meeting last year he had been able to inform shareholders that at that time a considerable improvement in the position of the company was discernible. Naturally it had been their hope that that improvement would be maintained and extended. From that time, however, the position had grown steadily worse, and as a result of drought one-third of the wheat and half the linseed crop had been wiped out. Later about half the maize crop had also been lost. The result was that they had transported 3,460,000 tons of those three products against 7,737,000 tons in the previous year, a decrease of 55 per cent., receipts showing a decrease of 53 per cent. As a consequence, their gross revenue for the year showed a total falling off of £2,902,000, and was the lowest since the war.

Strenuous efforts had been made to reduce expenses, but, while a total reduction of some £1,000,000 had been effected, almost the whole of that had had to be obtained by cutting down contributions to the renewals fund. What he had said was, he thought, a sufficient explanation of why the directors had found themselves unable to declare a dividend even on the preference stocks. Crop failures, of course, were transitory, but there were other factors in the situation. He believed that the Argentine Government would recognise the importance of the railways and the fact that under present conditions it could not be expected that new capital would be forthcoming to provide for new equipment and wear and tear.

This company would continue to do what they could in the direction of modernisation, and he was glad to say that the Argentine Government knew their difficulties and viewed them with, he believed, increasing understanding. The directors would be prepared at all times to co-operate with the State Railway organisation in all matters affecting general railway interests, but the situation as a whole called with some urgency for the exercise of statesmanship on a large scale and would, they believed, be so regarded by the Argentine Government.

The report was adopted.

MANILA RAILWAY (1906) COMPANY, LIMITED

EFFECTS OF TAXATION

The thirty-first annual ordinary general meeting of the Manila Railway (1906) Company, Limited, was held, on the 27th instant, in London.

Lieutenant-Colonel C. A. Reid Scott, D.S.O., the chairman, said that the income for the year, including interest on bonds in the Manila Railroad Company, £133,201; interest on holdings of their own debentures, investments and bank interest, £6,845, and transfer fees, £21, was £140,069. Expenditure amounted to £4,624, and income tax and National Defence Contribution was credited with £14,950, as against £9,500 last year.

In the net revenue account, sinking fund "B" debentures was debited with £24,685, and interest on the 4 per cent. and 3½ per cent. debentures with £87,094, leaving a surplus for the year of £8,714. In the balance sheet on the assets side was shown their remaining investment in the Manila Railroad Company, \$13,236,000 5 per cent. refunding mortgage bonds, which at par redemption at rate of exchange \$4.86½ to the £ amounted to £2,719,763. Accrued interest on those bonds at June 30th was £67,051. Investments at cost, £52,237, were regarded as a reserve for taxation liabilities.

Out of the balance of revenue for the year of £8,714 the directors recommended that a dividend at the rate of 1 per cent., less tax, be paid on the preference capital, which would absorb £8,689, leaving £16 to be added to the balance brought forward, making a total of £2,352 to be carried forward.

At the last meeting he had referred again to the Scheme of Arrangement and to the effect of it upon the company's position and prospects. The year 1938 represented almost the first full year after the Scheme as they had nearly completed it. Shareholders would remember that the board estimated that, in normal circumstances, there would be an annual surplus of about £16,000 a year after the Scheme. The surplus for 1938 was £8,714. If they added loss on exchange, £2,787, and increased taxation, £5,450, they arrived at a total of £17,001, which showed that the board's estimate was conservative and would have been exceeded in normal times.

The report was unanimously adopted.

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

ORE RESERVES

DR HANS PIROW'S REVIEW OF OPERATIONS

Dr Hans Pirow, the chairman, presided at the annual meeting of the New Modderfontein Gold Mining Company, Limited, held on the 21st instant, at Johannesburg.

In moving the adoption of the report and accounts, the Chairman reviewed in detail the financial results of the past year's operations.

Referring to the dividend declarations, Dr Pirow said that, as foreshadowed in the chairman's speech at the last annual meeting, dividends could not be maintained at the previous level. But in view of all the circumstances, two dividends of 27½ per cent. for the first and second half-years must be regarded as satisfactory.

"Reductions in profits and dividends," he said, "are due to the decline in the yield per ton milled (the average recovery being 3.776 dwts. for the year 1937-38, 4.075 dwts. for the preceding twelve months), and to the fact that the tonnage milled dropped by 6,000 tons, while working costs increased by 2d. per ton milled."

Development footage had been adversely affected by the shortage of native labour during several months, and had decreased from 65,598 for the previous year to 54,713. The decrease in development was reflected in a reduction of 367,000 tons in payable tonnage developed during the year. Apart, however, from any shortage of native labour it should be clear that the mine had reached a stage when payable ore developed and ore reserve must show appreciable declines from year to year.

TOTAL ORE RESERVES

Thus total ore reserve, which had stood at 8,730,000 tons, valued at 4.2 dwts. per ton on June 30, 1937, had dropped to 7,996,600 tons, valued at 3.8 dwts. when re-estimated at June 30, 1938.

Available ore reserve did not show a corresponding reduction, owing to the transfer of a large tonnage in shaft pillars at Numbers 1 and 2 Circular Shafts from "unavailable" to "available" reserve. That transfer had been possible owing to the successful application at Number 1 Circular Shaft of a method for extracting the pillar while ensuring the stability and safety of the shaft.

Steps had now been taken to apply the same method at Number 2 Circular Shaft, as it was considered sound policy to reclaim that tonnage concurrently with exploitation of other sources of ore.

The possibility of opening up further reserves by development on the Black Reef and Kimberley Reef series had received close attention during the past few months. Those reef series occurred over a small area, in extent roughly 2,000 ft. by 500 ft., in the southern portion of the mine property adjoining the Modder Deep Boundary, and represented a continuation of the deposits being opened up in the latter property. Five boreholes had been sunk from the surface of the New Modder area to test those reefs. All five had intersected the Black Reef series at a depth of from 200 to 300 ft. and had been continued for some distance into the immediately underlying Kimberley Reef series. One borehole had been sunk right through the latter series to the Kimberley shales, some 700 ft. below the surface. Although a number of well formed reef bands had been intersected in the Black Reef horizon by all five boreholes, only one—Number 3 borehole—had disclosed payable values, particulars of which were as follows:—

Depth from surface (ft.)	Reef width (in.)	Reef value (dwts.)	Inch (dwts.)
Plus or minus 295 ...	53	3.1	164
Plus or minus 305 ...	60	7.2	432
Plus or minus 310 ...	36	5.58	201

"The last of these reef bands lies on what is taken to be the contact of the Black and Kimberley Reef series, and the adjoining 45 in. of Kimberley Reef bands gave an average value of 2.20 dwts.

"In another borehole—Number 5—at a depth of some 65 ft. below the probable contact plane between the two series, a Kimberley Reef band, 13 in. in width, gave an average value of 4.32 dwts., and was separated by 6 in. of quartzite parting from a 1-in. reef band assaying 87 dwts. The combined value of these two bands was 7.16 dwts. over a channel width of 20 in.

BLACK AND KIMBERLEY REEFS

"Apart from the intersections described above, no values of importance were disclosed in any of the numerous reef bands which these five boreholes penetrated. The results I have quoted are,

however, sufficiently encouraging to warrant a certain amount of development being undertaken on the Black and Kimberley Reefs, and plans to this effect are now under consideration.

"At the same time the variable character of the reef bands, the known dissemination of gold in these reefs, and the strictly limited area underlain by the series, clearly indicate that, although a very welcome addition to our exploitable tonnage may result from such development, the ultimate amount of ore to be obtained from this source cannot be so large as to affect the future of the mine to any considerable extent.

"The general prospects of the company still remain essentially those outlined in the well-balanced summary which was submitted to you by your chairman at the last annual meeting, and I can do no more than express complete agreement with his views."

The report and accounts were adopted unanimously.

HERRBURGER, BROOKS, LIMITED

UNSETTLED CONDITIONS AFFECT RESULTS

BOARD'S DIVIDEND POLICY

The eighteenth annual ordinary general meeting of Herrburger, Brooks, Limited, was held, on the 24th instant, at Winchester House, London, Sir Louis Sterling (chairman of the company) presiding.

The Chairman, in moving the adoption of the report and accounts, said it was a matter of considerable regret that the results of the past year's trading showed such a large reduction in the figure of profit. A year ago he informed the shareholders that, owing to various influences, many trades, including their own, were showing hesitancy in their progress. That position almost immediately became worse, and apparently owing to the unsettled national conditions the piano trade, in company with others, suffered very severely, mainly where sales were largely made by means of hire purchase. In all the circumstances the directors felt that the results, less satisfactory as they were, were if anything better than might have been expected. The reduction in turnover as reflected in the reduction of gross profits was to some extent offset by reductions which appeared in the items of expenditure, representing approximately £6,000.

DIVIDEND

It was proposed to pay a final dividend of 5 per cent., making 7½ per cent. for the year, carrying forward £26,270. The payment of that dividend meant that £1,910 would have to be taken from the balance of profit and loss account, but the directors, in view of the past conservative policy and the company's very strong position, considered it not unreasonable to pay the final dividend of 5 per cent., even at the expense of reducing the carry-forward by the small sum of £1,910. After all, the carry-forward had been created by profits earned in the past and not paid out to shareholders, and in exceptional conditions such as existed to-day the directors felt satisfied that they would approve their recommendation, making the dividend slightly higher than the profits for the current year would warrant. Unfortunately, up to the present, the board were unable to report any advance in trade, but at the same time there were signs that the retardation had been stopped and a slight upward movement indicated. With regard to their subsidiary companies, those were wholly owned and possessed assets consisting only of cash.

THE OUTLOOK

In regard to the company's main premises in London, the present lease expired in about a year's time, and it was expected they would then be faced with the necessity of buying or building a factory in some other part of London. He was pleased, however, to report that as a result of negotiations with the landlords a new short lease had been obtained which contained an option to enter into a further long lease provided that a considerable amount of rebuilding was undertaken. No immediate decision had to be taken, however, and it was hoped that by the time they had to consider that matter a more settled state of affairs would obtain. There seemed to be no doubt that with a settlement of the present international difficulties trade would largely improve. So far as their company was concerned, their products still ranked high and consequently the piano trade should get its share of any renewal of general trade prosperity.

Mr A. E. Healey seconded the resolution, which was carried unanimously, and the retiring directors and auditors were re-appointed.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

DEVELOPMENT PROGRESS

Mr R. S. G. Stokes, chairman of the company, presided at the first annual meeting of the Blyvooruitzicht Gold Mining Company, Limited, held, on the 21st instant, at Johannesburg.

Moving the adoption of the report and accounts, the chairman said that the authorised capital of the company remained unchanged at £2,950,000 in 5,900,000 shares of 10s. each, of which 4,111,143 shares had been issued and 788,857 shares set aside for subscription at par by the vendors upon cession of the mining lease to the company. One million shares were held in reserve. It was expected that all formalities in connection with the mining lease would be completed shortly.

Expenditure incurred to June 30, 1938, upon equipment, shaft sinking and general charges exclusive of property account had totalled £318,811.

After recalling the references to borehole results mentioned at the statutory meeting, the chairman said that since then there had been obtained by West Witwatersrand Areas, Limited, certain additional information that had a favourable bearing upon the prospects of the Blyvooruitzicht Gold Mining Company. The information consisted of the results obtained in borehole No. E4A, 8,500 ft. to the east of the company's boundary, and in borehole No. E8, 6,700 ft. to the west of the company's property, in both of which "Carbon Leader" had been intersected. Borehole E4A had cut reef at 4,352 ft. and had shown a value of 4.5 dwts. over the true width of 26 in., equivalent to 117 in.-dwts. That hole had been deflected and a second intersection of "Carbon Leader" obtained, also at a depth of 4,352 ft., showing the very favourable value of 12.2 dwts. over 29 in. or 354 in.-dwts. Although the value in borehole E8 was considerably lower than those disclosed by boreholes further east, proving of "Carbon Leader" was of importance in providing further evidence of the regularity and persistence of ore-body now recognised as the principal gold carrier in that section of the Far West Rand.

SINKING OF SHAFTS

The sinking of No. 1 (rectangular) shaft had been started in November, 1937, and a depth of 972 ft. had been reached on September 30th last. The sinking conditions and rates of progress had been extremely variable. On reaching water level at 376 ft. cementation practice had been introduced as part of the sinking routine. Delays occasioned by the drilling of pilot holes and the injection of cement were sometimes long and costly, but unless that method was employed, shaft sinking through dolomite formation of Far West Rand, containing frequent water-bearing fissures and pockets or seams of soft wad, would be impracticable.

No. 2 (rectangular) shaft, the site of which was approximately 7,000 ft. to the west of No. 1 shaft, had been started in July last and had reached a depth of 253 ft. on September 30th. The shaft had been concrete-lined throughout. The water level would be reached at 415 ft., from which point routine cementation practice would be introduced.

It was estimated that shafts would pass from dolomite into Witwatersrand formation at a depth of 4,000 ft. and would intersect the Main Reef group at about 4,500 ft.

No estimate could be submitted of the average sinking speed, which might vary within wide limits, depending upon the form and frequency of the cavities encountered in the dolomite. It would be equally difficult to estimate the average sinking costs, which were more a function of time than of distance. Two factors encouraged the hope of satisfactory progress: these were, firstly, evidence, furnished by diamond drilling in the area, of more regular and compact conditions in dolomite at a depth; and, secondly, the success achieved by the Libanon Gold Mining Company, Limited, to the east, in sinking their No. 1 circular shaft through 2,200 ft. of dolomite in approximately 17 months of active work.

The financial position of the company was strong. At September 30th the cash available, after allowing for a sum of £394,429 to be received when 788,857 unissued shares were taken up by vendors, totalled £1,486,888.

Additional items of major equipment essential for operations up to the development stage comprised three permanent winding engines, to be erected at each shaft, and steel headgear boiler plant and air compressors, to be installed at No. 2 shaft.

The progress made to date upon property which lay a considerable distance from established communities and general industrial services must be regarded as highly satisfactory.

The report and accounts were adopted unanimously.

NOURSE MINES, LIMITED

GOOD DEVELOPMENT RESULTS

MR R. S. G. STOKES ON FAVOURABLE OUTLOOK

Mr R. S. G. Stokes, the chairman, presided at the annual meeting of Nourse Mines, Limited, held, on the 21st instant, at Johannesburg.

In moving the adoption of the report and accounts, the chairman reviewed the financial results and mentioned that provision for taxation at £84,483, equal to 30 per cent. of the working profit, showed an increase of £8,849 owing to the adjustment of factors upon which the amortisation allowance was based.

HEAVY CAPITAL EXPENDITURE

Continuing, the Chairman said that on account of heavy capital expenditure incurred during the period and future capital commitments, total dividend payments had been reduced to 20 per cent. for the past year, as compared with a total of 22½ per cent. in each of the two preceding years. The balance carried forward showed an increase of £3,030.

A decrease of 31,000 tons in ore milled was attributable to a severe shortage of native labour towards the end of 1937 and also in part to experimental modifications of metallurgical practice, through which the value of the residue had improved by 2d. per ton milled. Development footage had also been adversely affected by labour shortage, the advance for the year having been 20,997 ft., compared with 24,684 ft. accomplished in the preceding year. The higher rate of advance would be attained again this year if practicable.

The rate of progress and expenditure recorded in accomplishing the heavy programme of construction work underground had also been retarded by labour shortage. The Main Incline Shaft (Number 3 D) had been sunk 359 ft. during the year and was to-day down to the 39th level.

Excavation of the main hoisting chamber for that shaft had now been completed and a start made upon the installation of a new winding engine. Capital expenditure to be incurred during the current financial year upon underground winding engines and chambers, upon pumping plant, ventilating equipment and power supply was expected to exceed £60,000. That work would practically complete the company's programme and thereafter capital charges throughout the life of the mine were unlikely to constitute an unduly heavy burden.

DEVELOPMENT RESULTS

Results of developments during the year, notably to the south of Goch Dyke, continued to be very satisfactory. Disclosures in that new area could be summarised as follows:—

Footage on the reef.....	12,300
Footage payable	8,880
Percentage payable	72.2
Inch-pennyweights	314

Results of the development on the South Reef for the year had been substantially better than expectations based on previous experience of that reef on the property. There had been a falling-off in grade and in percentage of payability in recent months, but average values were still satisfactory. Some encouraging disclosures had been made up on the Main Reef Leader above the dyke to the east of number 3 C shaft.

Available ore reserve totals for the last four years had shown little change and the current estimate was satisfactory under prevailing conditions. The introduction of a new shaft system underground involved considerable dead work in crosscuts, passes and stations, in consequence of which productive development was usually liable to be retarded. Further, the new deep level section of the mine was of comparatively narrow width, not conducive to rapid exploitation.

ORE RESERVES STRENGTHENED

The ore reserve position of the company was strengthened by large tonnages of profitable ore available in miscellaneous sources outside reserves, less than half the ore stoped during the past year having been drawn from ore reserve faces.

"General prospects for the current year are favourable," concluded the Chairman.

The report and accounts were adopted unanimously.

CURRENT STATISTICS

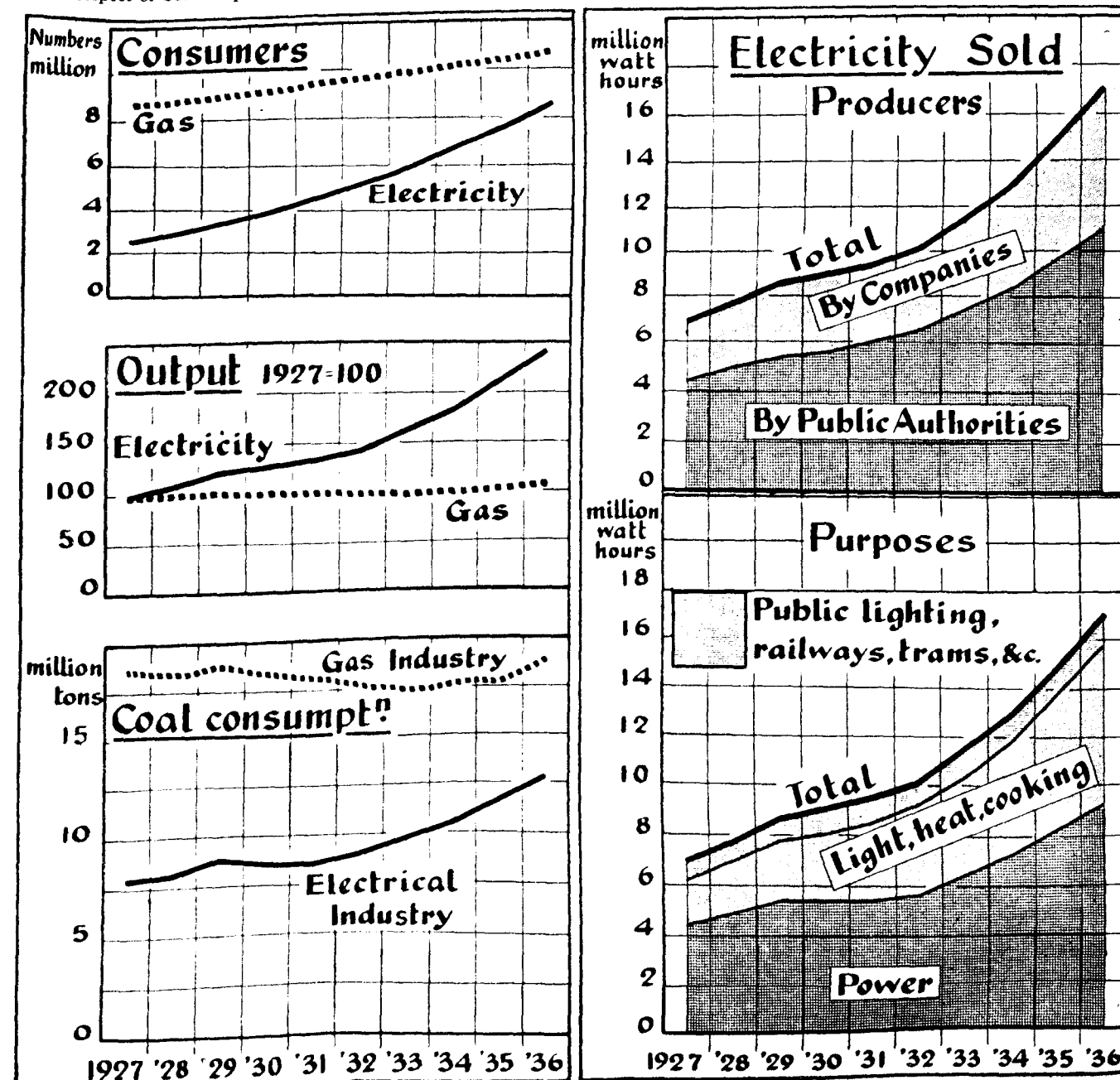
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Electricity

In the charts presented below we have gathered together a number of statistics relating to the electrical industry and certain comparative figures for the gas industry. In the case of electricity the aggregate figure shown for any year, say 1936, is made up of (1) a figure for all companies in Great Britain in respect of the actual calendar year 1936, (2) a figure for local authorities in England and Wales in respect of the 12 months ended March 31, 1937, and (3) a figure for local authorities in Scotland for the 12 months ended May 15, 1937. In the case of gas the statistics relate to calendar years in respect of producers in England and Wales and to the 12 months ended May 15th in the following years in respect of Scottish producers.



Finance

GOVERNMENT RETURNS

For the week ended October 22, 1938, total ordinary revenue was £21,725,000, against ordinary expenditure of £12,686,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £177,275,000, against a deficit of £108,323,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 23, 1938	April 1, 1938, to Oct. 22, 1938	Week ended Oct. 22, 1938	Week ended Oct. 22, 1938
ORDINARY REVENUE					
Income Tax	£341,150	66,781	71,794	3,205	3,339
Sur-tax	62,000	7,360	9,130	250	230
Estate, etc.	88,000	51,820	41,500	1,690	1,270
Stamps	24,000	11,240	10,230	230	150
N.D.C.	20,000	...	8,500	...	650
Other Inc.	1,250	150	650	...	60
Rev. Duties	536,400	137,351	141,804	5,375	5,699
Total I. Rev.	227,950	126,530	126,884	4,814	4,366
Excise	116,150	65,100	65,700	6,400	6,680
Total Cust. and Excise	344,100	191,630	192,584	11,214	11,046
Motor Duties P.O. (Net Receipt)	36,000	9,349	9,166	...	...
P.O. Fund.	8,670	8,110	7,490	1,600	1,750
Crown Lands Rec. from Sun. Loans	2,400	...	630	...	...
Misc. Rec.	1,330	...	...	...	...
Total Ordinary Revenue	944,650	359,065	362,539	18,365	21,725
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	39,090	39,810	900	750
Total...	1,025,092	398,155	402,349	19,265	22,475

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 23, 1938	April 1, 1938, to Oct. 22, 1938	Week ended Oct. 22, 1938	Week ended Oct. 22, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dr.	230,000	130,400	131,639	574	1,205
Payments to N. Ireland	8,900	3,673	3,969	...	...
Other Cons. Fund Serv.	5,239	1,886	1,654	...	...
Total...	244,139	135,959	137,262	574	1,205
Supply Serv.	£702,400	331,429	402,552	9,800	11,481
Total Ord. Expend.	£946,539	467,388	539,814	10,374	12,686
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	39,090	39,810	900	750
Total...	1,026,979	506,478	579,624	11,274	13,436

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After additions of £100,000 made during passage of Finance Act.

§ After adding Navy and Air Supplementary Estimates. Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After reducing Exchequer balances by £370,897 to £2,467,380, the other operations for the week (as shown below, but excluding £233,000 issued to sinking funds) reduced the gross National Debt by £9,177,000 to about £8,322 millions.

WEEK'S CHANGES IN DEBT †

NET REPAYMENTS OF DEBT, ETC.		
Treasury Bills	Oct. 8, 1938	Oct. 15, 1938
Public Department Advances	4,327	4,320
National Savings Certificates	100	100
Post Office and Telegraph (Money)	400	400
N. Atlantic Shipping	30	30
Total	9,177	9,177

† There were no net increases in debt during the week.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to October 22, 1938, are shown below:—

£ thousands	
Ordinary Exp.	539,814
Increase in bal.	103
Eire issues*	3,758
Ordinary Rev.	362,539
Eire receipts*	10,000
Gross borr.	176,842
Less	
Sinking Fds.	5,706
Net borrowing	171,136
543,675	543,675

* Receipts and issues under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of Eng.		
1937						
Oct. 23	610.0	277.9	32.0	55.7	887.9	309.9
Dec. 31	889.7	39.4	...	...	984.9	...
1938						
July 15	568.0	302.3	40.7	...	911.1	343.0
" 23	568.0	304.1	37.2	...	909.4	341.3
" 30	565.0	309.1	46.6	...	920.7	355.7
Aug. 6	560.0	320.1	44.2	...	924.3	364.3
" 13	555.0	303.4	44.1	...	902.5	347.5
" 20	555.0	296.2	41.9	...	893.1	338.1
" 27	555.0	294.0	45.7	...	894.7	339.7
Sept. 3	550.0	316.9	44.1	...	911.0	361.0
" 10	545.0	324.2	46.0	...	915.1	370.2
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3
Oct. 1	526.0	345.5	49.8	...	921.3	395.3
" 8	521.0	379.1	49.3	...	949.4	428.4
" 15	526.0	383.6	45.8	...	955.4	429.0
" 22	526.0	379.3	32.0	...	937.3	411.3

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

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Oct. 22	45.0	86.3	42.0	10	4.97
Dec. 31	50.0	80.5	50.0	10	11.59
1938					
July 15	45.0	90.7	45.0	10	5.21
" 23	45.0	88.3	42.0	10	5.03
" 30	45.0	82.4	40.0	10	1.90
Aug. 5	35.0	78.6	35.0	10	1.80
" 12	30.0	76.8	30.0	10	1.50
" 19	35.0	82.2	35.0	10	1.51
" 26	40.0	87.6	40.0	10	1.53
Sept. 2	45.0	74.6	45.0	10	5.87
" 9	45.0	63.1	42.0	11	11.02
" 16	40.0	55.8	37.0	18	10.75
" 23	40.0	58.2	40.0	19	7.07
" 30	45.0	68.8	45.0	25	1.42
Oct. 7	50.0	71.6	50.0	14	3.44
" 14	50.0	72.6	45.0	15	5.57
" 21	40.0	77.3	38.0	13	8.91

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On October 21st applications at £99 16s. 6d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted at about 44 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 16s. 7d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on October 28th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
40 weeks to —					
Oct. 9, 1937†	24,734,547	18,550,910			
Oct. 8, 1938	24,832,798	18,624,598			
Week to —					
Oct. 9, 1937	617,973	463,480			
Oct. 1, 1938	484,284	363,213			
Oct. 8, 1938*	631,986	473,990			

* Net Exchequer receipts, 8 days ended Oct. 8, 1938, Dr. £250,000. † After adjustments to June 19.

BANK OF ENGLAND RETURNS

OCTOBER 26, 1938

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt £	
In circula.	482,480,727	Other Govt.	11,015,100
In Bnkg. Department	43,933,699	Securities	188,837,357
		Other Secs.	110,811
		Silver coin	36,732
		Amt. of Fid. Issue	200,000,000
		Gold coin & Bullion	326,414,426
			526,414,426

BANKING DEPARTMENT

Props. capital £45,530,000		Govt. secs. £	
Rest	3,127,429	Other secs.	107,581,164
Public Depts.	25,038,583	Drac, etc.	4,156,835
Other Depts.	...	Securities	21,608,689
Bankers	100,421,384		
Other	35,501,186		
		Notes	25,765,524
		Gold & Silv.	1,361,195
		Coin	1,361,195
			178,641,582
			178,641,582

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

THE WEEK'S CHANGES

Both Departments		Compared with	
£ thousands		Last Week	Last Year
Oct. 26, 1938			
Oct. 19, 1938			
Oct. 12, 1938			
Oct. 5, 1938			
Sept. 28, 1938			
Sept. 21, 1938			
Sept. 14, 1938			
Sept. 7, 1938			
Aug. 31, 1938			
Aug. 24, 1938			
Aug. 17, 1938			
Aug. 10, 1938			
Aug. 3, 1938			
July 27, 1938			
July 20, 1938			
July 13, 1938			
July 6, 1938			
June 29, 1938			
June 22, 1938			
June 15, 1938			
June 8, 1938			
June 1, 1938			
May 25, 1938			
May 18, 1938			
May 11, 1938			
May 4, 1938			
April 27, 1938			
April 20, 1938			
April 13, 1938			
April 6, 1938			
March 30, 1938			
March 23, 1938			
March 16, 1938			
March 9, 1938			
March 2, 1938			
Feb. 25, 1938			
Feb. 18, 1938			
Feb. 11, 1938			
Feb. 4, 1938			
Jan. 28, 1938			
Jan. 21, 1938			
Jan. 14, 1938			
Jan. 7, 1938			
Dec. 31, 1937			

COMPARATIVE ANALYSIS

£ millions		1937		1938	
		Oct. 27	Oct. 5	Oct. 12	Oct. 19
Issue Dept.					
Notes in circ.	483.1	505.8	496.4	486.4	482.5
Notes in bank	...	...	...	...	...
Govt. debt and securities	43.3	20.6	30.0	40.0	43.9
Govt. debt	199.2	199.9	199.7	199.8	199.8
Govt. securities	0.7	0.1	0.3	0.2	0.1
Other secs.	326.9	326.4	326.4	326.4	326.4
Gold	...	...	...	...	...
Deposits:					
Public	32.2	12.1	28.3	33.8	25.0
Bankers	87.7	109.7	94.8	90.9	100.4
Others	36.6	37.1	36.6	35.8	35.5
Total	156.5	158.9	159.7	160.5	160.9
Bkg. Dept. Secs.					
Government	100.2	121.9	114.5	104.9	107.6
Discounts, etc.	8.1	10.2	9.5	8.0	4.2
Other	20.9	22.5	21.9	23.9	21.6
Total	129.2	154.6	145.9	136.8	133.4
Banking dept. reserve	44.9	22.0	31.4	41.4	45.3
"Proportion"	28.7	13.8	19.6	25.7	28.1
Reserve ratio†	51.3	49.3	50.0	50.7	50.9

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £36,732; capital, £4,553,000; rest, £3,127,429.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28th last. The latest return of the Bank of International Settlements appeared in The Economist of October 8th; Argentina, Bulgaria, Denmark, South Africa and Sweden, of October 15th; Federal Reserve Reporting Members, Australia, Canada, Finland, Greece, Iran, Yugoslavia, Norway, Java and Roumania of October 22nd.

U.S. FEDERAL RESERVE BANKS

Million \$s		Oct. 27, 1938		Oct. 20, 1938	
		Oct. 27, 1938	Oct. 20, 1938	Oct. 20, 1938	Oct. 20, 1938
12 U.S.F.R. BANKS					
RESOURCES					
Gold certis. on hand and due from Treas.	9,126	10,863	11,197	11,253	
Total reserves	9,451	11,253	11,581	11,640	
Total cash reserves	315	383	374	379	

BANK CLEARINGS

LONDON

(£ thousands)

	Month of September			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Oct. 27, 1937	Oct. 26, 1938	Oct. 27, 1937	Oct. 26, 1938
Number of wkg. days:	26	26	%	6	6	251	252
Town	2,731,208	2,811,089	+ 2.9	684,691	569,759	30,499,429	27,742,787
Metropolitan ..	157,067	148,471	- 5.5	40,653	38,950	1,787,200	1,707,685
Country	298,533	275,728	- 7.6	67,237	64,880	3,135,040	3,022,296
Total	3,186,808	3,235,288	+ 1.5	792,581	673,589	35,421,669	32,472,768

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of September			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Oct. 23, 1937	Oct. 22, 1938	Oct. 23, 1937	Oct. 22, 1938
No. of working days:	26	26	%	6	6	249	250
BIRMINGHAM ..	9,744	7,817	-19.7	2,248	1,779	109,845	97,173
BRISTOL	3,708	2,887	-22.1	809	687	43,428	32,915
HULL	5,446	5,247	- 3.6	1,329	1,310	54,264	53,001
LEEDS	3,588	3,245	- 9.5	913	856	38,529	35,070
LIVERPOOL	3,929	3,540	- 9.9	823	1,103	42,583	40,079
MANCHESTER ..	3,113	2,733	-12.2	652	623	31,906	29,315
MANCHESTER ..	25,894	20,745	-19.8	6,959	5,076	294,127	218,320
NEWCASTLE ..	43,404	34,405	-20.7	8,636	8,636	464,614	385,961
NOTTINGHAM ..	6,297	5,634	-10.5	1,596	1,397	62,649	63,101
SHEFFIELD	1,869	1,848	- 1.1	440	464	21,695	20,776
Total: 11 Towns	111,256	91,903	-17.3	26,549	22,800	1,209,609	1,020,995
DUBLIN	...	...	...	5,347	5,478	244,899†	267,291†

† Based on average working day.

† 43 calendar weeks.

MONEY RATES

LONDON

	Oct. 20, 1938	Oct. 21, 1938	Oct. 22, 1938	Oct. 24, 1938	Oct. 25, 1938	Oct. 26, 1938	Oct. 27, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bankers' drafts ..	9½	9½	9½	17½-9½	17½-9½	17½	9½
3 months' do.	11½	11½	11½	18½-11½	18½-11½	18½	11½
4 months' do.	11½	11½	11½	18½-11½	18½-11½	18½	11½
6 months' do.	11½	11½	11½	18½-11½	18½-11½	18½	11½
Discount Treasury Bills							
2 months'	9½	9½	9½	17½-9½	17½-9½	17½	9½
3 months'	11½	11½	11½	18½-11½	18½-11½	18½	11½
Loans—Day-to-day	12½	12½	12½	12½-1	12½-1	12½	12½
Short advances, 1 Bk.	12½	12½	12½	12½-1	12½-1	12½	12½
Discount houses at call ..	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%
Sept. 29 ...	12½	13½	21½-23½	12½	13½	21½-23½
Oct. 6 ...	12½	11½-13½	13½-18½	12½	13½	21½-23½
" 13 ...	12½	13½	13½-18½	12½	13½	21½-23½
" 20 ...	12½	13½	13½-18½	12½	13½	21½-23½
" 27 ...	12½	13½	13½-18½	12½	13½	21½-23½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Oct. 27, 1937	Sept. 28, 1938	Oct. 5, 1938	Oct. 12, 1938	Oct. 19, 1938	Oct. 26, 1938
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances	1½	1½	1½	1½	1½	1½
Members—eligible, 90 dys.	1½	1½	1½	1½	1½	1½
Non-mem.—eligible, 90 dys.	1½	1½	1½	1½	1½	1½
Commercial accept., 90 dys.	1½	1½	1½	1½	1½	1½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Oct. 21, 1938	Oct. 22, 1938	Oct. 24, 1938	Oct. 25, 1938	Oct. 26, 1938	Oct. 27, 1938
New York, \$...	4.862½	4.74½	4.75½	4.75½	4.75½	4.76½	4.76½
Montreal, \$...	4.862½	4.80	4.79½	4.80-81	4.80-81	4.80	4.80½
Paris, Fr. ...	124.21	178½	178½	178½	178½	178½	178½
Brussels, Bel. ...	35.00a	28.08-19	28.12-17	28.13-20	28.14-19	28.18-24	28.17-24
Milan, L. ...	92.46	90.35-1	90.35-1	90.45-1	90.45-1	90.65-1	90.75-1
Zurich, Fr. ...	25.22½	20.93-99	20.95-99	20.96	20.96-99	20.98	20.98
Athens, Dr. ...	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl. ...	12.107	8.72-77	8.75	8.75	8.75	8.76-78	8.75½
Berlin, Mk. ...	20.43	11.85-92	11.86-90	11.87-91	11.86-91	11.87-93	11.87-93
Registered Marks							
Br. India Rup. ...	†18d.	172½	172½	172½	172½	172½	172½
Hong Kong, \$...	† ...	14½	14½	14½	14½	14½	14½
Shanghai, \$...	† ...	7½	7½	7½	7½	7½	7½
Rio, Mil. ...	†5.899d.	18.98	18.98	19.00	18.98	18.98	18.97
B. Aires, \$...	11.45	19.06g	19.05g	19.05g	19.05g	19.05g	19.05g
Valparaiso, \$...	40	119e (l)	119e (l)	119e (l)	119e (l)	119e (l)	119e (l)
Montevideo, \$...	†51d.	19½-20½	19½-20½	19½-20½	19½-20½	19½-20½	19½-20½
Lima, Sol. ...	17.38	22½	22½	22½	22½	22½	22½
Mexico, Pes. ...	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes. ...	†24.66d.	25-25½	25-25½	25-25½	25-25½	25-25½	25-25½
Moscow, Rbls. ...	...	18½	22½	22½	22½	22½	22½

Usage: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.233½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (l) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Oct. 21, 1938	Oct. 26, 1938	Oct. 27, 1938
Helsingfors, M. ...	193.23	226½-227	226½-227	226½-227
Madrid, Pt. ...	25.22½	100-200(l)	100-200(l)	100-200(l)
Lisbon, Esc. ...	110	109½-110½	109½-110½	109½-110½
Budapest, Pen. ...	27.82	23½-23½	24-24½	24-24½
Prague, Kc. ...	137½	137½-139	138-139½	138-139½
Danzig, Gul. ...	25.00	25-25½	25½-26	25½-26
Warsaw, Zl. ...	48.38	25-25½	25½-26	25½-26
Riga, Lat. ...	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei ...	813.8	650-670	650-670	650-670
Constantinople, Pst. ...	110	593*	599k	600k
Belgrade, Din. ...	276.32	207-217	207-217	208-218
Kovno, Lit. ...	48.66	275½-285½	275½-285½	275½-285½
Sofia, Lev. ...	673.66	380-410	380-410	380-410
Tallinn, B. Kr. ...	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr. ...	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr. ...	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr. ...	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst. ...	97½	97½-98	97½-98	97½-98
Yokohama, Yen ...	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$...	†26d.	27½-28½	27½-28½	27½-28½
Batavia, F. ...	12.11	8.7½-77	8.74½-77	8.74½-77
Bangkok, Baht ...	†21.82d.	22½-23½	22½-23½	22½-23½

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

LONDON—FORWARD

(Closing quotations)

London on	Oct. 21, 1938	Oct. 22, 1938	Oct. 24, 1938	Oct. 25, 1938	Oct. 26, 1938	Oct. 27, 1938
New York, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	58-58	58-58	58-58	58-58	58-58	58-58
2 "	118-78	118-78	118-78	118-78	118-78	118-78
3 "	118-138	118-138	118-138	118-138	118-138	118-138
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	78-1	78-1	78-1	78-1	78-1	78-1
2 "	212-234	212-234	212-234	212-234	212-234	212-234
3 "	4-4½	4-4½	4-4½	4-4½	4-4½	4-4½
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	114-34	114-34	114-34	114-34	114-34	114-34
2 "	2-11½	2-11½	2-11½	2-11½	2-11½	2-11½
3 "	2-12½	2-12½	2-12½	2-12½	2-12½	2-12½
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	Par-1	Par-1	Par-2	Par-2	Par-2	Par-2
2 "	2-4	2-4	2-4	2-4	2-4	2-4
3 "	5-7	5-7	5-7	5-7	5-7	5-7
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	3-2	3-2	3-2	3-2	3-2	3-2
2 "	6-4	6-4	6-4	6-4	6-4	6-4
3 "	9-7	9-7	9-7	9-7	9-7	9-7

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Oct. 20, 1938	Oct. 21, 1938	Oct. 22, 1938	Oct. 24, 1938	Oct. 25, 1938	Oct. 26, 1938
London:—							
60 days ...	4.8666	4.74½	4.76½	4.75½	4.75½	4.76½	4.77½
Cables ...	4.75½	4.76½	4.75½	4.75½	4.76½	4.77½	4.77½
Demand ...	8.2397	4.75½	4.76½	4.75½	4.75½	4.76½	4.77½
Paris, Fr. ...	6.63	2.65½	2.66½	2.66½	2.66½	2.66½	2.66½
Brussels, Bel. ...	23.53	16.90	16.91	16.91	16.91	16.91	16.91
Switz'd. Fr. ...	32.67	22.69½	22.72	22.70½	22.71	22.71	22.72
Italy, Lira ...	8.91	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mk. ...	40.33	40.05	40.07	40.06½	40.05½	40.07	40.08
Vienna, Sch. ...	32.82	...	...	...	...	...	...
Amst'd'm Gldr ...	68.06	54.44	54.40	54.38½	54.38	54.44	54.44
Cop'h'n, Kr. ...	21.22	21.22	21.25	21.26	21.26	21.26	21.26
Oslo, Kr. ...	23.88	23.88	23.95	23.92	23.93	23.96	24.02
Sinh'm, Kr. ...	145.37	24.48½	24.52	24.52	24.53	24.57	24.62½
Athens, Dr. ...	1.29	0.87½	0.87½	0.87½	0.87½	0.87½	0.87½
M'treal, Can. ...	169.31	99.840	99.860	99.860	99.860	99.860	99.860
Yokohama, Yen ...	84.40	27.74	27.78	27.78	27.77	27.80	27.89
Shanghai, \$...	16.00	15.95	15.95	15.95	16.30	16.10	16.50
B. Aires, Peso ...	29.46	29.56	29.52	29.53	29.58	29.65	29.65
Rio, Mo. \$...	11.96	5.90	5.90	5.90	5.90	5.90	5.90

Usage: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER</

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Dividend Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Pref. Amount	Ordinary Amount	Rate				
Breweries and Distilleries		£	£	£	£	£	%	£	£	£	%
Highland Distilleries.....	Aug. 31	49,602	51,491	101,093	...	41,290	25	14,500	45,303	86,324	35
Kemp Town Bwy., Brighton	Sept. 30	14,714	102,398	117,112	30,000	59,000	14	12,000	16,112	113,997	14
Longmore (William)	Sept. 30	8,854	10,562	19,416	...	10,150	40	...	9,266	10,841	30
Mitchells and Butlers	Sept. 30	621,581	645,179	1,266,760	43,500	27,316	7(v)	100,000	645,239	722,281	7(v)
Financial Land, etc.						450,705	21				
Brit. & Con. Plms. Tst.	Sept. 30	1,732	2,752	4,484	...	1,610	5	187	2,687	6,245	7½
Estates Control, Ltd.	Mar. 31	148,002	61,548	209,550	33,722	20,500	100	...	155,328	60,065	100
Gordon Selfridge Trust	Sept. 30	6,034	62,178	68,212	60,000	...	...	...	8,212	102,109	5
Real & Deb. Cpn. Scndl....	Aug. 31	52,190	76,501	128,691	22,125	39,850	13½	...	66,716	75,109	11
Waihi Investments, etc.	Sept. 30	2,057	11,177	13,234	...	10,786	6	...	2,448	12,180	6
Hotels & Restaurants											
Smedley's Hydropathic	Sept. 30	5,073	7,740	12,813	1,125	6,797	12½	...	4,891	7,345	12½
Iron, Coal and Steel											
Lambert Brothers	June 30	90,418	131,639	222,057	10,312	84,375	15	26,582	100,788	103,810	8
Round Oak Steel Works	June 30	19,763	119,433	139,196	4,425	22,062	6	94,552	18,157	88,169	6
Sneyd Collieries	June 30	101,557	83,018	184,575	7,650	52,500	17½	23,500	100,925	79,442	17½
Motor Cycle & Aviation											
Henlys, Limited	Aug. 31	20,085	50,222	70,307	14,062	18,000	40	11,581	26,664	72,566	50
Sun Cycle and Fittings	July 31	2,729	9,147	11,876	885	3,625	6½	5,000	2,366	13,800	12½
Oil											
Trinidad Leaseholds	June 30	143,171	800,878	944,049	...	450,849	27½	347,270	145,930	1,195,270	30
Rubber											
Batu Matang	June 30	2,835	4,125	6,960	...	3,207	5	1,608	2,145	5,818	7½
Galang Besar	June 30	4,950	1,066	6,016	1,400	...	...	...	4,616	1,174	Nil
Kuala Lumpur	June 30	10,960	26,244	37,204	...	15,000	31½	12,000	10,204	40,493	6½
Mambau (F.M.S.)	June 30	1,328	6,526	7,854	1,600	3,300	6	405	2,549	8,316	10
Permas	June 30	1,180	2,917	4,097	...	1,631	3	600	1,866	3,195	4
Rini (Java)	June 30	1,459	(b)11,097	12,556	...	6,487	15	3,200	2,869	(a)	(a)
Sengat	June 30	3,637	8,330	11,967	...	6,800	4	1,000	4,167	15,133	7½
South Malay	June 30	1,069	1,074	2,143	...	...	...	500	1,643	3,474	5
Tea											
Cen. Prov. Ceylon Tea	June 30	5,036	20,848	25,884	3,000	8,400	12	9,253	5,231	21,526	12
Kadur Estates	June 30	Dr. 616	Dr. 50	Dr. 666	...	...	...	...	Dr. 666	Dr. 616	Nil
Kintyre	June 30	2,186	8,518	10,704	1,000	5,386	11½	3,000	1,318	12,013	15
Trusts											
Scottish and Dominions ...	Sept. 15	7,049	20,178	27,227	11,062	4,425	3	...	11,740	18,481	3
Sec. Inv. Mgt. Security ...	Sept. 30	20,984	78,233	99,217	27,500	36,667	10	15,000	20,050	87,381	10
Other Companies											
Anglo-Cont. Guano Works	June 30	16,431	70,848	87,279	28,125	20,000	10	21,264	17,890	55,529	7½
Associated Piano Co.	Mar. 31	18,973	13,364	32,337	8,925	...	...	...	23,412	16,460	Nil
British & Coln. Furniture	June 30	345,885	160,584	506,469	44,849	22,000	20	Dr. 20,994	460,614	137,308	10
Burberrys, Ltd.	Mar. 31	146,160	82,703	228,863	100,000	...	...	58,101	70,762	135,752	Nil
Burco, Ltd.	Sept. 30	6,126	33,453	39,579	...	17,325	22½	12,047	10,207	24,763	20
Cavendish Furniture	June 30	64,130	115,321	179,451	40,000	...	...	54,130	85,321	98,706	Nil
Dancer & Hearne Bros.	July 31	1,524	10,203	11,727	...	5,800	10	4,250	1,677	9,159	10
Ensign Lamps.....	June 30	6,451	23,276	30,727	...	13,781	25	5,500	11,446	(a)	(a)
Fillerys Toffees.....	July 30	7,413	6,756	14,169	...	5,075	7	...	9,094	6,090	6
Fison, Packard & Prentice	June 30	32,366	160,580	192,946	31,106	60,356	10	64,189	37,295	128,891	9
Gerrard Industries	Mar. 31	Dr. 2,397	5,856	3,459	...	...	...	13,896	Dr. 10,437	12,494	Nil
Imperial Smelting	June 30	70,620	103,327	173,947	93,141	...	...	...	80,806	257,092	5
Lightalloys, Ltd.	June 26	6,080	40,989	47,069	...	28,000	35	13,750	5,319	36,515	35c
Loyds Retailers	June 30	28,893	8,258	37,151	...	9,375	10	1,441	26,335	42,861	15
Tecalemit, Ltd.	July 31	13,859	110,851	124,710	...	44,729	18	64,400	15,581	97,487	16
The Times Publishing Co.	June 30	137,926	84,006	221,932	19,409	48,375	7½	20,000	134,148	156,731	10
Total Profits, 1938, in £,000s											
To October 22	No. of Cos.	1,951	72,591	256,211	41,792	133,664	...	73,989	79,357	232,613	...
To October 29		1,994	74,833	259,622	42,431	135,310	...	74,974	81,740	236,794	...
† Free of income tax.											

† Free of income tax.

(a) No comparable figure.

(b) For 17 months.

(c) Absorbed £25,379.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year
BANKS	%	%	%	%	Dick (R. & J.)	%	%	%	%	Rly. & Gen. Invest.	%	%	%	%
Bank of New Zealand	5*	...	Dec. 10	5*	Dictograph T. Phones	...	614	...	10	R.F.D. Co.	3*	412	...	412
Guardian Assurance	50*	...	...	50*	Ever Ready Co. (G.B.)	415*	10	Dec. 1	15*	Reserve Securities Tst	2½*	...	Nov. 15	21½*
TEA & RUBBER					Financial News	...	5	...	20	Rigby (John) & Sons	6*	10	Nov. 10	12
Assam Tea	5*	...	...	6*	First Convey. Invest.	...	...	Dec. 1	3*	Rubber Plms. Inv. Tr.	...	...	...	4*
Beau Sejour Rbr.	...	4.16	...	...	Fison Packard, etc.	7½*	10	...	9	Ste. Madeleine Sugar	...	2½	Nov. 17	6
Kuala Lumpur Rub.	7½	...	...	...	Frehold & Lease. Inv.	5½*	...	Nov. 15	8	Scottish National Tr.	...	5	Nov. 17	5
Lunuvu (Ceylon) Tea	4*	33½	...	614	Great Universal Stores	20*	...	Nov. 14	20*	Sec. Scot. Inv. Tst.	4½*	7	Nov. 9	7
Mergui Crown Ests.	...	7½	Nov. 30	4*	Horden Collieries	20*	25	Nov. 25	10	Sec. Scot. Nat. Trust	...	4	Nov. 17	4
Nuwara Eliya Tea	4*	...	Nov. 7	5*	Imperial Airways	7½	...	...	9	Shaw (John) & Sons	...	...	...	Nil
Rim (Malacca) Rub.	...	6	Nov. 18	12½	Investors Gas & E.	3½	...	Nov. 1	...	Southern Areas Elec.	...	...	Nov. 15	4*
Sumatra (Para) Rub.	...	4½	...	7½	Laporte (B.)	...	5*	...	...	Stantons Ironworks	...	...	Dec. 10	10
INDUSTRIALS					Leeds Fireclay	...	...	...	...	Stuttford & Co.	7½*	11	...	11
Aberdeen Trust	...	6	...	...	Lon. & Col. Invest.	3*	...	...	...	The Times Publishing	...	7½	...	7½
Anglo-Amer. Tele.	15½*	...	...	15½*	Lon. & Marine Invest.	...	5½	Nov. 16	4	Tizer, Ltd.	7½*	...	Nov. 9	7½*
Anglo-Iranian Oil	5*	...	...	5*	Lon. Gen. Invest. Inv.	...	...	...	...	Tweedales & Smalley	2½*	...	...	2½*
Bankers' Invest. Trust	2*	...	...	2*	Matthew Brown & Co.	3½*	...	Nov. 29	4	Urban Electric	4*	...	Oct. 31	7½*
Bank & Insur. Shares	3½-1d	46.5d	Oct. 31	46.7d	Mid-European Cpn.	5½*	9	Nov. 14	7½	Venezuelan Oil Ord.	a 5*	...	...	7½*
Brit. & Con. Plant. Tst.	...	5	Nov. 11	7½	Mitchells & Butlers	13*	21	Dec. 1	1*	Do. Pref.	...	...	...	...
British Match	2½*	...	Nov. 15	2½*	Northampton Brewery	10*	...	Nov. 22	23					
Brit. United Shoe	9½*	...	Dec. 1	9½*	O.K. Bazaars	5*	...	...	15					
Canadian Eagle Oil	...	6d. ps	...	11d. ps	Portsmouth, & Co., News	7½*	...	Oct. 23	7½*					
Clarke (W. G.) & Sons	...	...	...	1½										
Coast Lines	Nil*	...	...	2*										

† Free of income tax. (a) Paid on a larger capital. (b) Nine months. (c) Paid on £1,624,089 of capital against £624,089.

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Half Measures

THE first act of the grand inquest on the Government's policies which will inevitably occupy the greater part of the new session of Parliament has been presented on the Westminster stage. For three days the Commons have debated the great issues of foreign policy and defence which, as time goes on, become more and more inseparable. The Government's foreign policy, in particular the Munich Agreement and the decision to ratify the Anglo-Italian Agreement of last March, have come in for very heavy criticism from members of all parties; but it has been made clear that on these questions the Government still commands a substantial majority of the House. On matters of home defence and re-armament, there is a still more formidable volume of criticism, and it is clear that uneasiness both about the Government's achievements to date and about its methods of procedure for the future is affecting many of those, both inside and outside Parliament, who count themselves in diplomatic matters among Mr Chamberlain's convinced supporters.

The prevailing anxiety about the present and prospective state of our national defences has in the main been directed to two desires: the first, that the available manpower of the nation should be at least surveyed; the second, that steps should be taken materially to increase the output of war materials. In the convenient terminology of the headlines, these are the problems of National Service and Supply. In his speech on Tuesday, the Prime Minister moved some way towards meeting the

questionings are at least held in suspense, and there is a general disposition to wish Sir John Anderson well and to give him at any rate an even chance of success.

If the Prime Minister has gone part way to meet his critics on National Service, he has made no concession at all to them on what is by any definition the much more important matter of Supply. There is a remarkable body of opinion that is pressing for the establishment of a Ministry of Supply to take charge of the production of munitions in the same way as was so successfully done during the war by the Ministry of Munitions. The various political Oppositions are united in this demand—Labour, Liberals and Churchillites alike. But even within the ranks of Mr Chamberlain's supporters there is a strong current of opinion in favour of a Ministry of Supply. Repeated report has it that the Secretary of State for War, the Air Minister and the Home Secretary—all directly concerned—are of this opinion, and Mr Duff Cooper, who until a month ago was at the head of the Admiralty, has publicly expressed his support for the proposal. Mr Hore-Belisha has done virtually as much, since on October 21st he said in a speech at Cardiff that "it must be recognised that, under our present system, nothing can guarantee appreciable acceleration (of the arms programme), nor can there be an appreciable enlargement of it in the given time." Lord Baldwin has pronounced for the "mobilisation of industry" which, if it means anything, means at least a Ministry of Supply. In the debates in the House of Lords this week both Lord Swinton and Lord Trenchard advocated the same remedy. Indeed, it can be truthfully said that almost the only persons of experience who are known to oppose the Ministry of Supply are the Prime Minister himself and the Chancellor of the Exchequer.

It requires considerable stubbornness of will to oppose a powerful combination of opinion such as this. But Mr Chamberlain's speech on Tuesday can be searched in vain for any compelling reason that would justify him in setting his opinion against so many others of such great weight. It has been suggested in some quarters that Mr Chamberlain is unwilling to order a radical acceleration in British armaments lest it offend the dictators and obstruct his policy of appeasement. In his speech, the Prime Minister was at pains to argue that appeasement and re-armament can march together; but there were other passages which seemed to suggest that, while maintaining our present programme, he was unwilling to increase it, but rather put his trust in eventual limitation of arms by international agreement. If this is Mr Chamberlain's opinion, it is an almost perfect example of the ineffective half-measure. If appeasement is compatible with 2,000 airplanes, then it is equally compatible with 3,000 machines. If we are not going to make every effort to keep up with the strength of others, then most of what has been spent on re-armament has been wasted. There is an argument for disarming and there is an argument for arming as strongly as others. There is no tenable argument for arming just sufficiently to burden the taxpayer without strengthening the hand of our diplomacy.

Another contention that has been advanced against the Ministry of Supply is that its prior lien on materials and labour would hamper the export trades. There is serious confusion of thought here, too. It is possible that if the creation of a Ministry of Supply led to a really effective and successful programme of arms production, difficulties would be created for the export trades. But the difficulties would emerge from the effectiveness and success of the programme, not from the fact that it was organised by a Ministry of Supply. On the contrary, those difficulties can only be minimised if the demands of the armaments programme can be properly organised and co-ordinated through a central control, one of whose tasks it would be to meet its requirements with as little disturbance as possible to the export trades. Given that a certain quantity of

arms is to be produced, and that they can only be produced from certain varieties of materials by certain varieties of labour, the effect on the export trades—or indeed on any other trades—will be far less harmful if the process is properly planned than if it proceeds, as at present, largely haphazard. The example of Germany's expanding export trade, which is examined in a special survey in this issue of *The Economist*, is sufficient proof, if any is needed, that proper organisation can protect the export trades from damage by a gigantic arms programme.

Mr Chamberlain's main argument against a Ministry of Supply was that such a Ministry was synonymous with compulsion upon labour and capital. Now it is possible that a Ministry of Supply might have to use—it would certainly have to possess—certain powers of establishing compulsory priorities. But here again it is misleading to suppose that the necessity for compulsion arises from the existence of a single centralising Ministry. If we are to make arms on the requisite scale those priorities will have to be established. If they can be established voluntarily, a single Ministry can accomplish the task better than four; if they require compulsion, it will have to be forthcoming from a Ministry of Supply or elsewhere. The distinction which the Prime Minister draws between what he calls a compulsory and what he calls a voluntary method is not the distinction between a Ministry of Supply and some other practicable method; it is the distinction between an effective and an ineffective system. Mr Chamberlain himself seemed to realise this fact, for his frequent references to the question "whether the time had come" when a Ministry of Supply would be necessary, implicitly recognised that it would be inevitable sooner or later, and his final conclusion that "when we have done everything that we can on voluntary lines, if then we find that we still cannot fill our requirements, then it will be time enough to talk about a Minister of Supply" comes very close to saying that we must be found unprepared in still another emergency before the needs of the situation will be faced.

In fact, however, the use of compulsion is by no means the essential part of the proposal for a Ministry of Supply. Business men in general are anxious to do what is required of them; the difficulty, for many of them, is that they are told different things by different Ministries, or by the same Ministry at different times. The two main tasks for which a Ministry of Supply is needed could be carried out, at least in their earlier stages, without any compulsion save on the defence departments themselves. The first is the task of organising priorities, of seeing that the present wasteful overlapping and confusion are removed. It is a task that cannot be undertaken by a co-ordinator who is not himself in executive control of orders. The second is the task of organising mass production. Mass production involves enormous quantities of standardised goods manufactured and delivered by plant working at optimum load for long periods. It requires designing and planning in advance for bulk orders in the closest consultation with industry; a self-denying ordinance on the designers to make no changes during production; the acceptance of testing by sample; and efficient methods of costing and waste-chasing. The organisation of supply on this scale is one of the most responsible and technical jobs there is, in which the experienced industrial manager should give the instructions, not receive them.

The case for a Ministry of Supply, in short, is not that it represents the compulsory as opposed to the voluntary system. The case is partly that it would be one Ministry rather than four or five; and partly that it would be a different kind of Ministry from those that are effective in peace-time. Once the case is fully appreciated—and it is the task of all those who fear that the Prime Minister has not yet grasped it to preach it continuously—it will be found to be unanswerable.

The End of the *Front Populaire*?

FOR France, as for Great Britain, it is already clear that the crisis of September, 1938, has been of epoch-making importance. Fundamentally, the situation of the two countries is the same; on the morrow of Munich we are both confronted with identical hopes and fears; France, however, seems to be suffering still more severely than we are from the common shock; and she has, in fact, been harder hit. The post-war "system" in Central and Eastern Europe was, after all, designed by French minds and maintained by French strength, and Herr Hitler's success in re-writing the territorial chapter of the peace settlement this year has been a direct blow to French prestige. Moreover, this severe reverse abroad has overtaken France at a moment when her finance and her economy are in disorder and her politics in flux. In British terms, it is as though September, 1938, had been combined with September, 1931. In France, at this moment, the depth of the disturbance can be gauged by the extent of the agitation on the surface of French life.

The political and the financial-economic aspects of the present French internal crisis are, of course, intimately related, and neither of them can be dealt with realistically apart from the other. The political crisis came to a head at the annual conference of the Radical-Socialist Party at Marseilles last week. It was supposed that M. Daladier would take this occasion for announcing at least the main points of a policy of financial and economic reconstruction, and this expectation was strengthened by the speech which the Minister of Commerce, M. Gentin, made at the first day's proceedings. M. Gentin hinted that the times called for a compromise between Liberal orthodoxy and a State-planned economy; but his notion of a "directed" economy, as he sketched it, seemed to be well on the way towards full-dress planning; and there was something incongruous about the airing of this project in the councils of a party which is the chief trustee, in France, of classical Liberalism. Before the Congress closed, the Prime Minister himself had given his audience some startling statistical information about the financial straits which were driving his Government into contemplating strong measures. The expenditure of the Government, he declared, amounted to 102 milliard francs out of a total national income which he put as low as 220 milliard francs, and taxation yielded only 66 milliards. But, to the general surprise, M. Daladier did not launch any financial plan of his own, and his principal speech was mainly devoted to a vehement attack upon the Communists.

This political offensive on the home front followed rather inconsequently upon an account of M. Daladier's stewardship at Munich. For he pointedly differentiated the Communists from both the die-hards and the faint-hearts of other parties. The Communists, he admitted, could claim to have been consistent in preaching intransigence even at the cost of war; but it was this Communist violence and intransigence, so M. Daladier declared, that had paralysed his action during the recent international crisis. His speech leaves the impression that he was attacking the Communists, not so much for what they had done in September, as for the sake of making a new departure in his own policy now. The speech looks, in fact, like a deliberate attempt to make a restoration of the Popular Front impossible; and in this it may have succeeded. Unfortunately, it may also have made it difficult for M. Daladier to proceed with the much more important side of his present urgent task, and that is to give France a strong and representative Government under which Frenchmen of all parties and classes can retrieve their

country's fortunes by hard work. The Prime Minister's new line was not left unchallenged even in the ranks of his own party. In a notable speech, M. Herriot declared that all patriotic Frenchmen must contribute to the national recovery, and that he was not in favour of excluding anyone from his share in the task. On this capital question of immediate political tactics, there seems to be a distinct difference of opinion, in the Radical-Socialist Party, between the Right and Left wings; and it is possible that M. Daladier's stroke may produce a more acute cleavage among the Socialists. His onslaught on the Communists has thrown M. Blum's followers into extreme embarrassment. Even if M. Daladier still seeks their collaboration, they may fear to lose their hold on the allegiance of the French working class if they agree to remain in association with a bourgeois regime which has now put the rival working-class party "on the spot." M. Blum may thus be faced with a choice between a split in his own party or a retirement, intact, into the wilderness—leaving M. Daladier to govern as best he can with the support of an exclusively bourgeois *bloc* in Parliament. This would be a difficult task, as the Radicals and the Socialist-Republicans (who generally act with them) have only 145 Chamber seats out of 618. These two parties, together with every fraction to their right, can muster only 369 seats. But M. Daladier is apparently determined to move to the right—and there are persistent reports that if he cannot get his way with the present Chamber he will try to get a new one.

This point, at which politics impinge upon economics, is the crux of the present French internal crisis. If M. Daladier is now really lending his ear to voices which counsel a breach, not only with the Communists, but with the Socialists as well, his motive is probably a conviction that M. Blum, as well as M. Thorez, is so deeply committed to a forty-hour week that any French Government which included the Socialists would find itself unable to deal energetically and effectively with the supremely important task of putting France back to work. The urgency of this task is not in dispute. To regain the same position relative to Germany as existed in 1929, French industrial production needs to be doubled. Nor is it the first time that the apparently incurable weakness of the economic policies of the French Left has driven the Radicals into the arms of the Right. The chief difference between 1926 and 1938 is that domestic production rather than the external value of the franc is the rock on which the alliance of the Left—call it *Cartel des Gauches* or *Front Populaire*—is wrecked. Yet, difficult as it might be for a partly Socialist Government to get to grips with the problem of production, this might prove still more difficult for a Government that was wholly unrepresentative of the working class. Labour—at any rate French or British Labour—cannot be driven; it must be led. It will be slow to follow a Government containing no Labour leaders, and at the same time it will want to be sure that other classes are pulling their weight. The second of these demands is as reasonable as the first; for it is not only Labour whose sins have brought France to her present plight. Labour has rather given the finishing touch to the work of the bourgeoisie. For economic and financial salvation three things are necessary. The worker must work, the taxpayer must pay his taxes, and the capitalist must invest his money in French enterprise. It would hardly be unfair to the French rentier and capitalist to say that, since 1936, the French workman had taken, for his own standard of work, their standard of paying taxes, and that France cannot live unless all Frenchmen return, in tax-paying and in production alike, to the

strenuous way of life which used to be their country's strength and pride.

M. Daladier's programme cannot, therefore, ignore Labour even though it is apparently to be carried through without Labour's votes. Whatever the party complexion of the Government in office, the only policy that has a chance of success is one that demands sacrifices from both sides impartially. Labour's prospective sacrifice is already clear; it consists of a return to longer hours of work in order that the production of wealth may once more expand. But there is still obscurity over the precise form of the sacrifices to be demanded of those who do not work for wages. It is now apparent that M. Daladier's long delay in producing his plans has been due to disagreement between his Minister of Finance, M. Marchandau, and other members of the Cabinet on the nature of these demands to be made on capital. On Tuesday, M. Marchandau changed places with M. Paul Reynaud. The exact nature of the matters in dispute is not known, but the appointment of M. Paul Reynaud, who enjoys a great reputation, in more countries than his own, both as a financial expert and as a statesman who refuses to be bound by the leading-strings of doctrinaire views, has been welcomed on all sides. The full powers granted to the Government expire in less than two weeks, but M. Reynaud inspires more confidence than any Minister of Finance for some time past that he knows his mind and will not be afraid to act. Moreover, though he stands

formally to the right of the Radicals, being a member of the Centre, he is in a strong personal position—partly because of his known views on foreign affairs, which do not coincide with those of M. Bonnet—to secure the abstention of the Socialists from active opposition, even though M. Daladier has made their positive support almost impossible.

To secure even the neutrality of the Socialists, however, M. Reynaud will need to convince them that he is not going to play with the business of collecting the revenue and persuading—or compelling—the return of capital. The state of France to-day is so serious that unpopular and unorthodox measures must be taken. The Radicals are the pillars of orthodoxy in financial matters, but the time has passed when such things as “controlled economy” or even the imposition of restrictions on the free movement of capital (such as were imposed in England in skeleton form in 1931) can be merely dismissed, without argument, as economic heresy. For too long the vested interest of tax evasion and the divine right of capital to desert have masqueraded as the classical principle of free enterprise.

There is a possibility, if all classes will contribute, for France to set her economic affairs in order and to play her true rôle on the world's stage. MM. Daladier and Reynaud have the chance to prove themselves the men of the hour.

Gaps in Health Defences

THE twentieth century has seen the power to save civilian life raised to almost the same high pitch as the science of military slaughter. Knowledge and organisation have marched together to erect a barrage of health services and specialist treatments against the onflow of death and disease. The death rate has been more than halved in two generations.

True, the death roll of our generation is still high. War takes pride of place with over 812,000 lives lost on active service between 1914 and 1919; and, even now, another and more deadly duel of the nations is scarcely impossible. But peace has casualties no less than war. Over 25,000 workers have been killed in mines, in factories, on ships and on railways during the last ten years; and many more than 6,000 people are slain on our roads every year. Cancer carries off 66,000 victims yearly, while respiratory diseases, including bronchitis and pneumonia, account for 50,000, and tuberculosis for 30,000 more.

Yet, since early this century the rate of infantile mortality has been very much more than halved; the rate of deaths from typhoid and paratyphoid fevers has been reduced by over 95 per cent.; the rate of deaths from tuberculosis has been almost divided by three; and small-pox has virtually vanished. The scourges of childhood, measles, scarlet fever, diphtheria and whooping-cough, remain; but even these have lost much of their fatal sting.

The truth is that civilian defence against disease has been revolutionised in our own lifetime. Since the days of the barber-surgeons, the apothecaries and the physicians who dabbled in magic, and especially in the last hundred years, the doctors have written history afresh; they have developed the uses of anaesthetics and antiseptics; they have evolved precise instruments and studied pathology in their laboratories; they have harnessed chemistry, physics and electricity to healing. At the same time the aims and methods of governments have changed, and their responsibilities have grown. To-day, while the National Health Insurance scheme offers general medical aid to 18½ million contributors, local authorities and voluntary hospitals together provide obstetricians, gynaecologists, officers for infant and child welfare, medical, dental, orthopaedic, goitre

and diabetic clinics, cancer and tuberculosis treatment, ear and throat specialists, special schools for defective children, isolation hospitals and pathological laboratories.

Yet, despite this impressive catalogue, we are far from being in a position to take a breathing space in the struggle against sickness and death. We have it on the authority of the Chief Medical Officer of the Ministry of Health, from whose report for 1937* many of these facts and figures have been drawn, that the nation's health services need further co-ordination and development before they can become fully effective. Our annual bill for ill-health is not less than £300 millions; and our administrative plant needs replacement and rationalisation. The so-called Ministry of Health is a vast multi-functioned Local Government Board in disguise; local health duties are scattered broadcast among a crowd of overlapping and unco-ordinated authorities, officials and institutions; and the general practitioner, the mainstay of medicine, works for the most part in his own pigeon-hole apart from the main structure of Public Health. This isolation of the general practitioner is the chief ground for welcoming the new scheme mentioned in the Chief Medical Officer's report for giving free post-graduate courses to insurance practitioners. Our system of national insurance is incomplete: the dependants of insured persons are not included, while specialist services are for the most part held aloof.

Nor does this list of “gaps and deficiencies” tell the whole tale of the work there is still to do. It is not simply a matter of planning administrative reforms. Influenza, cancer, and diabetes have grown more menacing than they were a generation ago; the rate of maternal mortality has not appreciably fallen in twenty-five years; and heart and respiratory diseases and tuberculosis are still grim and powerful killing agents. A mass of evidence has been disclosed by researchers in recent years to show how very vulnerable a salient in our health defences has been created by defects in our social and industrial system, by the evils of overcrowding and low wages, by persistent unemployment and inadequate feeding. There are

* “On the State of the Public Health, 1937.” H.M. Stationery Office. 3s. 6d.

black spots where the tide of improvement in health and the duration of life has risen much less high than in the country as a whole. The Chief Medical Officer can fairly claim that the diseases which have almost disappeared, such as cholera, typhus, typhoid, plague, dysentery and malaria, were those which had their root in bad environment of living. The State services of sanitation and inspection have largely removed the diseases in improving the conditions of life. But the health policy of the State now has a new objective: not merely to cure disease but to prevent ill-health. There again, the attack must be on the conditions of living, and though we spend £100 millions a year on services to furnish the environmental conditions of good health, the open door to sickness and disease is still poor conditions of living. It is no longer a matter of cess-pools and bad drains, but rather of under-nourishment and bad feeding, unemployment and poverty.

Mr Richard M. Titmuss has written a very good book* to point this particular moral, mobilising (in the words of Lord Horder's foreword) a large amount of material about the relation of poverty to premature death, disease and incapacity. He turns the searchlight of statistics upon the North and Wales; and, comparing these depressed districts with the counties round London, the “standard” region of good health and decent living conditions, he discloses differences in their rates of death and disease which might well distinguish two separate nations. The expectation of life at birth and at all ages is appreciably lower in the North and Wales than in the South-East. Durham and Northumberland have much the highest rate of infant mortality in England and Wales, averaging 76 per 1,000 live births and rising to 92 in Sunderland and 114 in Jarrow. Of 401 infantile deaths in Durham in 1936 from respiratory diseases, as many as 266 would not have happened had conditions been the same as in Surrey. And if the national infant mortality rate, which is driven up to 59 per 1,000 live births by the heavy mortality in the fertile industrial North, could be brought down to 45, or midway between the 47 of the South-East (including Greater London) and the 42 of the Home Counties, the lives of 8,000 infants would be saved every year. Deaths of children between one and five years of age show the same disparities; in 1936, 524 children between these ages died per 100,000 living in Durham and Northumberland from measles; pneumonia, whooping cough and bronchitis;

* “Poverty and Population.” By R. M. Titmuss. Macmillan. 320 pages. 10s. 6d.

Topics of the Week

The Meaning of Appeasement.—According to dictionaries, the word “appeasement” means the process of pacification or satisfaction; “to appease” is to calm or pacify angry persons, to propitiate them, to satisfy their demands or even, in Dr Johnson's usage, to offer them blandishments or bribes. The Prime Minister has seemingly studied his dictionary well. Starting from the surprising premise that he alone in British politics is anxious to seek peace and ensue it, he has decided, very reasonably, that if possible breakers of the peace are given forthwith what they are ready to fight in order to get, they will not need to have recourse to war. Accordingly, German designs in Czechoslovakia are recognised to the full, even though the Prime Minister was disinclined in the Commons on Tuesday to describe the Munich settlement and its aftermath as just or righteous. A formula is found to allow Signor Mussolini continued freedom of action in war-ridden Spain though no more than a vague promise of a *quid pro quo* is forthcoming. Mr Churchill and Mr Lloyd George, together with that very large body of people in this country who are disposed to be critical both of the methods of Mr Chamberlain's new-found totalitarian friends and of the startling deficiencies in Mr Chamberlain's own defence

the rate for Greater London was only 283 per 100,000, for the rest of the South-East 167.

Tuberculosis is especially associated with malnutrition; and a close statistical relation between overcrowding and deaths from tuberculosis has been worked out for Jarrow, Blaydon and Sheffield. Among men, the rate of deaths is 180 per cent. above the national average in South Shields and 97 per cent. above in Cardiff.

Just as unduly high phthisis rates are due to want and impoverishment, the consequence of long unemployment and low wages, so is the exceptional maternal mortality in the North and Wales due to the effect of depression upon mothers in industrial areas in the form of under-feeding. The maternal mortality rate for the North in 1936 was the same as in the county of London over 40 years before; and in no years since the statistics began in 1891 has the rate for all England and Wales been higher than the rate for Wales two years ago. If the rates had been the same in the North and Wales as in Mr Titmuss's standard South-Eastern area, 30,000 mothers would have been saved in ten years up to 1936. And, in the same decade, if all mortality rates in these depressed areas had been the same as in the South-East, no fewer than half a million lives, men, women and children, would have been saved.

Thus Mr Titmuss's regional analysis yields very grave results. It may be that mortality rates as a whole cannot be appreciably reduced in the future, though there is no evidence to justify such a defeatist conclusion. But even so, we cannot possibly say that the grave excess rates registered in particular districts are irreducible. We can certainly do all over the country what has been successfully done in a large part of it. It is not simply a matter of additional deaths, but of sickness and incapacity in life as well. Men from Wales, Northumbria, the West Riding of Yorkshire and Lancashire, all of them between 15 and 24 and about half between 18 and 20, when medically examined for the army, found well over one out of every two rejected as unfit; and the rejection rates in these districts are between 50 and 80 per cent. higher than for the Home Counties. The health campaign cannot engage only doctors and hospitals; its terrain is the entire field of social welfare. Every step to raise the standard of living is a blow to disease; every fillip to exports and the staple industries is a riposte to sickness; every move towards a national food and nutrition policy earns a life-saving certificate. No nation can be wise or strong until its health is at least as great as its wealth.

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What then does appeasement mean in actual practice? It would be complete folly to deny that the examination and removal of grievances is the sovereign road to international peace; but it would be no less foolish to maintain that the indiscriminate satisfaction of, say, Germany's claims, advanced with the show and threat of force and unaccompanied by any disposition to be bound by reciprocal obligations in return, leads along this pacific path. The Prime Minister has high hopes of his policy; he sees at its end the abolition of arms, the freeing of world trade and the improvement of the standard of living of

the people. He said so in the House on Tuesday, but he gave not the slightest indication of what guarantees for the interests and security of Britain and the unrestricted development of British democracy his programme of one-sided appeasement provided. It takes two to make peace, just as it takes two to make a quarrel; and Mr Chamberlain's policy rests simply and solely upon his reiterated conviction that Herr Hitler—and Signor Mussolini—do not want war. They do not, if their claims can be satisfied, if they can get whatever they want without it; but, while there are presumably some claims which we could not possibly satisfy, for honour or safety, or both, we have no evidence at all that the dictators would necessarily abate such claims for the sake of the peace which Mr Chamberlain—and all his fellow countrymen of all parties—so earnestly desire. In other words, can Mr Chamberlain be sure that the Fuehrer and Duce share his own faith in appeasement? Perhaps the outcome of the colonial question will provide the answer.

* * *

England and Italy.—It was a foregone conclusion that the bringing into force of the Anglo-Italian Agreement which has been hanging fire since April 16th, would be part of the Prime Minister's post-Munich policy of appeasing the European dictators. By 345 votes to 138 the House of Commons accepted the inevitable on Wednesday. The Agreement itself, mainly concerned with Arabia and Africa, does not mention the war in Spain, except that the two contracting Powers pledge themselves to maintain the *status quo* in the Mediterranean and to exchange information about the disposition of their fighting forces in Mediterranean territories. Nor is the Italian claim to *de jure* recognition of the conquest of Abyssinia included. Yet the questions of Spain and Abyssinia are the most vital elements in Anglo-Italian rapprochement, and notes attached to the April Agreement made three points clear: first, that the British Government intended to recognise Italian sovereignty in Abyssinia; secondly, that the Italian Government, having no territorial ambitions in Spain or the Spanish possessions, were ready to withdraw Italian forces from Spain by stages; and, thirdly, that the British Government regarded "a settlement of the dispute in Spain" as a prerequisite of the Agreement's entry into force. Since then, a settlement in Spain has been brought no nearer and Italian intervention has remained the most potent factor in the war, at least in the air. This situation remains unaltered now. The Non-Intervention (or British) plan for the evacuation of foreign volunteers has been treated with contempt by General Franco and remains inoperative, although the Spanish Government has disbanded the International Brigade. Italian airplanes continue to wreak destruction on the Ebro and over the open towns of Government Spain; British ships trading to Spain run the gauntlet of Italian bombs. Yet Mr Chamberlain is convinced that the necessary conditions for the Agreement's entry into force now exist.

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The question whether the ratification of the Anglo-Italian Agreement is right can only be answered in the negative. International morality can only look the other way while we condone the swallowing of one League member and armed assault upon another. But it is doubtful how far the ratification is even expedient. It would seem that, in the Prime Minister's view, the nocturnal Four Power talks at Munich changed the Spanish situation radically. Signor Mussolini (and Herr Hitler) then conventionally disclaimed territorial ambitions in Spain. The Italian dictator further agreed to withdraw 10,000 infantry troops from Spain (which he contrived to do) and send no more troops out; not to gether provide "compensatory air squadrons"; and to plan for evacuation came into force.

Mr Chamberlain is apparently so anxious to reward the Duce for his past good offices in the peaceful dismemberment of the Czech State and for possible future services, that he has convinced himself that these wholly disingenuous pledges are tantamount to a "settlement" in Spain. Actually, Signor Mussolini's Munich protestations promise no more than he promised and failed to effect last April. The bulk of the Italian forces are still in Spain, and there is no chance of the evacuation plan coming into force so long as General Franco, presumably on Italian pressure or advice, refuses to accept it. Meanwhile, there is no suggestion whatsoever that Italian airplanes or war material will be withdrawn; or even that they will not be replenished, provided no more than 9,999 extra pilots (since 10,000 would be "compensatory") are drafted to Spain. No one can contend that the Prime Minister has obtained any guarantee that Italian intervention will be relaxed in the coming winter. The Duce has not been notable for strict adherence to his promises in the past, and it is the naive faith of the obstinate gambler—who stakes in this case the vital interests and security of his country—which leads Mr Chamberlain to assume that Signor Mussolini will act otherwise in the future when every sign points to the opposite conclusion. The whole country will hope that all Mr Chamberlain's assumptions prove correct—that Italian intervention in Spain will come to an end, that the new Spain will not merely preserve its territorial integrity but will not be in fact an Italo-German dependency, that the Rome-Berlin axis will cease at least at its southern end to threaten vital British interests. But we pay cash down in a gamble where the odds seem strongly against our success.

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Metropolitan and Provincial Politics.—It was a characteristic of pre-*Anschluss* Austria, at least before democratic forms were destroyed in Dollfuss's day by shot and shell, that while Vienna was Socialist the provinces were Conservative. The same centripetal tendency is dimly evident in English Socialism. The County of London is the largest unit in the world under Socialist rule; and last Tuesday's municipal elections, when one-third of the borough councils went to the polls, showed a growth of Labour influence, outside the County, in Greater London and the urban parts of the Home Counties. There were no elections in the L.C.C. area, where contests for all seats are triennial. In Tuesday's elections, over the whole country, Labour lost five seats on balance, mainly to Conservatives, who registered a net gain of five. Thus, as in 1932 and 1935, when the seats contested this week were last balloted for, there was little net change. But there were important swings of opinion in particular places: three years ago Labour lost Leeds; this year majorities at Burnley, Bristol, Leicester, Sunderland, Hull and Wakefield have gone. There was no sign of a knock-out blow in Tuesday's fight, but, away from London, anti-Socialist groups were victorious on points. Yet Labour still controls 17 out of 28 metropolitan boroughs in London, as well as the County Council, and 37 cities and towns elsewhere. Socialist candidates have the aid of a national organisation in municipal contests; and Socialist councils have frequently been sound and successful in power. The Labour Party won its spurs in local affairs, and in the boroughs there does not prevail that view which hovers over all Parliamentary elections that Socialism in power would mean national ruin. Labour's third of the poll in the last two general elections was largely concentrated in urban constituencies, apart from mining areas; and it would be surprising if Socialist politicians did not cut a dash in the local affairs of towns.

* * *

The Economics of Fear.—Changes in the structure of demand are inevitable under the continued threat of air bombardment, but it is not yet clear what these changes will be. During crisis week many working-class families

upset their household budgets by providing children with the minimum clothing and footwear required for evacuation purposes, while many other families showed a new interest in tinned foods, reflected in the 27 per cent. increase of sales of grocery, provisions and bakery in Central and West End districts of London during September, 1938, as compared with September, 1937. Since the Peace of Munich, demand appears to have taken two rather contradictory directions—an increased craving for all forms of amusement, and a good deal of quiet preparation for the moment when "peace in our time" may expire. In cynical terms, there is a brisk demand for sand in which the ostriches can bury their heads and for burrows into which the rabbits can bolt at the next warning. If the salesmen of this country think of presenting a trophy for 1938 they should seriously consider the claims of Herr Hitler, who in addition to his other recent achievements, has been the first man to create a sale for caravans in the autumn. Another significant trend in demand has been the rush of orders for battery portable wireless sets. Whether land values will be substantially affected remains to be seen, but risks of air bombardment have undoubtedly introduced a new demand factor which was conspicuous in the crisis and still to some extent persists, not only for residential but for office purposes, as well-known firms are taking steps to remove from central London. Anyone who had any illusions that there might be less muddle and less readiness to profiteer in a national emergency in 1938 than in 1914 must have lost them by now. It was owing to the existence of an accidental glut, rather than to patriotism in the trade, that a number of food prices could be stabilised without the most drastic action in September, while some prices actually showed spectacular rises. It is essential that, for instance, food stocks and retreats for wives and families should be available in case of trouble, but evidently to leave so much to individual cunning and resource is going to cause not only economic maladjustments but social and political friction.

* * *

The New Hungarian Frontier.—The Italo-German arbitral decisions in the Czechoslovak-Hungarian frontier dispute were announced from Vienna on Wednesday. That this dispute was always, *au fond*, a matter between Germany and Italy rather than between Hungary and Czechoslovakia was confirmed by Herr von Ribbentrop's sudden visit to Rome on the 27th. The Vienna "award" was then arranged. Italy accepted Germany's proposal that the principle of nationality, rather than economic or financial claims, should be taken as a basis for settlement; and in return Germany agreed that the 1910 census figures should be those used in demarcation, as they were in the Czech-German settlement. Italian and German wishes that the Axis should revolve smoothly in this new test of its tensile strength are largely responsible for the decisions reached. There has been give-and-take on both sides, though Germany has taken more than Signor Mussolini seems to have hoped it would be necessary for him to give. A part of Ruthenia does remain independent. But Hungary has fared far better than was generally expected, receiving territory containing a population of nearly 900,000, of which 100,000 are Slovaks and 90,000 Ruthenians, and the important towns of Kosice (Kaschau), Uzhorod (Ungvar) and Mukacevo (Munkacs) with all the fertile lands to the south of them. Bratislava remains in Slovakia, though as consolation it is proving inadequate. A joint Czechoslovak-Hungarian Commission will decide the details, but at one stroke Ruthenia is depleted of its two important towns, its east-west rail and road communications, and nearly all of its mineral and agricultural wealth. From the German point of view this attenuated Carpathian province may be valuable as the tail-end of a Ukraine which stretches eastward to Rostov and northward to Brest-Litovsk; but it is a very small tail and uncommonly difficult to wag. Its only lines of communication now are three north-south sections of railway and a number of ill-kept hill roads. Access to Roumania from the west must be through Hungary—which augurs ill for those in Budapest who

would resist German influence. The Vienna "award" has, of course, a general as well as a local interest. It shows that Germany can make her will prevail in Central Europe against the combined wills of Italy and Poland; and it further shows that Herr Hitler means to advance by championing the principle of nationality. For the remnants of Ruthenia, as a focal point for Ukrainian nationalist aspirations, may yet provide Poland's enemies with a most useful weapon.

* * *

Mr Pirow, the Colonies and Germany.—The visit to Europe of Mr Oswald Pirow, South Africa's Defence Minister, has set buzzing a hive of rumours on the *Kolonialfrage*. We may be reasonably certain that his purpose was to explore the ground for a friendly settlement of that question; but it is unlikely, for instance, that he suggested at Lisbon a South African or United Kingdom "deal" in Portuguese colonies so as to keep German hands off Tanganyika or South-West Africa. The main topic of conversation between Mr Pirow and Dr Salazar seems to have been that of common defence of their possessions in Africa, whatever dark hints the scandal-mongers may have let fall. In Germany his visit coincides with an intensification of the propaganda which, with quiet determination, is persuading the German citizen that he ought to have the power and glory attaching to colonial possessions, and that very soon he will have them. General von Epp, whose business it is to "look after" German colonial interests, has been making his voice heard; and the Berlin institution which teaches the theory of colonial administration finds little time on its hands. Arranged for next spring is an exhibition of German "colonial" art. No chances are lost of impressing on the public the justice and the value of colonial claims.

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Germany, it is said, will not be provoked into taking the first step in discussing a colonial settlement, for she was a victim of injustice, and it is not for her to set wrongs right. Also, her ability to govern has been called in question; and that is not to be borne. But the Nazis are astute enough to realise that so long as Britain can be scared into worrying about colonial concessions, they have much to gain by waiting, and in the eyes of the world everything to gain by refusing to consider rumoured "arrangements" which would include the colonies of countries like Portugal and Belgium. Meanwhile their propaganda works day and night to create an atmosphere outside Germany in which the real question will not be "Ought Germany to have colonies?" but "Which colonies ought Germany to have?" In that way they will



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Japan in China.—Hankow and Canton are now fully in Japanese hands, and the rest of China's ports and railways may go the same way before the winter pause in operations of war. Meanwhile, President Chiang Kai-shek and the Chinese armies have made good their withdrawal to the south-west. What next? The next act in the Chinese drama may be a diplomatic conflict between Japan and other foreign Powers over Japanese interference with the latter's rights. At Washington on October 27th the State Department published an American note to Japan which had been delivered on the 6th. This State paper recites a number of Japanese infringements of American rights in China, and demands satisfaction from Japan on three heads: the discontinuance of discriminatory exchange control; the discontinuance of any monopoly or preference that would promote Japanese business in China to the detriment of American business; and the discontinuance of interference by the Japanese authorities in China with American property and other rights—e.g. censorship of mail and telegrams, and restrictions upon residence, travel, trade and shipping. The American complaints against Japan set out in this note are illuminated by a statement made in Tokio on the same day—October 27th—by the newly appointed Japanese Ambassador to the Quirinal in an interview given to a German journalist. In this journalistic transaction, in which all three of the "Triangle" Powers were concerned, the Japanese diplomatist declared that, while the rights of foreign Powers in China would be respected, and their financial co-operation welcomed, Japan had no intention of sharing her victory with the Western Powers, and he added that the British predominance in Eastern Asia had been ended for all time to come. German technicians and industry and German trade would still be able, he declared, to work in China on a preferential basis; and, in speaking to the representative of a newspaper belonging to another anti-Comintern country, a Japanese diplomat could say no less. The German business community, however, is more impressed by Japanese acts than by Japanese words. For Germany, who at the outbreak of war had a larger annual volume of trade with China than any other foreign Power, has been particularly hard hit commercially by the Japanese invasion. At Shanghai the whole foreign business community is now feeling the effects of Japanese control over the raw cotton market. But these actual and prospective business losses, serious as they are, are not so ominous as the protest made on the 28th by the Japanese Prime Minister, Prince Konoe, to the French Ambassador in Tokio over the import of arms into South-Western China via French Indo-China. Since the Japanese envelopment of Hongkong and capture of Canton, the French railway to Yunnan is virtually the only means of

communication between China and the West. For the moment, at any rate, Mr Arita, who became Foreign Minister at Tokio for the second time on October 30th, holds strong cards.

* * *

The Expulsion of Polish Jews from Germany.—Totalitarian nationalism is an inhuman force. While nations struggle for power, human beings are trampled under Leviathan's foot. The most pathetic victims of the idolatrous worship of the many-headed Beast are the rapidly growing host of uprooted refugees; and what is perhaps the worst case of cruelty in this field up to date has occurred within the last few days. On the night of October 27th about 20,000 Polish citizens—most, but not all of them, Jews—who were resident in Germany were suddenly arrested by the German police and about 5,000 of these unfortunate people were then marooned in no-man's-land between the German and the Polish frontier. Deprived of their possessions, separated from their families, and huddled in trains, or even out in the open, at a season which, in north-eastern Europe, is already inclement, these outcasts were subjected to treatment which Europeans have not been wont to inflict upon one another deliberately, in peace time, since the close of the Dark Ages. The excuse given by the German authorities was that on October 30th a new Polish regulation was to come into effect, under which all holders of Polish passports issued outside Poland must obtain a special visa in order in future to be entitled to re-enter Poland. Whatever the purpose of this Polish regulation may have been, the German authorities saw in it a threat to make it impossible for Germany to deport Polish residents, if she so desired, at a later date; and so they took these steps to rid themselves of Polish residents of Jewish nationality before the new Polish regulation came into effect. On Saturday, October 29th, however, it was announced in Berlin that the present deportations had been suspended, pending a settlement of the question by negotiations between the German and Polish Governments. Poland had, it appears, threatened to retaliate by expelling Germans, and the Polish authorities had already gone the length of making preparatory arrests. Meanwhile, the 8,000 Jews marooned in no-man's-land have been provisionally admitted into Poland, while Germany has agreed provisionally to suspend action in respect of the rest of the 20,000 persons affected. It remains to be seen whether Poland or Germany will get the best of it in the present struggle of wills.

* * *

The Issue in Yugoslavia.—Dr Stoyadinovitch and the Government of Yugoslavia hope to take advantage of a favourable reaction to the Munich settlement in next month's elections, and the Government's campaign in the country has started off with a fighting speech by the Prime Minister in which he outlined the successes of his diplomacy during the past year. This is the best card in the Prime Minister's hand. For no matter what repugnance his leanings towards the dictators may arouse among the democratic parties—and democratic they remain in spite of curtailed political liberties—Dr Stoyadinovitch is confident, not without reason, that moderate Yugoslavs will nevertheless see the advantage of a foreign policy which permits the head of their Government such unusual flexibility of movement. The friendship of Yugoslavia, Dr Stoyadinovitch says in effect, remains open to the highest bidder; and if at the moment Germany leads the auction, that is no reason to suppose that France may not be doing it to-morrow. Only, one is given to understand, Dr Stoyadinovitch does not think so; for he sets a low value on democratic competition. But even allowing for fresh support gained by recent vindication of its pro-German policy, and for the repressive control with which it can hinder the Opposition's campaign, the Government will not have an unruffled course through the elections. The main Opposition parties have agreed to waive their differences. They have

received the support of a surprising variety of political opinion, both Left and Right: and as a warning of their strength Dr Matchek, leader of the Croat People's Party, visited Belgrade on August 14th and won applause from a crowd which is reported to have included a large number of Serbs. That meeting was the first shot in a united Opposition campaign. Not only have Serb and Croat democrats joined forces, but it appears that the J.N.S. section of the Right opposition—the Yugoslav National Party, or what remains of it after many defections—have accepted Dr Matchek's leadership, including his former adversaries, Yevtitch and Zhivkovitch. During the crisis the Belgrade Sokols demonstrated in support of Czechoslovakia; and now a consciousness of Yugoslavia's enhanced danger of domination from the north seems to have rallied against Dr Stoyadinovitch and his pro-German policy, people and parties lately in outspoken enmity against one another. Whether, within the framework of electoral law and practice, that consciousness can be translated into effective political action is doubtful indeed. And it is even more doubtful whether, in the very unlikely event of an Opposition win on December 11th, such a strange electoral coalition of conflicting aims could long hold together. Yet they will make Dr Stoyadinovitch sweat for his victory.

* * *

Italian Self-Sufficiency.—In Italy there is action on the autarky front. The first meeting of the Supreme Self-Sufficiency Commission which met in Rome on October 10th under the eye of Signor Mussolini, issued a statement saying that it "reaffirmed most categorically the necessity of carrying on the battle for the economic independence of the nation with extreme energy and the highest speed." Signor Mussolini told the Commission that it must find food for 50 million Italians. Seven million of these are yet unborn, but the task is at present stiff enough to demand at least one measure which is a direct departure from programme. That is the projected increase of the wheat-growing area to 5½ million hectares, about 350,000 hectares more than was sown last year, with the aim of producing a harvest of 90 million quintals of wheat. An increase in the area of maize is also anticipated, and since both these increases detract from the area available for other cultivations (and particularly from that available for stock-raising and dairy produce) agricultural autarky will be as far away as ever. It is clear that the Italians are not going to be encouraged or permitted to eat more meat; and with the internal price of wheat maintained far above prevailing world levels, the same remark applies to Italian consumption of bread and macaroni. An important comment on the financial side of self-sufficiency has been provided by Signor de' Stefani, a Fascist financial authority. Writing in *La Stampa* for October 11th, he warned everyone concerned that they need not expect the State to finance indefinitely the transformation to new methods of manufacture. "Big industries," he wrote, "must undertake this task of financing themselves as a compensation for the protection afforded them by the State." This is presumably a new form of taxation at the source: for political interest would frown on a passing-on to the consumer of a rise in the cost of production incurred by the diminution of State credits. And the task of making Fascism a "rural phenomenon" has received another encouragement of late. On October 28th 20,000 peasant colonists, the biggest contingent for many years, sailed for lands in Libya on which cottages stocked with tools and stores and livestock have been built ready for them. Most of the settlers are young and all should be enthusiastic, for their reception is planned to the last detail and nothing left to chance.

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The Spanish War.—The seventh battle of the Ebro began this week. From early reports it seems that General Franco will gain from this new counter-offensive

no more than he has gained from his six previous attempts to oust the Republicans from their mountain strongholds—and that is less than nothing. His persistence is understandable. With the winter drawing on and continued stalemate on the Ebro, his plans are all awry. Barcelona may be on short commons that near starvation point, Italian aeroplanes may go on dropping bombs on civilian populations, and his own diplomatic position be strengthened by ratification of the Anglo-Italian Agreement: but for all that his soldiers do not advance. And unless he can keep up the pressure on the Ebro, it is even becoming doubtful whether he can develop fruitful offensives elsewhere: for in quantity also his soldiers fail him.

* * *

Bellahouston Finale.—At midnight on October 30th the Empire Exhibition at Glasgow came to an end. Not even continuous rain was sufficient to damp the determination of the Scots to outdo the Sassenach, and 364,092 people passed the turnstiles on the final Saturday to eclipse Wembley's fourteen-year-old record attendance of 321,232 visitors on a single day. In all, 12,593,232 have visited Bellahouston Park since the Exhibition opened last May; and, although the final accounts have still to be cast up, it seems likely that, for an exhibition, the Glasgow venture has fared well, even in cold terms of pounds, shillings and pence. A total attendance of between 12,000,000 and 16,000,000 was budgeted for; and, while the golden occasions in 1888, 1901 and 1911, when Scottish exhibitions actually made profits, are scarcely likely to find a successor this time, at the worst Glasgow's guarantors are likely to have to find no more than 2s. or 3s. in the £ in contrast to the 15s. in the £ required of Wembley's backers as well as a supplementary vote of £1,100,000 from Parliament. Like Wembley, Bellahouston has been plagued by rain. Unlikely Wembley, it has been managed with unusual efficiency and economy, and it is likely that the wide but hardly measurable gains in business and publicity which have been sought by exhibitions ever since the Prince Consort's monstrous greenhouse was set up in Hyde Park eighty-seven years ago will be reaped by Scotland—still in sore need of tangible economic aid.

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"Japan Pays for War."—In an article in last week's issue of *The Economist* under this title the following sentence occurred: "In the single year to the end of August, 1938, the increase [in the note circulation of the Bank of Japan] was from 1,660 million yen to 3,071 million yen—an increase of 25 per cent. in a year." The figure 3,071 was a misprint for 2,071. The proportional comparison was, of course, correct.

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GERMANY'S TRADE OFFENSIVE

I. German Methods of Foreign Trade

THE methods by which the German Government aims at stimulating foreign trade constitute a startling innovation in the system of international trade. In the past, Government intervention usually assumed the form of direct or indirect subsidies to exporters. This device, which in the changed circumstances has come to be regarded as almost orthodox, is freely applied by the German authorities; but it is supplemented by a series of other devices.

Until comparatively recently the most important among the new methods was the encouragement of exports through the use of blocked currencies at depreciated rates. Permission was given to spend the various types of blocked marks on the purchase and export of certain types of goods which in the ordinary course could not have been marketable abroad. In effect, for export purposes—but for export only—the mark was depreciated to a fraction of its official value. Germany got the advantage of a low-value currency for her exports and of a high-value currency for her imports, at the expense of the foreign owners of blocked marks. The range of goods which were allowed to be exported by such means has, however, tended to become narrower and narrower. At present the use of blocked marks in payment for German exports has almost completely ceased, although a large part of German trade with Latin America is paid for with the so-called Aski marks or compensation marks. These are not blocked marks proper; they are received by Latin-American exporters in payment for goods sold to Germany, and can be used in payment for German goods imported into the same country. Since Aski marks are always quoted at a big discount, this method amounts to one more of the many disguised forms of currency depreciation. The difference between this method and straightforward devaluation is that the depreciation of the Aski marks is not uniform in the different countries. It can be regulated according to the special requirements of trade with the various Latin-American countries. Thanks to the use of these Aski marks, Germany has succeeded to a considerable extent in capturing some of the Latin-American markets from Great Britain and the United States. Indeed, in Chile and some other countries, the use of Aski marks has increased the competitive capacity of German exporters to such an extent that even local industries have begun to suffer.

Sophisticated as this method may sound, it is simplicity itself compared with the wide variety of methods resorted to by Germany in her trade with South-Eastern Europe. The German inventive genius seems to be indefatigable in devising new uses for the exchange clearing system, by means of which Germany is enabled to import goods without having to pay cash for them, and at the same time to plant her manufactures upon a number of countries.

The first device, originally adopted some years ago, was to increase German purchases of the products of the Danubian and Balkan countries. The prices paid were attractive, and the governments did not dare to incur unpopularity among the producers by hampering the sales to Germany of Roumanian and Hungarian wheat, Yugoslav and Roumanian timber, Greek, Bulgarian and Turkish tobacco, etc. It was some time before the exporting countries realised that the result of the one-sided

purchase of their goods by Germany was the accumulation of large frozen balances owed to them by Germany on their clearing accounts with her. In order to liquidate these balances, it became necessary for the governments of these countries to do their utmost to encourage the purchase of German goods. To that end they refused import licences for British and other manufactures in order to divert purchases to Germany. The German authorities, however, realising the strength of their bargaining position, were reluctant to allow the South-Eastern European countries to buy German goods freely. They refused to sell them goods which they were able to sell abroad for cash, and were only prepared to sell stocks which were not wanted in countries with free currencies. Thus, in order to reduce the frozen clearing balances, Yugoslavia was compelled to buy huge quantities of aspirin, Roumania bought many thousands of typewriters, and Greece bought mouth-organs by the hundred thousand.

It may appear astonishing that after this experience the countries of South-Eastern Europe should have continued to sell their goods to Germany. The reason lies partly in the fact that German purchases drove the price of their agricultural products well above the world market level, so that the peasants did not want to sell elsewhere, and partly in the fact that Germany's own activity spoilt the world market and made it difficult for these countries to sell elsewhere. Since Germany did not want all the Greek and Bulgarian tobacco, Turkish raisins, etc., for her own consumption, she resold abroad a large part of the quantity purchased. While she did not pay cash for the goods to the exporting countries, she obtained free exchange for them when she re-exported them. In her keenness to raise free exchange she was prepared to sell the products at low prices, and in doing so she killed two birds with one stone, since she spoiled the market for the exporters of the producing countries. As a result, the prices offered by Germany became still more attractive to the agriculturists of the Danubian and Balkan countries. Their Governments were reluctantly compelled to allow them to sell to Germany, even though this meant interminable delay in receiving payment, during which time the Central Bank had to finance the exporters. This method was applied also in some Latin-American countries. For instance, Germany acquired large quantities of Colombian coffee with the aid of Aski marks and sold it for cash in Copenhagen and other markets, with the result that Colombian exporters found it very difficult to sell their products in any other country but Germany.

The world-wide re-armament fever has also assisted German foreign trade. Countries with no arms industries of their own found it difficult to place orders for early delivery, partly because armament industries were fully engaged by orders for their own Governments and partly because, in the circumstances, arms were not being sold on a credit basis. Germany became practically the only country which was prepared to sell war material in really large quantities for immediate delivery without even asking for cash payment. Considering the extent to which German industries were engaged in meeting German re-armament requirements, this may sound surprising. The explanation lies in the fact that the German Government was anxious to discard certain

types of war material because better models had been invented in the meantime. The Governments of certain Balkan and Latin-American States were only too pleased to buy the Reichswehr's discarded aeroplanes, tanks and anti-aircraft guns. These purchases enabled Germany to obtain new material and at the same time to acquire some political influence in the purchasing countries. After all, it is necessary to secure the continuity of the supply of replacement units, spare parts, ammunition, etc., and this could only be done so long as the countries concerned remained friendly with Germany. While Latin-American countries such as Chile and Peru were only too willing to buy German war material, some of the South-Eastern European countries were, for political reasons, reluctant to accept the German offers. Nevertheless, Germany succeeded in selling large quantities of war material to Greece (which country promptly resold part of it to the Spanish Government) and Hungary, while Turkey and Roumania were unwilling to commit themselves politically by accepting German war material. Quite recently, however, Turkey has also yielded to the pressure of the growth of the frozen German clearing balance, and has agreed to the delivery of war material.

By far the most subtle device adopted by the German Government for the stimulation of foreign trade was what may be described as the long-term credit trick. Time after time during 1937 and 1938 it was announced that Germany had succeeded in obtaining orders for delivery of industrial plant or other capital goods on a long-term credit basis. This appeared all the more astonishing since Germany's banking resources did not allow for such generous credit terms. The explanation lies in the fact that in reality the credit transactions were financed not by Germany but by the Governments of the debtor countries. These Governments, being anxious to safeguard themselves against the earlier experience of one-sided German purchases of their goods, made it a condition that imports and exports in relation to Germany must balance each other. Subsequently, however, they were forced to realise that this did not provide an adequate safeguard for their exporters. It is true that the Roumanian wheat grower exported his product to Germany on a cash basis, and that the cash was actually paid into the clearing account at the Reichsbank. But the Roumanian exporter did not receive his cash, because the German manufacturer of machinery sold his goods to Roumania on a ten-years' credit basis, and this meant that the purchase price of the

machinery would not be paid into the German-Roumanian clearing account in Bucharest until the credit fell due. And since the Roumanian wheat exporters could hardly be expected to wait ten years for their money, the Roumanian authorities had to finance them pending the collection of funds from the Roumanian purchasers of German machinery. On the other hand, even though the exporters sold their goods on a long-term credit basis, they were able to obtain cash, because the proceeds of the Roumanian wheat exports to Germany became immediately available in the Roumanian-German clearing account in Berlin.

Since the export of German goods to Roumania enabled Germany to import Roumanian goods to the same value, irrespective of whether or not the Roumanian purchaser of the German goods would ever pay the purchase price, there appeared to be no reason to be cautious in granting credit. Indeed, for this reason German exporters have been delivering goods on a credit basis in Roumania and other countries to purchasers who are considered to be anything but credit-worthy. The sale of goods on the instalment system has also been encouraged, and it has been made possible for anyone in the Balkans to buy a German motor-car or bicycle against a nominal deposit and on extremely easy terms. The moment these goods cross the frontier of the importing country, Germany is entitled to buy goods there, even though the purchasers of the German motor-cars and bicycles may default. If they meet their liabilities, well and good. If they eventually default, better still, since it means the accumulation of frozen balances in Germany owing to the Balkan countries, which places the countries concerned in a state of commercial and political dependence upon Germany.

While Germany was in a comparatively weak position both commercially and politically, she had to resort to these subtle devices to obtain expansion of her trade. The moment she became strong enough, however, they were reinforced by the assertion of political and economic power. Having secured between 40 and 50 per cent. of the trade of the Danubian and Balkan States, she can afford to threaten that, unless the countries concerned refrain from attempting to divert elsewhere part of their trade, Germany will stop buying their goods, or that she will stop liquidating their frozen claims. This argument, reinforced by the growing preponderance of the German military power in Central Europe, has been very effective indeed in assisting Dr Funk in the course of his negotiations in various capitals in South-Eastern Europe.

2. Anglo-German Competition

THERE has been much discussion, especially in recent weeks, of the direct impact of Germany's trade policies on the British export industries. Much of this discussion relates to changes that are expected in the future, which cannot, of course, be subjected to any objective test. But the only sound basis for forecasts of the future is the experience of the past. This article is devoted to an analysis of British and German competition in the markets of the world during the past decade.

The main facts upon which such an analysis must be based are contained in the table at the top of the next page. For the purposes of comparison, the three years 1929, 1932 and 1937 have been chosen—1929 because it was the peak year for international trade, and 1932 because it was both the lowest year and the last before the advent of the National Socialist Government in Germany. For each of the 39 most important countries of the world, figures are given in the table showing, in each of the three years, the proportion of their imports and exports coming from or going to the United Kingdom and Germany respectively. The method of showing percentages has been chosen because it automatically eliminates all difficulties arising out of shifting price-levels and exchanges.

The mass of figures in the table is too great to be digested at a glance. It may therefore be useful to pick out the main conclusions that emerge, following the geographical divisions of the table.

Western Europe.—German progress in the majority of these countries has been slight. She had a smaller share of imports into France, Belgium, Holland and Switzerland in 1937 than in either 1929 or 1932. The same is true of German purchases, save that the German share in these countries' exports is in some cases rather higher than in 1932. Britain also has a smaller share in the trade of these four countries than in 1929, though in some cases larger than in 1932. In Portugal, however, there is a definite decline in the British share of Portuguese purchases. The German share was no higher in 1937 than in 1929, but there has been a considerable increase in 1938. With the exception of Portugal, British and German experience in Western Europe has been very similar.

In *Northern Europe* such changes as have occurred have been to Britain's advantage and to Germany's disadvantage. Thus, our share in Finland's imports has risen from 13.0 per cent. to 22.2 per cent., while Germany's share has fallen from 38.3 per cent. to 20.3 per cent., and similar figures could be quoted for nearly every country in this section of the table. Germany's purchases have held up better than her sales. In Sweden, Norway, Latvia and Estonia they are a higher proportion of the total than in 1929. The six months' figures for 1938 show that efforts are being made by Germany to recapture her Scandinavian and Baltic trade. But in general this part of the world shows greater success for British than for German methods.

Central and South-Eastern Europe has been the scene of Germany's most spectacular gains. Of the eight

countries included, all except Czechoslovakia show big increases in the share of their import trade that goes to Germany. Some of these increases are spectacular—for instance, 17.5 per cent. of Turkey's purchases in 1929 increasing to 43.7 per cent. in 1937. The figures for the first half of 1938 show this increase continuing in most of the countries. This great increase in Germany's sales to the Danubian and Balkan countries has not, however, been generally at the expense of Great Britain. The British share in the imports of Italy, Turkey, Greece and Bulgaria has fallen; but it has increased in the other four countries. Moreover, the 1938 figures make, on the whole, a favourable comparison. Our share of the Turkish market, which had fallen most drastically, has been more than double this year what it was last year. On the side of the exports of these countries, Germany is, in general, taking a larger share, but Roumania, Hungary and Czechoslovakia are significant exceptions. British purchases are higher from Czechoslovakia, Yugoslavia (notably), Roumania and Hungary, but lower from the other countries.

The figures for the *British Dominions* show, in general, considerable increases in the already large proportions of their exports going to the United Kingdom and, on the other side of the account, at least a maintenance of the British position in their markets. The chief exception to these generalisations is Eire. It is also notable that our share of the Indian market has fallen, and India is also the only country of the group to show a significant increase in her purchases from Germany. The position in the *British Colonies* is very similar to that in the Dominions. Germany's share in the imports of the colonies is everywhere small, and nearly everywhere lower than in 1929. Nigeria and the Gold Coast are the chief colonies having a substantial trade with Germany, and there it is mainly on the side of exports. Germany took 19½ per cent. of Nigeria's and 18 per cent. of the Gold Coast's exports in 1929, and 23 per cent. of Nigeria's and 18 per cent. of the Gold Coast's in 1936. The British share in the colonies' trade is everywhere large, but has not in general increased since 1929.

In *South America*, the position is different in different countries. In Brazil, Chile and Peru, Germany has considerably increased her trade. She has increased her sales to Venezuela and her purchases from Colombia, but in each case the counterpart is lacking. In Argentina and Uruguay, her share both in exports and in imports has declined, though German-Uruguayan trade on both sides and German purchases from Argentina have increased in 1938, mainly due to imports of maize. British experience has in almost every case been the opposite of German so far as our sales are concerned—bad in Brazil, Chile and Peru and well maintained in Argentina and Uruguay. But the countries which have diminished their purchases from us now send us a larger share of their exports.

In the *United States* the British share has been maintained, but the German share has been halved. In *Egypt* there has been some increase in German trade, but not at Britain's expense. In *Japan* both countries have a smaller share of imports and a larger share of exports.

The significance of these facts cannot be grasped without some appreciation of the relative importance of these different groups of countries in our foreign trade. This is shown below:—

	Percentage of British Trade, 1937	
	Exports	Imports
Western Europe	11	9½
Northern Europe	9½	14½
Central & South-Eastern Europe...	3	3
British Dominions	31½	33
British Colonies	17	6½
South America—Argentina	3½	5½
Remainder	3½	2

It will be seen that the two areas where Germany has advanced and Great Britain has declined—Central and South-Eastern Europe, and the South American countries other than Argentina—together represent only a very small fraction of our foreign trade. On the other hand, in the areas that are important for us, we have at least maintained our position or, where we have lost ground, have not lost it to Germany.

It is a difficult matter to indicate exactly which British industries have suffered most from German competition. In Italy, where the displacement of British goods by German has been most deliberate, the sufferers have been the coal and engineering industries, but German sales of textile goods have been reduced even more than the

BRITISH AND GERMAN SHARES IN THE WORLD'S TRADE

	British Share			German Share†		
	1929	1932	1937	1929	1932	1937
1. Western Europe						
France ... imp.	10.0	8.2	8.0	12.0	12.7	8.3
... exp.	15.1	10.0	11.4	9.5	8.6	6.5
Belgium ... imp.	11.1	8.7	8.3	12.3	17.1	11.6
... exp.	18.1	15.5	13.6	12.1	10.6	11.2
Holland ... imp.	9.6	9.1	8.4	30.8	31.2	21.5
... exp.	21.6	18.9	21.6	22.9	21.6	16.1
Switzerland ... imp.	6.0	4.4	6.2	27.1	29.9	24.7
... exp.	13.7	10.7	11.2	20.2	16.9	18.4
Spain ... imp.	13.0	10.2	*	10.7	10.4	*
... exp.	18.9	25.8	*	7.5	9.1	*
Portugal ... imp.	26.9	24.5	18.3	15.2	12.9	15.2
... exp.	23.4	20.7	21.5	11.1	9.6	10.9
2. Northern Europe						
Sweden ... imp.	17.4	16.8	18.7	30.8	29.3	23.1
... exp.	24.8	25.6	23.9	15.2	9.5	16.0
Denmark ... imp.	14.7	22.3	37.7	32.9	25.9	24.5
... exp.	56.4	64.1	51.4	19.9	13.2	18.8
Norway ... imp.	20.7	21.5	24.6	24.4	21.3	16.5
... exp.	26.5	25.3	28.7	13.0	12.1	13.1
Finland ... imp.	13.0	18.6	22.2	38.3	29.1	20.3
... exp.	38.0	46.8	44.6	14.4	8.3	13.3
U.S.S.R. ... imp.	5.3	13.0	14.4	25.0	47.0	15.0
... exp.	21.9	23.8	32.8	24.7	17.6	6.5
Poland ... imp.	10.3	16.4	11.9	33.1	24.5	19.1
... exp.	8.5	10.8	27.9	49.0	42.3	22.5
Lithuania ... imp.	17.4	41.4	46.5	59.4	39.1	17.7
... exp.	8.4	13.9	20.7	41.2	35.6	27.6
Latvia ... imp.	27.4	30.8	38.4	26.4	26.2	35.7
... exp.	10.1	13.8	16.7	30.1	32.0	26.5
Estonia ... imp.	38.1	36.7	33.9	26.6	26.2	30.8
3. Central and South-Eastern Europe						
Italy ... imp.	9.6	8.8	3.9	14.8	15.7	23.0
... exp.	9.8	8.8	6.1	14.8	14.2	17.2
Czechoslovakia ... imp.	4.1	5.5	6.3	46.2	40.8	19.7
... exp.	6.9	5.5	8.7	37.9	33.5	21.0
Turkey ... imp.	12.2	12.3	7.1	17.5	25.3	43.7
... exp.	9.6	9.9	7.1	13.8	15.1	38.5
Roumania ... imp.	7.3	10.8	10.0	36.0	28.6	40.1
... exp.	6.3	14.0	9.0	37.0	18.7	27.1
Jugoslavia ... imp.	5.6	7.4	7.8	33.0	31.0	33.6
... exp.	1.3	2.1	7.4	24.1	33.4	35.2
Greece ... imp.	12.5	13.6	11.0	10.6	11.9	30.2
... exp.	11.8	23.4	9.6	25.6	18.7	32.1
Hungary ... imp.	2.8	4.7	5.3	33.2	38.0	44.2
... exp.	3.6	6.9	7.1	42.1	45.3	36.4
Bulgaria ... imp.	8.9	10.4	4.7	29.8	31.9	58.0
... exp.	8.9	2.5	13.9	42.4	41.0	47.1
4. British Dominions						
Canada ... imp.	15.3	21.3	21.6	1.7	2.2	1.7
... exp.	31.5	38.9	38.2	3.4	1.7	1.2
British India ... imp.	42.4	36.4	31.5	6.3	7.9	9.2
... exp.	21.2	27.9	31.7	9.1	6.2	4.8
Australia ... imp.	39.7	40.0	41.6	3.2	3.3	3.9
... exp.	38.1	53.1	48.8	6.7	3.6	2.7
South Africa ... imp.	43.1	46.1	42.4	6.8	8.0	5.9
... exp.	65.8	82.2	81.2	4.5	2.2	4.1
New Zealand ... imp.	48.7	51.2	49.6	1.3	1.7	1.7
... exp.	73.7	87.8	76.3	2.2	0.8	1.4
Eire ... imp.	78.1	76.6	49.9	2.5	3.0	3.2
... exp.	92.3	96.5	90.8	1.4	0.2	3.5
5. South America						
Argentina ... imp.	17.6	20.4	18.9	11.5	9.7	10.4
... exp.	32.2	36.9	27.8	10.0	8.8	6.3
Brazil ... imp.	19.2	19.2	12.1	12.7	9.0	23.9
... exp.	6.5	7.0	9.1	4.7	2.1	15.0†
Venezuela ... imp.	12.8	22.1	10.1‡	8.8	8.9	17.0
... exp.	1.2	0.9	3.7‡	9.2	12.4	26.1‡
Chile... imp.	17.7	12.9	10.9	15.5	4.7	2.0‡
... exp.	13.4	31.5	19.6	8.6	13.7	9.5
Colombia ... imp.	14.4	19.4	18.7	14.4	15.4	13.5
... exp.	4.7	1.1	0.5	2.1	4.1	12.4
Peru ... imp.	15.0	17.3	10.3	10.0	10.7	19.7
... exp.	18.3	36.1	22.7	6.1	7.2	13.7
Uruguay ... imp.	16.6	19.4	16.8	10.0	10.5	11.3
... exp.	23.0	27.7	24.2	15.6	15.8	13.4
6. Other Countries						
U.S.A. ... imp.	7.5	5.6	6.6	5.8	5.6	3.0
... exp.	16.2	17.9	16.0	7.8	8.3	3.7
Egypt ... imp.	21.2	24.0	21.8	8.3	8.0	12.0
... exp.	33.9	37.8	32.2	6.8	10.6	9.6
Japan ... imp.	6.9	5.5	2.8	7.1	5.0	4.9
... exp.	2.9	4.3	4.6	0.6	0.6	1.2

* Not available.

† Including Austria.

‡ 1936.

British. On the other hand, in Turkey, and to a lesser extent in Brazil, Germany has captured our market for cotton piece-goods, but the demand for British machinery, relatively to German machinery, has been fairly well sustained. These facts illustrate the impossibility of generalisation. Subject to all the necessary provisos, however, German competition seems to be most severe in cotton textiles and machinery.

The conclusions to be drawn from this factual survey are not in very close accord with the assumptions of much current discussion. Germany has not increased her share of the world's trade to any very sensational extent and where she has succeeded it is mainly in areas that are not of primary importance to Great Britain. These facts, however, relate to the past. The future is a different matter, which receives some consideration in the last section of this survey.

3. Germany in South-Eastern Europe

GERMANY'S two-fold aim, to increase her self-sufficiency in primary products and to foster her manufacturing industries through the conversion of South-Eastern Europe into a kind of hinterland, has been brought a step nearer realisation by the mutilation of Czechoslovakia as an independent national unit, as a result of which the other countries south of Poland and Russia now are much more directly exposed to German penetration. This article attempts to examine (a) the resources of South-Eastern Europe in relation to Germany's need for raw materials, (b) the methods employed by Germany in furthering her aims, and (c) the effect of Germany's drive on Britain's trade with South-Eastern Europe.

Hitherto Germany's greatest weakness has been the comparative paucity of her domestic raw material supplies. Almost as much as one-third of her total consumption of industrial raw materials, as well as a substantial proportion of her requirements of foodstuffs, have to be imported. Owing to the change in her political orientation, Germany has encountered great difficulties in finding ways and means of satisfying her needs of foreign raw materials and crude foodstuffs. Imports of these amounted to as much as Rm. 3,000 millions in 1937, but even so, owing to the pace of Germany's re-armament, they were scarcely sufficient for all purposes, and the value of her present requirements may be estimated at as much as Rm. 3,500-4,000 millions per annum.

As Germany, with her present political and economic policy, encounters great difficulties in securing sufficient foreign exchange to meet her requirements in raw materials, she has been anxious, for some time, to obtain an increasing proportion of her imports of primary products against payment in kind. It is scarcely surprising, therefore, that the conclusion of the Munich Agreement has been the signal for an intensification of her attempts to utilise the resources of South-Eastern Europe to the full. It has been estimated that East-European countries could provide something like 50 per cent. of Germany's import requirements in raw materials. If Germany had access not merely to the total exports but to the total production of these seven countries, she would, for example, be self-sufficient in the following commodities:—

Cereals.	Timber.
Livestock and meat.	Skins.
Vegetables and fruit.	Leather.
Tobacco.	Bauxite (the raw material of aluminium).

In addition, these countries could provide Germany with substantial quantities of

Iron ore.	Other metallic ores.
Steel.	Fats.
Copper ore.	Petroleum.
Manganese ore.	Cotton.
Chrome ore.	Wool.

Until fairly recently the economy of the South-East European countries was based on agriculture. It had long been known that some of them possessed valuable deposits of minerals, but lack of capital prevented large-scale exploitation of these resources. But under the influence of the movement towards economic nationalism, which gained momentum during the depression, when these countries were thrown back on to their own resources, attempts were made by most of them to establish manufacturing industries, mainly on the basis of domestic raw material supplies. The exploitation of their raw materials resources and the establishment of manufacturing industries has been fostered by Germany in recent years in order to secure for herself larger supplies of raw materials from countries whose communications with her could not easily be interrupted, and in order to secure an outlet for her manufacturing industries, such as engineering and textiles. The progress of the industrialisation of these countries in the past decade has

been surprising. The volume of industrial production between 1929 and 1937 showed increases of 51.2 per cent. in Greece, 37.3 per cent. in Hungary, and 31.7 per cent. in Roumania.

The current output of ores and metals, however, is not necessarily an indication of the potential output. Yugoslavia, for example, is one of the richest metalliferous regions in the whole of Europe, possessing resources complementary to those of Germany. Yugoslavia's copper deposits are the most important of the known resources in Europe, and she takes third place in resources of manganese ores. In addition, Yugoslavia is rich in chrome, lead, bauxite, antimony, iron ore and zinc. It is possible that Roumania's resources are even greater but, in the absence of a comprehensive survey, it is difficult to obtain precise estimates. Roumania is known to possess gold, silver, platinum, copper, iron, lead and spelter, antimony, chrome, manganese, bauxite, bismuth, molybdenum and mercury. Some of these deposits have only recently been surveyed, and, as far as is known, they are very substantial. Bulgaria, too, is known to have important mineral deposits, though their exploitation as yet has scarcely begun. Gold, silver, copper, lead, zinc, iron ore, chrome, manganese, coal and graphite are known to exist in Bulgaria. Turkey, also, is rich in minerals, but apart from some of them, including coal and chrome, little has yet been done for their exploitation. Moreover, Turkey, Bulgaria and Greece are apparently suitable for the cultivation of cotton, another raw material for which Germany is dependent on imports.

These undeveloped riches present possibilities for the future. But even in the present these Danubian and Balkan countries could be a considerable assistance to Germany if she could secure the greater part of their exports. An examination of the resources of South-Eastern Europe in relation to Germany's import requirements yields the following approximate results:—

Cereals.—On the average, Germany's import requirements amount to 41 million metric quintals (of 100 kilogrammes) per annum. On the other hand, the export surplus of the East-European countries averages about 46 million metric quintals per annum, over a period of years. Germany's imports requirements, therefore, could be fully covered by South-Eastern Europe.

Timber.—As a result of the annexation of Austria Germany's import requirements have been reduced from 44½ million metric quintals per annum to 27½ millions. But, as the combined exports of Roumania, Czechoslovakia and Yugoslavia amount to about 38 million metric quintals per annum, the control of the resources of these countries would render Germany independent of other external supplies.

Tobacco.—The export surplus of Bulgaria, Greece and Turkey amounts to 1,000,000 metric quintals per annum, compared with Germany's import requirements of 900,000 metric quintals.

Bauxite.—Germany's import requirements amount to about 13 million metric quintals per annum. Hitherto, the export surpluses of Yugoslavia and Hungary have been only in the neighbourhood of 8 million metric quintals, but as a result of the intensification of the output, these are now being substantially increased.

Copper Ore.—Germany's requirements of about 5.5 million metric quintals per annum could be met in full by an expansion of output in Yugoslavia and Roumania.

Skins and Leather.—Germany's requirements of 1.5 million metric quintals per annum could be fully covered by the export surplus of Bulgaria, Roumania, Greece, Turkey and Yugoslavia.

Livestock, Meat and Fats.—Germany's import requirements of these, as well as of eggs, vegetables and fruit, could be fully covered, though she might have to supplement her imports from South-Eastern Europe by purchases from other countries in case of poor harvests.

Iron Ore.—Germany's imports of iron ore were no less than 206 million metric quintals in 1937, but the annexation of Austria and the development of domestic low-

grade ores will reduce this dependence on imports. Moreover, it is doubtful whether Germany would wish to dispense with her imports of ore from Lorraine and Sweden. Present production in the South-Eastern countries is very small, but it might be developed considerably.

Oil.—Germany's requirements of oil amount to about 30-40 million metric quintals per annum. Roumania is not in a position to present to export more than about 7-8 millions. Consequently Germany is anxious to increase Roumania's productivity by sinking additional wells.

Cotton and Wool.—It is Germany's aim to cover half of her requirements in cotton by an increase in its cultivation in Turkey, Bulgaria, and Greece, possibly also Jugoslavia. She is also seeking means to stimulate the production of wool in South-Eastern Europe.

In sum, the South-East European countries, whose aggregate exports amounted in 1937 to roughly Rm. 2,000 millions, are already in a position to meet something like 20 per cent. of Germany's import requirements of primary products. The potential output of these countries, moreover, is considerably in excess of current production. A vigorous exploitation of their resources, accompanied by a drive for industrialisation, would considerably strengthen Germany's economic position.

The Munich Agreement has undoubtedly strengthened Germany's ascendancy over South-Eastern Europe. The figures in the preceding article show that she already dominates the trade of these countries; but she is not yet in complete control of their economic policy. At the same time, her influence over them is increasing day by day. What methods is Germany pursuing in her attempt to organise the economies of South-Eastern Europe for her benefit?

Hitherto, Germany's drive in South-Eastern Europe has been somewhat indiscriminate. She bought as much as she could and gave her customers only a limited choice in their purchases. Germany's imports, not necessarily by coincidence, thus frequently exceeded her exports, giving her an opportunity to obtain foreign exchange by unloading a proportion of her imports on to the world markets.

Now, Germany is endeavouring to organise the economies of South-Eastern European countries as a complement to her own. Her aim is (a) to promote their output of primary products in which she herself is deficient, and (b) to improve their communications and to foster industrialisation in order to secure an outlet for her manufacturing industries. In order to achieve these aims, which necessitates planning ahead, Germany is anxious to stabilise the exchange rates of the currencies of South-Eastern Europe in relation to her own, to stabilise prices at which products are to be exchanged, to grant long-term revolving credits and to divert the resources of each country into the required channels. These aims are clearly discernible in the latest discussions between Germany and the South-Eastern countries, and stable exchange rates have already been fixed with Roumania and Jugoslavia.

Dr Funk has declared that Germany is not attempting to prevent the Danubian and Balkan countries from trading with others. This declaration may be more sincere than, for example, Japan's repeated protestations of respect for the "open door" in China. But it is obvious that the objectives of Germany's commercial policy in Europe cannot be achieved without a considerable degree of exclusivity. Only the purchase of the whole of the export surpluses of these countries would assist in the solution of Germany's raw material problem to the powerful extent indicated earlier in this article. Moreover, Germany will not be willing to see her efforts to exploit their mineral resources turned to other countries' advantage.

But the Danubian and Balkan countries are not in the least anxious to become exclusively tied to Germany. On the contrary, they are disposed to view with alarm any further increase in the German share of their trade. Political considerations naturally play a part in this attitude. But there are good economic reasons too. Each of these countries requires free exchange for purchases of tropical products and other goods that Germany cannot supply. Each of them fears that the large imports of German goods, which are the counterpart of large sales to Germany will stifle their domestic manufacturing indus-

tries. While ready enough to have their mineral resources developed, they do not wish to do so for Germany's benefit alone. And finally, it is being increasingly realised that the burden of the attractive prices that Germany can offer for Balkan agricultural produce falls ultimately on the Balkan consumer of manufactured goods.

These smaller countries are thus far from being enthusiastic adherents of the German commercial cause. But they have to live, and the German offers are very attractive to the dominant agrarian elements. Resistance to Germany's claims can only be effected if alternative markets can be found. This is where Britain comes in.

British policy in the trade relations of South-Eastern Europe was authoritatively restated by the Prime Minister in the House of Commons this week. Great Britain, he said, was not attempting to prevent Germany's commercial expansion in this part of the world. Geographically, Germany "must occupy a dominating position there. . . . So far as this country is concerned we have no wish to block Germany out from those countries or encircle her economically." But Britain, too, has trade interests there, "and of course we mean to maintain those trade interests." Last June the President of the Board of Trade was even more emphatic. "The Government," he said, "are anxious to develop in every possible way trade in that quarter of the world, and they will be glad to use any practical methods to develop it."

One method that has been adopted to foster British trade has been the granting of loans for the purchase of British goods. One such loan has been granted to Turkey, and there have been suggestions of further loans to Roumania and Bulgaria. But loans cannot be repaid unless these countries can sell their goods in the British market. The only sane way of defending British interests in these countries is by taking steps to ensure that British purchases of their goods are maintained. This is the policy that has already been begun by the British purchases of Roumanian wheat.

With the exception of Czechoslovakia, all the other states of this region—Hungary, Jugoslavia, Roumania, Bulgaria, Greece and Turkey—are agricultural countries dependent, in most cases, on the export of one or two commodities. Oil and cereals make up 70 per cent. of Roumania's exports, and tobacco is half of Greece's and one-third of Bulgaria's sales. Jugoslavia and Hungary have slightly more diversified economies, but cereals, timber, livestock and metals account for fully half Jugoslavia's exports and cereals, and livestock for nearly one-third of Hungary's. The leading exports of the countries together are wheat, maize, livestock, tobacco, oil, timber and metals.

For nearly all these commodities the United Kingdom is by far the largest element of the world market. British imports of wheat, maize and barley, for example, amounted to £76 millions. The shipments of these grains from the Balkan countries were in every case small, Roumania's, for example, amounting to little more than £1 million. In oil, only £2 millions of Britain's total imports of £48 millions come from these countries. In fact, the only commodity of which Danubian and Balkan exports formed a substantial part of British imports was dead poultry. In 1937 Great Britain took one-third of her imports from Hungary and a further share from Jugoslavia; but the total trade amounted only to £2 millions.

There is no question, then, that Great Britain, if she chose, could buy a largely increased proportion of these countries' exports without making more than a small difference to her own imports. Other countries would, of course, be affected. A diversion of British imports would hit Argentina (maize, beef and wheat), Canada (wheat, timber, copper and lead), the United States (tobacco, oil and timber), and Australia (wheat, beef and lead). But the quantities in question are very small. British imports in 1937 amounted to nearly £1,000 millions, whereas no Danubian or Balkan country's exports, except Czechoslovakia's, exceeded £35 millions. On the other hand, to compete with overseas, the produce of these countries would, in most cases, require the assistance of a subsidy. British trade with these countries can, then, unquestionably be fostered, but only with the definite assistance of the British Government.

4. Results and Prospects

WHAT conclusions is it possible to draw from the foregoing analysis of what has been achieved by German commercial policy? In particular, what lessons can be learnt by Great Britain?

The first conclusion that emerges is that Germany's efforts to expand her foreign trade have met with considerable success, but in a limited range. Germany has secured a very high proportion of the trade of the countries to the south-east of her, and she has made some progress in several South American States. But in those areas of the world which are of greatest importance for British trade her success has been meagre. Even in the Balkans, Germany's trade drive is likely to be of more importance to us because of the benefits it confers on the German war machine than through any effect that has hitherto been noticeable on our own trade.

If German trade expansion stopped at the point it has now reached there would be no excuse for much of the alarmist talk now current. But that it will not stop at this point can be taken for granted. What of its further development? In assessing the prospects for the future, it is of primary importance to notice that virtually all Germany's successes have been with countries that have imposed some form or other of exchange control. Indeed, it is wholly natural that German penetration should be assisted by the existence of exchange control. It is only when a country is already selling its own goods on a barter basis that it will take German goods on those terms.

It would be a delusion, however, to suppose that none of the German expedients for fostering exports would be effective without some form of exchange control in the recipient country. For other countries there is the powerful weapon of the export subsidy, which can be wielded with such delicate precision by an autocratic government. And an importing country inevitably strengthens its bargaining position if its imports are, in effect, bought in bulk by a government which is frequently ready to pay somewhat more than the competitive price. These methods will unquestionably be extended in the future. It is reasonable to suppose that they will be applied first to agricultural countries with raw materials to sell and industrial products to buy, and it would only be a natural extension of the present direction of the drive if the Near Eastern countries were the first on the list.

The probability must therefore be faced that Germany's efforts to expand her trade will affect British trade more in the future than in the past. If ever the pace of the armaments race were to slacken, Germany would have additional energies and resources to apply to the export industries. British public opinion and the British Government should, therefore, in common prudence, begin, while there is still time, to study the measures that could be taken to defend British foreign trade. Britain's need of imports is greater than that of any other first-class Power, and our earnings are already barely large enough to pay for our imports. Any substantial encroachment on our markets would directly limit our access to the raw materials and foodstuffs we need. Maintenance of our foreign trade is an aspect of defence which we cannot afford to neglect.

It goes without saying, too, that most of the measures that would have to be taken in the cause of commercial defence would probably be as objectionable and as wasteful as the building of bombers and the digging of trenches. In a sane world it would be necessary neither to equip armies nor to encase our foreign trade in armour plate. We must attempt, while defending ourselves in an insane world, to preserve as many as we can of the elements of sanity.

There is one possible measure of defence to which these reflections do not apply. In economic peace or war, and under any economic system, it will be to Great Britain's advantage that the goods she has to sell are priced as reasonably as possible. To an increasing extent of recent years Great Britain has been becoming a dear seller.

Except for coal, our exports are predominantly manufactured from imported raw materials. But in the past ten years the average price of our exports, relatively to our imports, has risen by 24 per cent. In other words, the charge we make upon the world for converting raw materials into manufactures has increased by about a quarter. There is always the danger that the world may consider that British manufacturing services are too dear at the price. If our export trades were in danger it would become a matter of urgent national importance to review the desirability of assisting the coal and steel industries artificially to maintain the prices of their products.

It is unlikely, however, that any practicable reduction in British conversion costs would be sufficient in itself to defend our export markets from attack. More drastic measures would have to be considered. It is not intended in this article to give an exhaustive list of the steps that could be taken, or even to pronounce upon the desirability of any particular expedient. The following comments, in fact, are intended to serve as no more than a preliminary agenda for a discussion of possibilities.

Subsidies.—Germany's export subsidies achieve their effect because a Government which is above criticism can exercise the necessary arbitrary discrimination. But would it be possible for a British Government to subsidise one export industry and not another, making its choice not according to the degree of depression of the different industries but according to the amount of effect that a subsidy could have? Would it be possible to subsidise the export of cotton cloth to, say, Brazil but not to Italy? These are some of the difficulties that beset a policy of subsidy, even apart from the difficulty of raising the funds.

Anti-Dumping Conventions.—It might be possible for Great Britain to use the lever of her enormous purchases to induce other countries to impose special penalties on goods coming from countries employing trade practices defined as "unfair." There is some precedent for this sort of procedure, but it might not be easy to induce a sufficient number of countries to impose severe enough penalties for the policy to be effective.

Payments Agreements.—Another possible use of Britain's buying power would be to induce the countries from which we buy to guarantee the expenditure on British goods of fixed percentages of the sterling received by them. This is the principle of our payments agreements with Germany and other countries. The great objection to this method is that it encourages the strait-jacketing of trade. But even strait-jackets are necessary in asylums.

Bulk Buying.—None of these methods, however, offers a satisfactory riposte to Germany's new technique of offering to buy the whole of a country's crop of a commodity at an attractive price. If Great Britain wants to secure her share in that crop, the only possible reply is to go in for bulk buying on our own account. A precedent has been created in the last few weeks by a British Government purchase of Roumanian wheat. In these purchases the British Government can always offer a lower price than the Germans, because of the superior attraction of the free pound over the blocked mark. But the price to be offered must in most cases be higher than the price prevailing in world markets. For this reason, if for no other, it is a matter for the Government and not for private firms.

This, as has been remarked, is only a tentative list of the possible expedients. *The Economist* must not be taken as regarding them with anything but the same revulsion with which it regards anti-aircraft guns, balloon barrages and gas masks. But in the commercial field even less than in the military, can we afford to be pacifists?

For the moment, any serious threat to our trade from Germany or any other country is remote. But for the first time in modern history a first-class industrial power is applying methods of discrimination, exclusion, controlled dumping and autocratic control to foreign trade. We shall do well to be on our guard against the results.

Overseas Correspondence

From Our Special Correspondents

France

Freedom or Control?

PARIS, November 3.—Since Munich the slogan of the Radicals and Moderates has been: "Be strong, so that you may be able to negotiate profitably—you and your British allies—with the dictatorships." At the Congress at Marseilles, M. Daladier announced the rupture with the Communists, declaring them to be guilty of inciting the country to make war while refusing their support to industry for increasing production. This condemnation was balanced by a warm appeal to the workers to co-operate and a pledge that the social laws would be observed. Nevertheless, these laws are to be altered by new decree-laws dealing with workers' representation in factories, strikes and strike ballots, the entry of foreign workers and so on.

So far so good. But, as soon as the problem of increasing production and maintaining the stability of the franc approaches, the real difficulties crop up. The old Liberal thesis of a balanced Budget (which would require economies of 20,000 to 30,000 million francs!) and the return of expatriated capital has been abandoned. The Minister of Commerce, for instance, is a supporter of a directed economy. But this would mean the supervision of private industry by the State and supervision or control of the currency of the exchanges. Private industry is ready to accept the subventions of the State, and to welcome protection through tariffs, but rejects any further State intervention. Industrialists argue that State interference would raise prices—by bringing prices into line with the costs of the worst producers; and they object to what they contend would be the injection of politics into economics. Their arguments are a mixture of theory and self-interest.

The needs of the Treasury, as well as assistance to private industries, will require a very great deal of money. How can this be forthcoming if exporters continue to abstain from repatriating the produce of their exports? "Control foreign trade to avoid controlling the exchanges," proposed M. Herriot at Marseilles. M. Marchandau, the then Minister of Finance, actually advocated control of the exchanges, which would facilitate the expansion of credit in spite of imposing heavy sacrifices on capital. But M. Daladier rejected this course, which he conceived to be in contradiction to Liberal doctrines, to the Tripartite Agreement, to collaboration with London and to the hopes of renewed international co-operation which an understanding with Germany would evoke. Moreover, exchange control was rejected by the Senate when the Popular Front was in power.

Reynaud vice Marchandau

So M. Marchandau, who curiously enough had adopted the Socialist proposals of March last, resigned. M. Reynaud succeeds him. M. Reynaud has several times spoken in favour of devaluation, but now he contends that the French problem has no monetary solution, because the situation in 1938 is very different from that in 1935, when high French gold prices hampered economic recovery. M. Reynaud has been a constant advocate of increasing production in order to stabilise the purchasing power of the franc. Without a greatly increased industrial output no budgetary equilibrium is possible, no monetary stability, no credit, no military security, no social laws. Work is the key to the maintenance of liberty and peace.

The Radical Marchandau, after having supported the Socialist plans of M. Blum, resigned in favour of the Liberal Reynaud, who supports the Franco-Russian pact, only a few days after M. Daladier's denunciation of the Communists.

This may not be pure coincidence. The decision of M. Daladier conforms with the main thesis he developed at Marseilles: "Be strong in order to be able to choose your friends independently, while at the same time you negotiate usefully with your vigorous competitors, the dictatorships."

The French financial and economic balance sheet will be cast up in five days by M. Reynaud. At present the power to govern by decree ends on November 15th; but the first consequence of the latest Ministerial change may be a prolongation of this period.

Less Coal Consumed

Coal consumption in September was 5,729,000 tons, against 6,322,000 tons in September, 1937. Output was 4,044,000 tons, or 277,000 tons more than in September, 1937. Coal imports amounted to 1,741,000 tons, or 805,000 tons (31½ per cent.) less than in 1937; and their value was 387 million francs, or 40 millions less than in August and 81 millions less than in September, 1937.

Coal consumption during the first nine months of this year was 5,400,000 tons smaller than in 1937, imports were 5,600,000 tons less, and production only 1,635,000 tons more. Stocks, after having fallen by 815,000 tons between January and September last year, have risen by 527,000 tons since then. Thus the diminution of coal imports appears to have been mainly due to the slackening of industrial activity.

Switzerland

Smaller Tourist Returns

GENEVA, October 28.—The unsettled political outlook and adverse weather conditions in August resulted in a decrease in tourist traffic. Earnings of transport undertakings were generally smaller, except those of the Alpine Postal Motor Coach service which, during the summer, transported 534,662 passengers, against 511,143 last year. The Federal Railways carried 75 million passengers from January to September, compared with 83½ millions the previous year, the drop being 600,000 in September alone.

During the first nine months of the year, 7,186 Swiss hotels accommodated 3,249,000 guests of whom 1,483,000 came from abroad, compared with 3,308,000 and 1,668,000, respectively, in 1937. Tourism, of which the profits are nearly 200 million francs in normal years, is, considering the number of persons employed, our most important industry after the machine and the watchmaking industries. Regular tourist hotels were rare before 1840, but in 1880 their number had grown to 1,002 with 58,137 beds and a staff of 10,000. The number rose to 1,708 with 88,634 beds and 20,000 employees in 1894; and to 3,585 with 168,625 beds and a staff of over 43,000 in 1912.

The hotels were hard hit by the War and post-war economic crisis; and measures were taken by the Government in agreement with the Hotel Keepers' Association to close down some hotels and prevent the building of others, while State subsidies enabled the *Fiduciaire Hôtelière* to restore to financial health about 150 hotels which were labouring under heavy mortgages. Consequently, from 1929 to 1938, the number of hotels was reduced by 414 to 7,186, with nearly 185,000 beds and a staff of 74,000.

The importance of the tourist industry to Switzerland may be gathered from a few examples. Last year, the hotels'

bill for foodstuffs and drinks was 83 million francs, 70 per cent. of which was spent in the country; 24 millions for wood, coal, gas and electricity; 68 millions for salaries and 47 millions for repairs and improvements. Theatres, cafés, restaurants, banks, garages, transport undertakings, as well as all sorts of shops, doctors, Alpine guides, ski teachers, musicians, hairdressers, etc., benefit from the industry. It is estimated that foreign tourists provide 10 per cent. of the earnings of the postal service, and 5 per cent. of those of the telephone and telegraph service, while their contribution to the receipts of transport undertakings reaches about 17 per cent.

A Tourist Franc?

But Switzerland to-day suffers from the attractiveness to tourists of other countries where life is somewhat cheaper. Accordingly, a suggestion has been made that a special tourist currency should be established. The French lose 88 per cent. and the Italians 78 per cent. on their money in Switzerland at present, and the establishment of a "Tourist Franc" might reduce their losses by 30 or 40 per cent. The question is far from being settled, and meanwhile more immediate measures for fostering tourist traffic suggest themselves. Swiss hotels are no more expensive than their French or Italian counterparts as regards "pension" prices, and their standard is a higher one, but they are more expensive as regards "extras," and the Swiss hotel keepers do not yet realise that by charging less for drinks they would sell more, make a bigger profit and attract more visitors. They are of course entitled to make a profit on drinks, but it is inadmissible, in the opinion of many British visitors, that they should make a profit of 200 per cent. on a bottle of wine, of 300 per cent. on a bottle of whisky, or of 320 per cent. on a bottle of Vichy water.

No More Germans

Tourist traffic could be further encouraged by an abatement in transport taxes, and it is said that the Federal Railways are contemplating a reduction in fares. It might also be worth while to bring down the charges of taxis and other sundries paid for out of the tourist's purse. In fact, a general reduction of all sundry charges would do more to encourage tourist traffic than creation of a tourist currency of which the advantages seem in doubt.

The drop in the number of foreign visitors is also due to the fact that German tourists, who once accounted for nearly 25 per cent. of the total number of visitors, are now prevented from going abroad. An arrangement was made a few years ago between Germany and Switzerland in regard to tourists. Switzerland agreed to advance to German tourists the money for their stay in Switzerland, and these advances were repaid by goods imported from Germany. At one time, German tourists could thus be exchanged for coal; but at present trade is far from brisk. The clearing account is against Switzerland, which had advanced up to the end of September last about 17 million francs, for which no compensation is so far available from Germany.

Spain

Trends in Barcelona

THE FRENCH FRONTIER: *Uncensored*, October 26.—The Spanish kaleidoscope has shifted since my letter from Paris. Dr Negrin's speech of October 14th, in which he set forth the conditions upon which Republican Spain would have peace, has clarified the Government's position. The substance of those conditions was that, first of all, the foreign troops aiding Franco must either get out of the country or be driven from it, whereafter Spaniards would undertake to settle differences without foreign intervention.

Barcelona to-day is preparing both for peace and war. One hears much discussion of a peace by armistice or by a gesture from one of the Powers. But the fact that the Government goes ahead with its war preparations at accelerated speed is not lost on observers. The situation is such that "anything might happen," but peace is most likely to linger around the corner for some months at the very least.

Conciliatory Policy

There is also another change. When the Cortes met on September 30th and October 1st there existed considerable internal political tension. This tension was already reflected in the crisis of August 20th last when the Catalan and Basque Cabinet members resigned, their differences being aired in the Cortes with some bitter criticism. No one who understood the way of things in Spanish politics would make the mistake of thereby assuming a rupture in the solid war-front. The dissenting sections voted their unconditional confidence in the Government from which they were absent. It is now evident that, since the meeting of the Cortes, both sides are striving for greater cordiality, hard words spoken on the floor of the House, which did not appear in the Press, local or foreign, no doubt having had some effect.

The Negrin Government's policy of placating all sections of the Popular Front as far as possible, which is getting results, has also a bearing on the larger problem of Spanish conciliation in preparation for peace. This is particularly true of the Government's determination to re-establish at an early date public Catholic worship, so as to show that the Government is neither anti-God nor anti-religious. On October 17th three Ministers of the Government marched through the principal boulevards in a public funeral procession, in which appeared a surpliced priest and the Cross. It is significant that this public manifestation of religion was received everywhere with the utmost respect.

It is taken for granted by observers in Barcelona that Signor Mussolini continues to demand a free hand in Spain as the price of an understanding with Great Britain. At Munich he is reported to have made a four-fold demand on Mr Chamberlain, as follows:—

(1) A foothold in the Balearic Islands, if not actual possession of them; (2) guarantees that the political and economic pledges given him by Franco in return for his aid may be fulfilled; (3) the establishment in Spain of a "friendly" Government which would not be anti-Fascist; (4) the settlement of other Mediterranean questions.

Barcelona believes that the British Government is not disposed to accede to these demands. Even though they may find no support, there still remains the question of the political and economic pledges given to Italy and Germany. No one knows quite what these are, but at the same time no one doubts their existence. The question then arises, how are Germany and Italy to be compensated for their heavy expenditures in Spain?

It is true that the Negrin Government repudiates any suggestion that Spain should give Germany and Italy compensation, perhaps in the form of a financial settlement, as the price of their departure. Yet many thoughtful Spaniards are conjecturing whether such a settlement would not be a small price for ridding Spanish soil of these intruders and establishing peace in Spain's household once more.

Mediation by the Powers

In his declaration to the Cortes Dr Negrin emphasised that Republican Spain would recognise no obligations towards Italy and Germany on the rebel regime. In the opinion of this correspondent Spanish public opinion would not object to buying off those countries by monetary arrangement, if the main obstacle to peace was thereby removed; and it may be assumed that in this respect the Republican Government—Dr Negrin's or another's—would follow popular opinion.

There is no doubt about the intention of the Republican Government that Italy and Germany must get out. "If

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they don't, we will fight until we are crushed, if necessary," a member of the Government said to me; and he went on to add: "The words of Dr Negrin regarding 'mediation between ourselves and the invaders' (as distinguished from mediation between Spaniards), do not mean that Spain is ready, either to treat with Germany and Italy, or to compensate them for war expenditure and efforts aimed at destroying us. His words mean that foreign Powers which, by their policy of so-called non-intervention, have made it virtually impossible for the legitimate Government to defend itself against invasion, are free to negotiate with the invaders to get them out of Spain if they can. In other words we accept negotiations by foreign Powers which, juridically at least, are on friendly terms with us, with foreign Powers which are not. But we will have no foreign mediation between Spaniards."

There is a growing feeling that the authorities in England are again being made the dupe of Franco's false promises. "I am confident," said this Cabinet member, "that Franco was egged on by Germany and Italy to make such an offer in the hope of deluding England and catching her unawares in Spain. By so doing they might have procured a blockade of Spain which would have strangled the Republican Government, a natural war ally of England in spite of injuries incurred by England's recent policy. With the Spanish war thus liquidated, Germany and Italy would have been in a stronger position to menace England and France by sea and by land."

In connection with Dr Negrin's policy of conciliation it is interesting that the execution of death sentences has for some time been suspended, although General Franco has refused to suspend death sentences on his side by agreement. Some 200 persons are under sentence of death in Republican prisons for treason and kindred crimes. It is suggested that the Government would like to spare all these lives and in general pursue a more generous policy towards prisoners.

Estonia

Regulating Foreign Trade

TALLINN, October 24.—At the end of September the Government set up a Trade Commission to grant import permits, as part of the new policy of trade regulations. A large part of Estonian imports is subject to regulation, and permits have hitherto been granted by the Ministry of Economics. The new Trade Commission is composed of a chairman nominated by the President of the Republic, four representatives of the Ministries of Economics, Trade and Agriculture, the president of the Estonian Bank, and four representatives of business organisations. In order to co-ordinate trade and exchange policy, the Commission has the right to instruct the Estonian Bank concerning exchange permits. And it is also empowered to prepare plans for the regulation of exports.

Foreign trade has further improved during recent months, though the volume of business has for some little time shown a reduction compared with the previous year. Thus, imports in August were valued at 9.2 mill. Kr., against 9.8 in August, 1937, while exports amounted to 9.7 million Kr., against 11.1 million Kr. The reduction in imports is due partly to the diminished demand for raw materials and partly to the reduced prices of a wide range of goods. Exports of agricultural produce are still at a high level, but sales of industrial goods have noticeably declined—except for shale oil, which is now being exported in increasing quantities at good prices. Exports of timber have fallen heavily and prices are low.

In the first eight months of the current year imports and exports were valued as follows:—

	(Mill. Kr.)	
	1937	1938
Exports	62.4	65.6
Imports	72.0	72.6
Surplus of imports	9.6	7.0

England provided 17 per cent. of the imports and Germany 32 per cent., compared with 16 and 27 per cent., respectively, in the first eight months of last year. Of total exports 37 per cent., compared with 36 per cent. last year, went to England and 27 per cent., compared with 25 per cent. last year, to

Germany. The shares of England and Germany in the foreign trade of Estonia are on the increase; but trade with Belgium, Holland, Italy, Russia, and neighbouring countries shows a considerable decline.

Prosperous Agriculture

As far as it is yet possible to tell, crops have shown satisfactory results. The estimated rye crop is about 179,000 tons, or about 30,000 tons less than last year, but the wheat crop has increased from 76,000 tons to 82,000 tons. Crops of barley and oats are considerably larger than last year; and the hay harvest is so good that some increase in the number of cattle is likely.

Because of low prices the area under flax has been considerably reduced, and the crop, estimated at 7,300 tons, is about 3,000 tons smaller than last year's. The dry weather in August and September favoured harvesting, though it damaged the potato crop, which, according to a preliminary estimate, will amount to only 897,000 tons, compared with 987,000 tons last year. Prices of meat, butter and grain are relatively high, and the purchasing power of the farmers is correspondingly high, and business in agricultural machinery and artificial fertilisers is brisk.

Industrial Recession

In industry, no improvement is evident. Exports are low and show no signs of any marked advance; and the total number of workers in heavy industry amounted to 51,990 on August 1st, compared with 52,154 on August 1, 1937. In consequence of the falling off in the flow of investment the money market continues to be well supplied.

During the political events of September Estonia took up a firmly neutral attitude, though the public was considerably alarmed. The Foreign Minister declared in Geneva last month that Estonia regarded Article 16 of the League of Nations Covenant as optional and reserved the right to decide for itself about application of sanctions; and this declaration has been received by the Press with satisfaction.

Palestine

Financial Difficulties

JERUSALEM, November 3.—The announcement by the Palestine Government of a new Immigration Schedule for the coming six months has caused some surprise among informed onlookers. This surprise is not on political grounds, despite the reiterated Arab demand that Jewish immigration should entirely cease. There never was any expectation that this demand would be met. The Royal Commission recommended that, as a "palliative," Jewish immigration, independent of any demand by industry, should be limited to a maximum of 12,000 per annum in all categories. For the past year immigration has been arranged so that this maximum should not be exceeded, and the new schedule of 4,870 immigrants in six months continues this practice. In fact, under this schedule immigration should fall below the 12,000 maximum.

The surprise is due to another cause, the present deplorable economic and financial situation, in which there seems to be no relieving feature. Public finances, which a few years ago, despite reductions in taxation and an expenditure that ran to the verge of extravagance, persisted in showing a surplus month by month, now tell the opposite tale, and the large accumulated surplus has so nearly disappeared that the British Government has announced that, for the next two years at any rate, the additional cost of the armed forces in Palestine will fall on the British and not on the Palestine Exchequer. Palestine expenditure is thus for the first time a charge on the British taxpayer.

Business is at a standstill. The relatively very large sum of over £17 millions remains stagnant at the banks; and the owners, mostly immigrants whose main, if not sole, capital these millions represent, prefer the nominal interest they receive to the risks of investment. Despite the insistent demand for immigration certificates by Jews anxious to escape from Central Europe, the quota allotted to so-called "capitalists," men with £1,000 and upwards, remains incomplete. Factories, workshops and businesses close one after the

other. Bankruptcies are numerous, but in number far below the insolvencies, for small shopkeepers and industrialists seldom have sufficient assets to justify the cost to creditors of a formal bankruptcy.

The Extent of Unemployment

In these circumstances unemployment is inevitably widespread. The Palestine Government ceased some years ago to publish estimates of unemployment, but when arriving at the amount of immigrant labour to be admitted it must necessarily have had some figures at its disposal. That Arab unemployment is very widespread a casual visit to any Arab town furnishes evidence; also recruiting of the rebel "army" depends to some extent on Arab unemployment, increased by the policy of destroying Arab houses on the scene of outrages.

Among the Jews the large number of young men and women who fill the streets of Tel Aviv at all times, day and night, suggests a considerable reservoir of spare labour. But more definite information is available. At the beginning of this year, in the middle of the orange picking, on which thousands of men and women are employed, the Government estimated the number of Jewish workers wholly unemployed at from 8,000 to 9,000, with another 5,000 or 6,000 in part-time employment. This represented, after the conversion of the latter to full "units," about 13 per cent. of the total number of Jewish wage and salary earners. (It is interesting to note that the Jewish Agency, always conservative on the subject of unemployment, reported to the Mandates Commission of the League of Nations that Jewish unemployed, apart from part-time workers, whose numbers were not given, amounted to about 5,000.) Ten months of increasing stagnation must have swollen this figure, but one improvement on the situation a year ago is the large number of young Jews, about 8,000, employed as temporary police. There are also relief works, never so designated, which subsidiaries of the Jewish Agency have arranged, and Government extraordinary works.

Embryonic Socialism

The General Federation of Jewish Labour, the all-embracing Palestine Jewish trade union, has for the past three or four years regularly taxed its members in employment for the benefit of those who were without work. The proceeds are devoted to several objects, only in part to direct relief. The Federation, which is much more than a trade union, is, in fact, an embryonic Socialist State. It carries out contracts in competition with private employers, who are compelled to employ only union members. It settles its members on the land in communal groups, disposing of their produce on a co-operative basis and supplying them with all their needs. It trades both in wholesale and retail, has its own schools, hospitals and health services, for which, however, it demands and receives outside assistance, and pursues other activities. Above all, it is the strongest political party in Zionism and in Palestine. With the funds it raises for unemployment relief it finances works which could not otherwise be undertaken. It even supplies private employers with credit and makes loans to hospitals, schools, etc., so that its black-coated members may be given employment. By these means the visible volume of unemployment is reduced.

In all these circumstances it seems difficult to justify on economic grounds the immigration of even so small a number of workers as 1,150 during the next six months.

Japan

Lighter Harvests

TOKIO, October 8.—Nature has not been very generous this year to the Japanese farmer. According to the preliminary estimate of the Department of Agriculture and Forestry, just published, the rice crop for the country as on September 20th is 64,758,000 koku, a decrease of 1,529,000 koku (2.3 per cent.) from the actual yield of last year, but 2,028,000 koku (3.2 per cent.) more than the quinquennial average. The Korean crop is placed at 23,504,000 koku, a decrease of 3,292,000 koku (12.3 per cent.) compared with last year's actual yield, but 3,704,000 koku (18.7 per cent.) above the five years' average. The total yields of wheat and

allied grains for Japan, excluding that of Hokkaido, amounted to 19,882,000 koku, a decline of 2,482,000 koku (11.1 per cent.) compared with last year, and 1,721,000 koku (7.9 per cent.) less than the average of the last five years. Although these reports point to a less satisfactory harvest this year, the anticipated size of the yields will suffice to cover the country's requirements.

The autumn cocoon crop is also reported to have greatly deteriorated owing to unfavourable weather, the decline being put at some 20 per cent. But raw silk prices were sharply marked up in recent weeks, and smaller crops will be compensated to a considerable extent by higher prices.

Industrial Earnings

According to Mitsui Gomei Kaisha's half-yearly analysis of the profit and loss accounts of Japanese industrial undertakings, the aggregate net earnings of 1,000 companies, for the half-year ended June last, amounted to 602.2 million yen, an increase of 37 million yen on the earnings of the same concerns in the preceding half-year. Experience of different groups was not uniform; iron and steel and other metal trades, machinery and tools, mining, and chemicals showed a considerable increase in profits, while textiles, bricks, stock and produce exchanges, shipping, and rubber recorded smaller earnings. The ratio of net profits to capital was 12.9 per cent., and that of amounts put to reserve was 3.9 per cent. In the preceding half-year the profit percentage was 12.7 per cent., and the reserve percentage was 3.8 per cent.

The month of September witnessed a continued seasonal improvement in the export trade, though the value figure was still far below last year's level. Imports, valued at 194 million yen, fell by 68.8 million yen, or 30.4 per cent., compared with September, 1937; while exports, valued at 226.2 million yen, declined by 65.9 million yen, or 22.6 per cent. The most notable features in the September returns are a marked recovery in cotton imports and a heavy decline in silk exports.

The active trade balance for the month was 2.8 million yen higher than a year ago at 32.2 million yen. For the nine months of 1938 to date the total import surplus amounts to only 111.6 million yen—718.5 million yen less than in the corresponding period of 1937.

Increased Savings

The Savings Encouragement Bureau estimates the aggregate new savings during the first eight months of this year at 4,744 million yen, which exceeds the whole 1937 figure of 4,721 million yen. The official calculation is based on net increases in deposits in the Post Office Savings Bank, savings banks, trust companies, industrial and provident societies, and other savings institutions. It remains to be seen whether yearly savings of 8,000 million yen, which is the avowed objective of the Government's thrift and saving campaign, will be reached by the end of the year. Judged, however, by the result so far attained, it is not unlikely that the year's total savings will approach the mark, if not exceed it.

During the same period Government borrowing amounted to 2,530 million yen, and another 2,500 million yen is scheduled for borrowing during the current year. In view of the growth of new savings, as we have seen, and drastic economies effected in national expenditure which will reduce scheduled borrowing, it is generally expected that the Government will be able to raise necessary funds without much difficulty.

The pattern of Japan's economy is more and more determined by the strain imposed by the heavy cost of the war in China and the dislocation of Far-Eastern trade. It is from Japan's point of view, no less than from that of the other powers, that the economy of China should be reconstructed.

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Letters to the Editor

Financial Policy in France

TO THE EDITOR OF THE ECONOMIST

SIR,—I am sorry to disagree entirely with an interesting letter of Mr T. Balogh, which appeared in *The Economist* of October 15th. I do not wish to examine the general problem of exchange restrictions, but I shall try to state the reasons why these restrictions would be disastrous in the present position of France; they are as follows:—

First, it is difficult to estimate the amount of capital exported by the French investing public, but good authorities consider that it is probably in excess of 100 milliard francs. The present French problem is not to prevent exports of fresh capital, but to obtain the return of capital previously exported. Exchange restrictions seem hardly fitted for this purpose, for they might, perhaps, prevent some exports, but they would certainly prevent any return.

Secondly, while it has taken years for dictatorial countries without colonies, like Germany, to enforce exchange restrictions, and while it has not prevented them from losing practically all their gold, think of the difficulties of enforcement in a democratic country like France with thousands of miles of colonial borders to protect.

Thirdly, exchange restrictions would draw France into the continental system of closed economic units, while the normal position of France, which requires the freedom of the Channel and of the Atlantic for its supplies, is to be linked with the freer economic systems of Great Britain and of the United States.

Fourthly, the franc is at present undervalued: French prices, which in 1935 were about 20 per cent. above British prices, are now about 20 per cent. below. As a consequence, the commercial deficit has now a tendency to decrease and the general balance of payments is probably now in favour of France, owing to the increase of invisible exports (*tourism*, etc.). This situation may improve still further when the 40-hour law is amended, as now appears certain. The franc has thus become a strong currency and does no more require any artificial support. This is clearly shown by recent events: since last May there has been in total more gold imported into France than exported, notwithstanding the war scares. There may even come a time when France, where interest rates are double those in other countries, may again attract foreign capital.

It would be foolish, under such conditions, to establish exchange restrictions whose sole effect would be to prevent the influx of capital which should normally occur in France.

Yours faithfully,

ANDRE ISTEI.

Paris.

[The following is the reply of Mr Balogh, who was enabled to see M. Istel's letter in proof.—ED., *Econ.*]

TO THE EDITOR OF THE ECONOMIST

SIR,—M. Istel's four arguments further increase—if possible—my doubts about the future of France as a democracy and as an independent power. To take his arguments one by one:—

(1) The problem of France is the problem of ensuring full employment and increased production. This is impossible as long as the newly formed or freed capital disposition is used to buy gold or foreign assets instead of being re-invested. The re-import of capital is a wholly secondary consideration; it could internally be completely substituted by credit creation. It is useful only in helping to pay for the excess of imports which must materialise as a result of increased employment (especially for re-armament). The Bank of France reserves are as ample for that purpose as they are inadequate to stand the further drain of capital exports. I should also like to ask M. Istel how many of the French companies' bye-laws permit them to speculate in foreign exchange and how much capital would be repatriated if the laws were observed or enforced.

(2) Surely it would be quite sufficient to control France itself. Or does M. Istel suggest that the negroes and other natives are endangering the French currency by exporting their enormous capital increments.

(3) The prevention of capital exports as such has nothing to do with collective or totalitarian economy (it is, of course, conversely true that totalitarian economies are based on foreign trade monopoly and a restriction of capital exports). It ill behoves the French Right to play the rôle of champions of *laissez passer* (in contradistinction to financial *laissez faire*). They have, by the introduction of quotas and other restrictions, transformed France in an almost closed economy—though without securing the full employment and adequate re-armament vouchsafed by the German policy.

(4) This argument merely supports my first contention that there is little reason to worry about the re-import of exported capital except that of the companies incorporated under law. It also shows that M. Istel still labours under the misapprehension that exchange control is merely an expedient to "safeguard" an uneconomic level of the exchange rate and not merely to prevent a continuous despoliation of the capital equipment of the country.

Gold export and import figures prove little about capital movements in these days of Exchange Equalisation Funds. To entrust *now* the economic destinies of France to the volatile factor of "confidence" is tantamount to being prepared to submit to any and every demand of Hitler for fear of a "financial crisis." It is *a fortiori* tantamount to forfeiting the possibility of national unity, because the working-class cannot be expected to make the necessary sacrifices, if at the same time the entrepreneurs and rentiers are not willing to bear their part of the burden. But in the face of the risk of international complications, voluntary capital repatriation is only likely if extremely favourable returns are offered for capital investment. Extremely favourable returns preclude not only such increase in direct taxation as is necessary for the reorganisation of public finances, but also necessitate depression of wages and social services far below the point demanded by the state of the Budget alone.

The internal flight of capital from Alsace will, perhaps, in time open the eyes of the French. I hope it will still be in good time.

Yours faithfully,

T. BALOGH.

University College,
London.

Settlement in Spain

TO THE EDITOR OF THE ECONOMIST

SIR,—The dangers to world peace inherent in the Czechoslovakian crisis perhaps forced Mr Chamberlain to approve an agreement, without giving the Czechs an opportunity to discuss their own fate. This "incident" has passed, and, according to our beliefs, we either condemn or applaud it; but it is to be sincerely hoped that the unfortunate precedent will not be adopted in the case of Spain.

Spain is a different proposition from Czechoslovakia amputated and weak. She has a larger population, a greater practical experience in modern warfare, and her geographical position will always enable discontented minorities to obtain outside help, unless the "Big Four" intend to institute a permanent naval patrol off her shores. These few of many considerations indicate the need of giving the Spanish peoples some say in their future.

It might suit the dictators to see a Franco regime established, while France, and perhaps England, would wish to see the Republican Government restored. But consideration of either must lead to stalemate.

Perhaps the true solution of the problem may be found in the use of the knife that has been wielded against Czechoslovakia. Why not cut up Spain so that each element may gain at least partial satisfaction? The knife need not be drastic, since Spain naturally falls into three main groups, these differing in race, language and customs; the Castilians, the Catalans, and the Basques.

The Catalans and the Basques would probably desire to remain democratic, while the Castilians, or at least part of them, might be more interested in following Franco. Since

the Basque country and Catalonia border France, such an arrangement would presumably satisfy the French and the English, while the totalitarian powers might find satisfaction in a Fascist control of the Castilians.

If such an arrangement came about, it would be more satisfactory were it possible to sterilise Spain entirely by making her neutral in all future conflicts. In this way neither the Fascists nor the democrats would have any cause of fear.

Conversations are about to take place on the future of Spain, and it is to be hoped that such schemes as the one outlined here will be given at least careful consideration, and that the Spanish peoples themselves are permitted to have their say. Dare we mention Mussolini's insistence upon plebiscites?

Yours faithfully,

V. R. H. AUSTIN.

London, W.1.

The Danger of Re-armament

TO THE EDITOR OF THE ECONOMIST

SIR,—The need for acceleration in our armaments programme and for strengthening our national defences is voiced on all sides, but the hoped-for legacy of Munich—an attempt to settle outstanding questions by conference—seems to have been lost.

One shudders at the growing tendency to set Might on a pedestal. At the cinemas, in the streets, in most of our newspapers, in all walks of life, a military complex prevails, now that war is becoming to be regarded as inevitable. It will become inevitable unless some attempt is made to arrest the germ that has spread throughout the world.

In the certainty that the forces of England, France and Russia would be arrayed against him, Hitler would not commit his regime to war. In the post-Munich phase there is a more potent force making for war than the German self-determination claim. In producing armaments we diminish economic wealth, for they cannot be consumed. If they are utilised they destroy real wealth—the lives of men and women in all their productiveness—for their utilisation lies in war. Continued production of armaments without con-

sumption leads to the breakdown of the economic machine, and internal bankruptcy. The armament race goes on until one country faces bankruptcy. Internal bankruptcy means the defeat of the ruling class in a country. What is the alternative? War. War will be waged because it prolongs the existing rule, and because it is a risk as opposed to a certainty of defeat for the ruling power.

The situation calls for action on a wide field. Apart from the fundamentally economic insanity of armament production there is the grave danger of the possibility of "incidents" which may set the whole world at war. In a world prepared for war, "incidents" occur at the slightest friction. Our only true interest is to strive for a settlement which will result in an immediate and progressive scaling down of armaments.

Yours, etc.,

E. R. NUTTALL.

Prestatyn.

Counting the Cost

TO THE EDITOR OF THE ECONOMIST

SIR,—To the letter of Mr Mason published in your issue of October 22, 1938, I should like to make two remarks:—

1. In Bohemia, Moravia, and Silesia the Czechoslovak Republic loses: to Germany 2,800,000 Germans and 700,000 Czechs; and to Poland 67,000 Poles and 88,000 Czechs. Is it a "just" occupation, when Germany gains 3.5 per cent. of her population and Czechoslovakia loses 10 per cent. of her Czech population, and when to Germany are transferred the following cities with practically no Germans at all: Policka, with 5,221 Czechs and 35 Germans; Pribor, with 5,124 Czechs and 226 Germans; and Stramberk, with 3,268 Czechs and 72 Germans; and when to Poland are transferred more Czechs than Poles?

2. Who can rely upon the fact that, when the former German colonies question comes up for discussion, there will be only "further demands upon feelings and susceptibilities"?

Yours very truly,

JOSEF HRASE.

Prague.

Books and Publications

The Two Nations

A PLACE may usefully be found for this book* on the shelf of everyone interested in wage statistics. As a compendium and examination of existing information about earnings in different industries it is admirable. But the general reader, who skips the difficult sections and glances at the conclusions, is certain to be led astray.

Mr Kuczynski commences by estimating the percentages of men and women in each industry earning less than the Rowntree minima. In the case of men this wage is the minimum cost of maintaining a man, wife and three children. It is perfectly true that, if the population is to reproduce itself, every working man's wage must be sufficient to provide for a wife and three children. Nor, indeed, do Mr Rowntree's figures err on the generous side. Indeed, Sir John Orr has declared the Rowntree standard to be below the minimum requirement for health. But that is not the point. Mr Kuczynski is describing existing conditions. Less than a tenth of the population is to be found in families consisting of one earner and four or more dependants (wife and three or more children), while 60 per cent. of the population lives in families supported by more than one earner. The Rowntree minimum wage only applies to a small proportion of the employed population.

Thus, although a statement such as that 80 per cent. of coal miners are earning less than the Rowntree minimum wage may have a meaning for demographers, it does not give

* "Hunger and Work." By J. Kuczynski. Lawrence and Wishart. 132 pages. 3s. 6d.

any specific information about the current extent of poverty, unless we have some idea of the numbers of dependants. Perhaps only 20 per cent. of coal miners are really unable to maintain families at a level above that defined by Mr Rowntree. Moreover, the figure of 80 per cent. is itself fixed—in the absence of official statistics of the distribution of earnings—on the crude assumption that if the average earnings of men and women are above the minimum, then all the men and women employed are earning more than the minimum and *vice versa*.

Mr Kuczynski next proceeds to add up the results of his inquiries into various industries, and he finds that four million men and two million women are earning wages lower than the Rowntree minima (for women the Rowntree minimum wage is not calculated to provide for the maintenance

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of dependants); and from these figures he deduces by a series of estimates, intended to take account of the varying sizes of families, but which seem to be little more than guesses, that ten million people are living at a level below the Rowntree standard.

It is interesting to compare this figure of ten millions with others computed by, say, Sir John Orr and Mr Colin Clark. The Rowntree minimum wage for a man, wife and three children at October, 1935, was 51s. 3d., or 10s. 3d. per head. Mr Colin Clark's estimate (which is higher than Sir John Orr's) gives six and a half million people with incomes below 10s. per head per week. This estimate strongly suggests that Mr Kuczynski's figure of ten millions is too high.

In the last chapter of this book, entitled "Seven Lean Years," Mr Kuczynski attempts to prove not only that the rich are getting even richer, but also that they are getting richer relative to the rest of the population even more quickly; "the abyss between the two nations is growing in size." Comparing 1931 and 1937, he finds that average real earnings have risen 5 per cent. and the workers' share in the national income has remained constant. These results are not unreasonable, but it is doubtful if the numbers of the working classes have been increasing more rapidly than the rest of the population so as to worsen their relative position. But even if this were the case, it is well known that profits fluctuate far more widely than wages, and it would not be surprising if the relative position of the rich had improved between 1931, a year of depression, and 1937, a year of prosperity.

Finally, one may give a word of unreserved praise to Mr Kuczynski's computation of an index number of earnings for those industries for which particulars are regularly published. These are coal mining, the cotton and woollen industries, iron and steel, boots and shoes, bricks and pottery; and, together, they cover about a seventh of the insured population. This is a valuable addition to our stock of information, but the author has no justification for using his index as though it were representative of the whole of industry.

The defects of this book are less of technique than of deliberate and avowed bias. "La statistique est une maîtresse perfide, qui égare ses adorateurs," someone once said. But Mr Kuczynski is no ardent seeker after truth led astray by a too uncritical reliance on his statistics. To continue the metaphor, he is no Don José seduced and deceived by a fickle mistress. On the contrary, he has coldly exploited her for his own ends, those ends which he explains in the preface.

The book is written to put into the hands of the workers computations based on Government material, which will help them in their fight for higher wages, to assist trade unionists in negotiations for better living conditions, . . . for all those who . . . are ready to fight for the general welfare of the people and for social justice.

[Owing to a technical hitch the above Review as well as the following Shorter Notice appeared in a few copies of last week's *Economist*. We apologise to those readers whose copies have duplicated these items.—ED., *Econ.*]

Shorter Notices

"Manganese." Second Edition. By Dr A. W. Groves. (London) Imperial Institute (Mineral Resources Department). 164 pages. 3s. 6d. net.

It is reassuring to learn that "the British Empire is favourably situated with regard to supplies of manganese ore" and that Empire production rose, between 1932 and

1936, from 22 to 29 per cent. of the world's production, while exports similarly rose from 42 to just over 60 per cent. In this excellent handbook, the Institute, with characteristic thoroughness, reviews the various ores of manganese, its preparation and properties, prices, the world's production, and deals in detail with manganese ore in various countries within and without the British Empire. The most important use of manganese is in the steel and ferro-alloy industry, for manganese imparts important qualities to the steel or alloy product, including high tensile strength. Copper-manganese alloys are used for turbine blades, and manganese-bronze in marine engineering. Among the chief non-metalurgical uses of manganese ore is the manufacture of dry cells; and its catholic utility makes manganese important in glass-making, in the production of ceramic tints, as a "drier" in combination with vegetable oils, in the manufacture of pigments, in the chemical industry, in agriculture, and elsewhere. This handy treatise is as interesting as it is informative.

"The Good Society." By Walter Lippmann. George Allen and Unwin. 10s. 6d. net.

In this book Mr Lippmann has penetrated to the ultimate sources of freedom and, with renewed faith, based his defence of liberty on personality, whose essence is an energy, however we choose to describe it, which causes men to assert their humanity, and on occasion to die rather than to renounce it.

He flays the tyrannies, whatever their flag, which to-day oppress multitudes of mankind. He excoriates no less the softness and degenerate self-interest among the democracies which have lent the contemporary dictatorships such small show of plausibility as for the time being they possess. He demonstrates that all their vaunted planning aims, in fact, at war. So much is excellent. With the more severely economic parts of his book the position is different. His criticism of all forms of central direction of economic affairs and his reliance upon the sole operation of rightly conceived and equitably administered laws as the sufficient instrument for dealing with the economic troubles of the democracies are, to the English reader, over-coloured by American conditions, and rest at bottom upon assumptions which depart too far from the facts of social life to provide adequate foundations for the Great Society which he, and all men of good will, wish to build. But if this part of his argument needs broadening, the spirit which suffuses the book as a whole deserves the highest praise. In these overcast and troublous times the worst thing that can befall us is loss of faith. Since "The Good Society" is a work which must hearten the waverers and encourage the flagging, Mr Lippmann has made in it a real contribution to the spiritual regeneration, now so sorely needed, which is the first essential for the successful defence of freedom.

"Mending Minds." By Paul Winterton. Peter Davies. 252 pages. 8s. 6d.

This quiet but convincing book about mental hospitals is out of the usual run of such books in several respects. For one thing, it is based upon the actual experience of a careful and open-minded personal examination of the way in which hospitals and clinics are run. For another, it makes no attempt to parade as a stunt or a scoop; there is no straining, as there so often is, to "expose" something or other. Legislation, administration, methods of treatment, the problems of patients and staff alike are simply described in the non-technical terms of an intelligent layman. The conclusions are clear: too many local authorities are not doing their duty; "mental health is the Cinderella of the social services"; not even £10 millions annually can be found for mental treatment, though skilled workers are doing a fine job well. What is the remedy? The State must make mending minds a first duty; and, most important of all, the ignorance and prejudice of all classes on this subject must be swept away. Inertia and the idea of "stigma" are the present obstacles. Honest and informed publicity is the cure, and Mr Winterton has made an almost model beginning.

Books Received

National Self-Sufficiency. By P. H. Asher. (London) Nelson. 188 pages. 2s. net.

The Insurance Blue Book and Guide for 1938. (London) Ritchie and Darling. 11 Queen Victoria Street, E.C.4. 529 pages. 10s. 6d. net.

Right Wages. By A. Grant McGregor. (London) Pitman. 316 pages. 8s. 6d. net.

THE BUSINESS WORLD

Argentine Railway Problems

BLESSINGS for the Argentine railway stockholder in recent years have been all too few. Traffics have usually been poor, while exchange losses and increased working costs have diverted from the stockholders' pocket such revenues as could be earned. But the year to June last, as the managers of the Argentine railway systems unanimously admit, was one of the worst in their history. The depressing results for each line have already been reviewed in detail in the last two issues of *The Economist*, and need only be briefly recapitulated. It is sufficient to recall that Buenos Ayres Great Southern earned only £135,234 for preference dividends (against £629,526 in the previous year) and paid only 1 per cent. on its first preference stock; that Buenos Aires Western converted a net profit of £100,687 for 1936-37 into a loss of £117,110; that Central Argentine, more grievously affected by last year's crop failures than any other line, suffered a fall of 25 per cent. in gross revenues, and failed to earn its prior charges by £222,722; and, finally, that Buenos Aires and Pacific further increased its heavy debit balance at profit and loss by £914,117.

This is not an optimistic setting for discussion of the future. And the open canvassing of the possibilities of "nationalisation" in the chairmen's speeches seems to be based in part upon the feeling that company administration of Argentina's railway systems may never again be rewarded on the pre-depression scale, although the industry justly acknowledges that the Argentine Government to-day is showing a keener appreciation of railway problems. Yet, if the truth be told, Argentine railway stocks have recently fared somewhat better than home rails, despite the shock of the B.A. Great Southern and B.A. Western preference dividend cuts. These symptoms of encouragement deserve close examination.

A crop failure in Argentina plays havoc with the entire economic structure of the Republic. In October and November last year a series of frosts wiped out large areas of fine cereals and maize. Central Argentine, which carried virtually two maize crops in 1936-37, handled 60 per cent. less last year. The fall in grain traffic on B.A. Western was as high as 68.6 per cent. by volume and 72 per cent. by value. B.A. Great Southern lost one million tons of cereal traffic last year (including maize), representing over £500,000 in revenue. Even B.A. and Pacific, which must be treated as a case apart in any discussion of Argentine railway problems, felt the brunt of the crop failure both in reduced cereal receipts and also in lower wine freights. Nature would indeed be cruel to inflict such hardships on the Republic for a second year in succession. While there was some frost at the end of September (which according to one report damaged about 10 per cent. of the increased area sown to fine grains), the general impression is that crop prospects remain favourable. But until the present month has safely elapsed the harvest cannot be regarded as secure.

In order to illustrate the relative importance of different classes of traffic for the four companies, we show in the following table the contribution to total receipts from passengers, parcels and miscellaneous, grains, total goods, and livestock for the past three years and also for 1929. The first impression is that even the best recent year—1936-37—makes a sorry comparison with 1929, when traffics were good, exchange charges non-existent and ordinary dividends satisfactory. To-day, 1929 must be

regarded as a Golden Age. The investor is left with the unenviable task of divining his prospects in a "normal" year under post-depression conditions. It is, perhaps, permissible to hope that 1936-37 approaches more nearly to a norm than either its predecessor or its successor—with the reservation that, for Central Argentine, it was unduly favourable. On this assumption it is illuminating to compare the movement of different classes of traffic during the past two years, which is set out below:—

SOURCES OF GROSS OPERATING RECEIPTS
(£'000s)

Company (years to June 30th)	Pass.	Parcels and misc.	Goods			Live- stock	Total opg. recs.
			Wheat	Maize	All grains		
B.A. Gr. Southern :							
1929	3,144	2,046	1,564	129	2,311	6,800	13,067
1936	2,509	1,493	863	130	1,505	4,818	9,922
1937	2,699	1,688	989	133	1,840	5,566	10,992
1938	2,892	1,663	646	87	1,336	5,190	10,880
B.A. Western :—							
1929	1,165	566	707	297	1,157	2,604	940
1936	747	369	360	301	742	1,563	824
1937	815	395	417	217	730	1,644	881
1938	865	361	109	136	280	1,248	866
Central Arg. Rly. :							
1929	3,414	1,168	1,776	1,910	4,197	9,291	14,252
1936	2,309	1,340	318	1,902	2,593	5,803	326
1937	2,511	1,565	1,197	2,628	4,180	7,801	340
1938	2,484	1,230	642	1,138	1,963	5,234	367
B.A. & Pacific :—							
1929	1,426	755	865	635	1,568	6,481	472
1936	764	685	238	740	1,075	4,715	365
1937	843	695	485	665	1,267	5,260	428
1938	877	737	213	356	625	4,478	377

A feature common to all four lines is the successful development of passenger traffic. In part, this is due to the general forces of recovery in the Republic during the past three years. But to no small extent it has followed the enterprise of the companies themselves in providing cheaper and improved services. Suburban traffic on B.A. Western showed an increase of 9 per cent. last year and 8.2 per cent. in 1936-37. On Central Argentine, suburban traffic last year was a record, while B.A. Great Southern has increased its passenger takings by 15 per cent. during the past two years. It is evident, indeed, that the railways have already been able to meet urban road competition with considerable effect. And the inauguration of transport co-ordination in Buenos Aires last June should further assist the railways when all the undertakings are effectively transferred to the Corporation. Moreover, the National Commission for Co-ordination of Transport has now been appointed, and should be able, without undue further delay, to provide a greater measure of relief to the railways from demonstrably unfair competition, although it is worth recalling that the Co-ordination Law does not apply to intra-Provincial lorry services. But already, as the report of the Director-General of the B.A. Great Southern Railway shows, special rates for traffic to stations within a radius of 270 kilometres from Buenos Aires have forced the road haulier to go further afield in search of business.

Our table affords only a rough measure of the benefits which the companies may obtain if the current year's crops are of normal size. Grain movements are sensitive to world market conditions, and in recent years farmers have sometimes held back supplies when world prices have been unfavourable. Moreover, the benefit of normal crops will be

SCIENTIFIC INVESTMENT

By HARGREAVES PARKINSON,
B.A., B.Com. Editor, *Financial News*.

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spread between the current and subsequent financial years. The current year's traffics are already suffering from the abnormally small carry-over of grain from last season; by converse, a larger carry-over next June will not come into the traffic receipts until the first part of 1939-40. One should not regard the bald difference between 1936-37 and last year as an indication of the potential improvement in gross receipts during the current year. And it is clear that goods traffic (apart from grain), which held up reasonably well on all four lines last year, will need improved grain business to offset the general decline in economic activity.

Short of a natural catastrophe, therefore, the investor is entitled to expect some recovery in gross revenues during the current year, although he cannot ignore total traffic losses of £850,000 to date. On the costs side, the balance of probabilities is against any major change. Wages retention has been in operation for some time; a cut of 5 per cent., for instance, was introduced by B.A. Western last April, and this has subsequently been increased to 8 per cent. But it is impossible to calculate the benefit of wage cuts for, under the terms of the Presidential Award, the amount of wage deductions which is actually retained is determined by the results of each complete financial year. Moreover, if, as we have assumed, some increase in grain traffics is recorded this year, direct operating costs will rise, although improved vehicle loadings and substantially reduced operating ratios should also result.

Exchange provisions, again, must remain a burden on the companies' accounts unless the peso is ultimately to revert to the old parity of \$11.45. During the past six years, to take one example, B.A. and Pacific has failed to earn its prior charge requirements for the period by £4,657,000. Of this sum, however, no less than £3,949,000 is attributable to exchange differences. During the past year there has been no change in the average rate applicable to the railways, which has remained at 16 pesos to the £. Any hope of immediate improvement in the exchange position must be dashed by the current year's trade figures. During the first nine months of 1937, Argentina had a favourable balance amounting to \$751 millions; during the corresponding period of 1938 her imports have been practically maintained, but exports have dropped by nearly 45 per cent., and in consequence an adverse trade balance of \$61½ millions has resulted.

To speculate, say, whether B.A. Great Southern 5 per cent. preference stock, which received 1 per cent. last year, is fairly valued at 47 in relation to its prospects for the

current year hardly meets a situation in which even the best preference stocks are marginal. There is, indeed, much more to be said for concentrating attention on the debenture issues. Even last year B.A. Great Southern covered its 4 per cent. debenture interest 1½ times. B.A. Western failed, for the first time, to cover its 4 per cent. debenture interest, which requires nearly £395,000, by approximately £57,000—a point which accounts for a quotation of 61 for the latter, compared with 70 for B.A. Great Southern first debenture. Central Argentine 4 per cent. debenture stock stands at 61½ and was fully covered, but the margin was not sufficient to meet in full the interest on the 5 per cent. debentures and notes. A yield basis of 5½-6½ per cent. for such stocks is not inappropriate under present conditions. But they should be the first to respond to the prospects of better cover if traffics improve during the second half of the year.

There is, moreover, another pointer which favours debenture rather than sub-marginal preference and ordinary stocks. On the assumption that the Argentine Government will ultimately take over some share at least of the administration and financial risks of the British-owned railways, it is obvious that the most equitable basis of purchase would still leave junior stockholders to face greater sacrifice than would be required of debenture holders. The problem, perhaps, is not urgent. The purchase of the Cordoba Central undertaking was first contemplated in 1924; but it is not yet an accomplished fact, for it still awaits the sanction of the Chamber of Deputies.

For the time being the companies are doing their utmost, under discouraging conditions, to improve net revenues. Joint administration, so far as it is permitted by the existing law, is in effect on the B.A. Great Southern and Western systems, and B.A. and Pacific and Central Argentine are also working together. If the pooling law which was first submitted in 1935 is finally approved by Congress this month, pooling and joint working arrangements will be greatly facilitated. Both on economic and political grounds, therefore, it is possible to justify the market's recent hopes. But the Argentine railway systems are not returning to prosperity overnight. And, in the long run, an equitable basis of nationalisation may prove difficult to work out. The stockholder, therefore, must hope that he will soon enjoy more prosperous conditions, firstly, because he deserves them, and secondly because they might play an important part in the determination of fair purchase agreements.

Alcohol Economics

TO the man in the street the word "alcohol" has a meaning at once vague and definite. Just exactly what it is he would be hard pressed to say. But for all practical purposes he regards it as synonymous with the various forms of liquid refreshment, with their differing degrees of intoxicating power, which he is accustomed to pour down his gullet to the end of stimulating his nerves or, alternatively, of losing his immortal soul. Until very recently, the layman's rough meaning would have passed as an industrial definition: the alcohol industry was mainly concerned with the production of distilled spirits for human consumption. Even as recently as ten years ago, more than half of the British retained production of alcohol was still being consumed in the old-fashioned way. But since then there has been an astonishing growth in the industrial uses of alcohol, until to-day only one-fifth of the total production is destined for the decanter and the tumbler. The volume of spirits drunk has fallen by 25 per cent. in the decade, but the amount used for other purposes has increased by over 400 per cent. This revolution in the industry has an interesting geographical aspect. There are 77 alcohol distilleries in the United Kingdom, making something over 40 million gallons a year. Of these 66 are in Scotland and with one exception are engaged in pro-

ducing whisky. One is in Northern Ireland and ten in England and Wales. The English distilleries account for two-thirds of the total output, and they concern themselves almost wholly with the new industrial uses for alcohol. There is both an import and an export trade in potable spirits—rum, gin and brandy coming in and whisky going out—but the exports are considerably larger than the imports.

The varieties of alcohol are many and confusing, and it will be as well to set them out in tabular form before mentioning the uses of each:—

- A. Methyl Alcohol.
- B. Ethyl Alcohol.
 - 1. Potable spirits.
 - 2. Non-potable spirits.
 - a. Unmethylated.
 - b. Methylated.
 - i. Mineralised (domestic).
 - ii. Industrial.
 - iii. Power alcohol.

The major distinction, it will be seen, is between methyl and ethyl alcohol. The difference is one both of preparation and of chemical nature when produced. The two varieties can be substituted for each other when used as solvents, but

not in other uses. Methyl alcohol cannot be drunk—or, perhaps, it would be more accurate to say that it should not be drunk, as large quantities of "wood alcohol" were consumed in the early years of the Prohibition experiment in the United States by persons whose thirst exceeded their discretion. Methyl alcohol can be made either by distillation from wood or synthetically. In this country, it is made only at the Billingham plant of Imperial Chemical Industries, where it is prepared synthetically from water gas; the output amounts to some 9 per cent. of the total production of alcohol of all kinds. Methyl alcohol need concern us no longer in this article.

The present production of ethyl alcohol in this country is manufactured from molasses to the extent of 72 per cent. of the total (i.e. of the total of ethyl spirits), from malt and unmalted grain to the extent of 15 and 13 per cent. respectively. Most of the molasses comes from Cuba, and the yield is three or four gallons of alcohol per cwt. of molasses. All ethyl spirits are potentially potable, and those which are not destined to be drunk have to be denatured. This can be done in two ways. Methylation involves the addition to the spirits of denaturants such as pyridine, wood naphtha or aniline dye, which render the resulting mixture virtually non-potable. For some uses, however, methylation would diminish or remove the usefulness of the alcohol. In these cases, other denaturants are added, and the product is known as unmethylated spirits.

The British consumption of alcohol for non-potable purposes amounts to some 30 million gallons a year. Approximately half of this total now consists of methylated and half of unmethylated but denatured spirits; but it is the second category that has been increasing most rapidly in recent years, the consumption having trebled in six years. The chief demand comes from the use of alcohol in the manufacture of cellulose acetate for artificial silk; but unmethylated spirits are also widely used in the manufacture of industrial solvents, dyes, drugs and fine chemicals. The production of unmethylated spirits for these and similar purposes is now the largest single branch of the alcohol industry in this country, and the British Celanese Company is the largest consumer of industrial alcohol in the country.

Methylated spirits are familiar to everyone who has used a spirit lamp. But mineralised methylated spirits for domestic consumption are a small part of the total output; only some 1,500,000 gallons a year are produced. Industrial methylated spirits, amounting to about eight million gallons, are far more important; they are used chiefly in making paints, polishes and lacquers, and also to a considerable extent in the manufacture of perfumery, inks and dyes; toilet articles, oilcloths, liniments and lotions. Finally, there is power methylated spirits, i.e. alcohol used as a fuel for internal-combustion engines, or more accurately as a 12 to 15 per cent. blend in motor fuels. The consumption of power alcohol has increased from 13,000 gallons in 1931 to 5,600,000 gallons in 1937, and in the latter year amounted to nearly one-fifth of the total consumption of non-potable alcohol and a sizable proportion of the total consumption of motor fuels.

No industry has ever had closer contacts with the taxing authorities than the alcohol industry. The Exchequer receives an annual revenue of £36 millions from the spirit duties; and to protect this revenue Government control of the alcohol industry has always been close. The regulations involve appreciable modifications of the normal technique of production; for example, it is illegal to brew and distil at the same time in the same plant, and there are regulations affecting stocks and the keeping of records. These precautions are costly and inconvenient, but they are worth while to the Government, since it draws a revenue of nearly £4 a gallon from potable alcohol. As long ago as 1860 it was recognised that the system of supervision made it more difficult for British whisky to compete in the world market, and since that date all alcohol exported has not merely been exempted from all duties, but has been paid an allowance equivalent to the additional costs imposed on the manufacturers by the Excise precautions.

When at the beginning of the present century various industrial uses of alcohol began to develop, this allowance, over and above exemption from duty, was paid to "authorised methylators" for making industrial methylated spirits and also for all unmethylated spirits used in "any approved art or manufacture." The allowance was extended to power methylated spirits in 1920, and fixed in the next year at 5d. per proof gallon, which is equivalent to 8½d. per imperial gallon. Since this rate was fixed, the conditions of the industry have changed out of all recognition. In 1921 the production of ethyl alcohol for industrial purposes was only 2,850,000 gallons and for power purposes negligible; last year the production was 24 million and 5,600,000 gallons respectively.

These taxation provisions produced a particularly anomalous position in the case of power alcohol. This fuel competes with petrol, but until this year it escaped the duty levied on light hydrocarbon oils, and in addition it benefited from the allowance. The expansion of the use of power alcohol seems to indicate that this allowance was a considerable assistance to the industry. Indeed, on general grounds, it would seem probable that a rate of allowance fixed when the production of industrial alcohol was a minor by-product of the whisky industry is not necessarily appropriate to the very changed conditions of to-day. So far as power alcohol is concerned, the anomaly was recognised in this year's Finance Act, which imposed an Excise duty at the same rate as that on light hydro-carbon oils, namely, 9d. per imperial gallon, though the allowance still remains and virtually offsets the duty. The use of alcohol as a motor fuel is definitely encouraged and even made compulsory in a number of Continental countries, with a view to assisting agriculture, as the alcohol is produced from surplus crops of sugar beet, potatoes, or even sometimes of grapes. The same position does not, however, obtain in the United Kingdom, where there are no such surplus crops, and where, apart from a negligible quantity of sugar beet, the production of power alcohol is entirely from imported raw materials.

By far the largest producer of alcohol, in the industrial as in the potable field, is the Distillers Company, which distributes to industrial users through associated undertakings, the most important of which are Solvent Products and British Industrial Solvents. The chief other producers, in addition to Imperial Chemical Industries, are J. M. Mills, of Liverpool, and Commercial Solvents, of Bromborough, the latter concern being connected by interlocking directorate with British Celanese. The long-term prospects of the industrial alcohol industry must be rated as definitely favourable, since alcohol consumption is assisted by the secular trend towards the expansion of luxury and semi-luxury industries, such as artificial silk, paint, polish and lacquer, perfumery, toilet preparations, lotions and patent medicines. The drinking of spirits faces a declining secular trend, but potable spirits are already such a small part of the industry that their decline can easily be offset by the growth of other uses. The future of power alcohol is more difficult to assess, now that it has to compete with petrol on more equal terms. But on the whole the industry is an almost perfect example of an age-old craft escaping, by the help of technical invention, from a declining backwater to a broad stream of industrial progress.



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America's Balance of Payments

THERE are few matters in the realm of international finance which have been subject to more obstinate misconceptions than the balance of international payments of the United States. The persistence of these false beliefs is remarkable in view of the volume of detailed information on the subject which is regularly made available in the annual estimates of the Department of Commerce. The latest of these informative bulletins has just been published.* Like its predecessors, it is a booklet of over 100 pages, containing a volume of information that entirely puts to shame the meagre estimates of other countries.

In the gold standard era—and, indeed, until very recently—it was very tenaciously believed that the United States was a creditor country which, unlike Great Britain, refused to behave as a creditor should. Great Britain, it was said, accepted payment of the interest due to her in the form of goods, while America persisted in having an export surplus and compelled her wretched debtors to ship gold. In actual fact there has been very little fundamental difference between the balances of payments of the two countries on the average of the last dozen years, as can be seen from Table 1, and the illusion that there was some such fundamental difference is almost entirely due to the excessive attention that is paid to the figures of visible merchandise trade. Both Britain and America, on the average of these years, have had a net surplus on current account which has been available for lending abroad. For

Table 1.—AMERICAN AND BRITISH BALANCES OF PAYMENTS ON CURRENT ACCOUNT

	United States (\$ millions)			United Kingdom (£ millions)		
	Visible trade†	Invisibles*	Balance	Visible trade	Invisibles*	Balance
1926	+ 378	- 222	+ 156	- 463	+ 477	+ 14
1927	+ 681	- 174	+ 507	- 387	+ 469	+ 82
1928	+ 1,037	- 312	+ 725	- 353	+ 475	+ 122
1929	+ 841	- 394	+ 447	- 381	+ 484	+ 103
1930	+ 782	- 153	+ 629	- 386	+ 414	+ 28
1931	+ 334	- 174	+ 160	- 408	+ 304	- 104
1932	+ 289	- 158	+ 131	- 287	+ 231	- 56
1933	+ 225	- 10	+ 215	- 264	+ 260	- 4
1934	+ 392	- 17	+ 375	- 294	+ 287	- 7
1935	- 100	- 53	- 153	- 261	+ 293	+ 32
1936	- 141	- 186	- 327	- 345	+ 327	- 18
1937	+ 178	- 285	- 107	- 443	+ 391	- 52
Average—1926-37	+ 408	- 178	+ 230	- 356	+ 368	+ 12

* Including interest and dividend receipts.
† Including silver.

both countries this state of affairs has apparently come to an end, at least temporarily, since neither country has had a surplus in more than one of the last four years. The chief difference is that America has a surplus (in most years) on visible trade and a deficit on the invisibles, while the United Kingdom is in the reverse position. But in economic effect there is no difference whatever between the two categories of trade. Fundamentally, both countries are creditors, temporarily living beyond their means and drawing on capital. America is in what for the moment the favourable position of being offered vast sums of other people's capital to live on, while Great Britain is currently having to return capital previously deposited with her. But that has no direct connection with the two countries' balances of payments on current, or income, account.

Another persistent misconception is that, in her relations with Britain, America sells but does not buy. As recently as October 20, no less a person than the President of the Association of British Chambers of Commerce is reported as having said that "there is nothing equitable or reasonable in a position where the United States sold us

* "The Balance of International Payments of the United States in 1937." Prepared in the Finance Division of the Bureau of Foreign and Domestic Commerce, Department of Commerce, under the direction of Amos E. Taylor. (Washington) Government Printing Office. 113 pages. 15 cents.

£114 millions' worth of goods in 1937 and bought from us only £31 millions. If the United States cannot buy more from us we must reduce the amount coming from her by many millions a year." This is another example of the very elementary fallacy of looking only at the visible trade that passes directly between the two countries. In an effort to demonstrate the complete facts about British-American trade we have compiled Table 2. This table is based upon the official American figures, but the figures it contains are estimates by *The Economist*, and they cover the whole

Table 2.—BRITISH-AMERICAN BALANCE OF PAYMENTS, 1937
(In \$ millions. A plus sign indicates a net balance to the credit, a minus sign a net balance to the debit, of the United States.)

	United Kingdom (1)	Crown Colonies (2)	Total Cols. (1) and (2) (3)	Canada and Newfoundland (4)	Other Doms. and India (5)	Total British Empire (6)
Merchandise (inc. silver)	+ 298	- 174	+ 124	+ 104	- 18	+ 210
Freight and shipping	- 34	...	- 34	- 2	...	- 36
Tourists	- 36*	- 15	- 51	- 178	- 2	- 231
Immigrants' remittances	- 5	...	- 5	...	- 11	- 16
Insurance	- 28	...	- 28	...	...	- 28
Interest and dividends	- 50	...	- 50	+ 160	+ 15	+ 125
Total invisible items	- 153	- 15	- 168	- 20	+ 2	- 186
Total	+ 145	- 189	- 44	+ 84	- 16	+ 24

* Including sums spent on British cruise ships and by permanent residents in Great Britain.

range between precise statistics and guesses. Even the guesses, however, have some foundation of ascertained fact, and no figure has been included unless there is some indication to guide the estimator. In every case of doubt the estimate has been put at a conservative figure from the British point of view.—i.e. our receipts are probably higher and our payments lower than the table indicates. There are many gaps (e.g. there is almost certainly a net flow of immigrants' remittances from the United States to Canada, but no indication of its amount is available), but it is believed that all the major factors are included, with the sole exception of motion picture royalties, which are not large enough materially to modify the conclusions to be drawn from the table.

It will be seen that the inclusion of invisible items approximately halves the net surplus accruing to the United States from her trade with the United Kingdom. Moreover, it is always very rightly contended from the American side that trade with the Crown Colonies cannot be left out of account. For example, in 1937 the United States imported \$235 millions' worth of goods from British Malaya, but sold less than \$9 millions in return. Here is a disproportion far greater than that in the trade between the two metropolitan countries, and if the United States, following Sir Granville Gibson's prescription, attempted to cut down her imports from Malaya, Great Britain would be the direct sufferer, since we have the lion's share both in Malaya's imports and in her dividend payments. In the most direct way, the dollars earned by Malaya pay for that part of our net imports of American goods which is not paid for by the earnings of British ships, hotels and insurance companies. Not only because Great Britain controls the colonies' commercial policy, not only because foreign countries hurt by our commercial policy will retaliate against the colonies, but because of the actual economic relationships existing, Great Britain and the colonial empire must be considered as a unit. When this is done, it is discovered that British-American trade is, as nearly as can be estimated, evenly balanced. Columns have been added to the table giving figures for Canada and Newfoundland and for the other Dominions and India.

Prior place has been given to these controversial ques-

tions because the American balance of payments with the world as a whole in 1937, for which the main figures are

Table 3.—BALANCE OF INTERNATIONAL PAYMENTS OF THE UNITED STATES
(\$ millions)

	1929	1936	1937
	Balance	Cr. Dr.	Balance
Merchandise trade*	+ 841	2,465 2,606	- 141
Shipping and freight	- 66	68 129	- 61
Tourist expenditures	- 638	139 497	- 358
Immigrant remittances, charities, etc.	- 265	24 204	- 180
Interest and dividends	+ 565	568 238	+ 330
War debts	+ 207	1 ...	+ 1
Govt. transactions	- 92	30 96	- 66
Miscellaneous current items (net)	- 105	... + 148	... + 203
Balance on current account	+ 447	... - 327	... - 107
Gold movements	- 120	... - 1,030	... - 1,386
Currency movements	- 15	... + 22	... - 1,386
Total	- 135	... - 1,008	... - 1,386
Long-term capital movements	- 137	3,490 2,717	+ 773
Short-term capital movements (net)†	- 80	... + 392	... + 295
Balance on capital account... ..	- 217	... + 1,165	... + 817
Residual item	- 95	... + 170	... + 676

* Including silver. † Including miscellaneous capital items. ‡ Including net ear-markings.

given in Table 3, exhibits few features of outstanding interest. The years 1935 and 1936, as can be seen from Table 1, were the least typical of the last dozen. In both of them the United States had a deficit on visible trade as

well as on invisibles. In 1937 there was a strong recovery in American exports, with the result that the normal balance of merchandise trade was restored. On the other hand, many of America's invisible expenses, notably freight charges and tourist expenditures, increased with returning prosperity, and the big invisible receipt, interest and dividends, remained unchanged. The result was that, while the visible balance improved by \$319 millions, the invisible balance deteriorated by \$99 millions, and for the third year in succession the net balance on current or income account was negative. This did not, however, prevent the second biggest inflow of gold ever recorded. The explanation is, of course, that capital was flooding into the country for at least three-quarters of the year until the sharp stock market decline in the autumn. Even the fine-mesh net of the American returns appears to have missed some of this immigrating capital, since the estimate has to conclude with a residual item of \$676 millions. The report suggests that part of this residual item may be due to the operations of the American exchange stabilisation fund and to undisclosed earmarkings of gold for foreign customers which would offset the heavy import.

The American balance of payments is clearly entirely dominated by this large import of capital, which has to come in the form of gold. The initiative for this movement, however, lies almost entirely in non-American hands and rests on non-economic factors. Some day, however, America will have to pay attention again to her income account. Neither the United States nor Great Britain is occupying the place it should in the world until it has a net surplus every year which it both can and will lend out to other nations in need of capital.

Finance and Banking

October Cross-Currents in France.—October witnessed an apparent improvement in the French financial position. To judge from the returns of gold imports into Great Britain, the crisis flight of funds was short-lived, for the movement of gold from France was only £14.8 millions, confined to the fortnight ended October 13th. The following table, extracted from recent Bank of France returns, shows the reactions of the crisis on the internal credit position:—

	Aug. 4	Sept. 1	Sept. 15	Sept. 29	Oct. 13	Oct. 27
			(Frs. millions)			
Gold	55,808	55,808	55,808	55,808	55,808	55,808
Discounts	6,819	8,360	12,360	22,172	18,250	18,227
Loans on securities	3,675	3,693	3,878	4,362	3,896	3,865
30-day advances	826	766	1,061	1,311	917	1,600
Provisional loans to State	40,134	40,134	40,134	50,134	48,134	48,134
Note circulation	101,351	101,760	108,186	124,428	113,417	110,446
Public deposits	3,172	2,539	2,838	2,825	3,697	3,642
Private deposits	13,506	15,805	16,617	18,418	20,862	23,643
Ratio of gold to sight liabilities	47.2%	46.4%	43.7%	38.3%	40.4%	40.5%

In addition to the Frs. 10,000 millions increase in provisional loans to the State, the crisis led to a general desire for liquidity, reflected both in the increase in the note circulation and also in the expansion in discounts and loans of various kinds. It was noticeable, however, that there was no decrease in private deposits, which include bankers' balances, and this suggests that there was no serious run on the banks. During October the Treasury repaid part of its crisis borrowings, and discounts and advances were also reduced. Notes have equally returned from circulation, and both public and private deposits were strengthened. On the other hand, the pre-crisis position has by no means been restored, and during the latter part of October there was a general feeling that all was not well beneath the surface. At the end of the month, just before Paris closed for the All Saints' holiday, there were signs of a new incipient flight from the franc while there were strong rumours that M. Marchandau's thoughts were turning in the direction of such radical measures as the requisitioning of private holdings of gold and foreign ex-

change, as well as heavier taxation on coupons and rentes. It was not surprising that a week ago London bankers were being asked to buy quantities of French currency, for these represented the least traceable way in which capital could be exported from France. There was also heavy selling of forward francs.

* * *

M. Reynaud takes over.—Nothing was disclosed by M. Daladier at the Marseilles Congress, but on the evening of November 1st it was announced that M. Paul Reynaud had been appointed Minister of Finance in succession to M. Marchandau. It also became known that whatever views M. Reynaud had held in the past, he was now convinced that no further depreciation of the exchanges or devaluation of the franc was necessary. France's economic problem, in fact, no longer needed tackling from the monetary end. This led to hurried covering of bear positions in forward francs, as is described in the foreign exchange note on page 281. One question that falls to be decided is that of the revaluation of the Bank of France's gold. M. Reynaud has still to outline his general proposals, but he might be wise to write up the Bank's gold so that it conforms to the Daladier franc of Frs. 179 to the pound, and to use the resultant profit as a Treasury reserve for abnormal expenditure. If he can also find a way of balancing the purely "administrative" budget, as distinguished from re-armament expenditure, he will have solved the first of his problems. Psychologically, the revaluation of the Bank's gold might confirm the stability of the Daladier

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franc in the minds of the public. In these ways he might be able to approach his ultimate goal of tapping the mass of French savings, which, in spite of the country's economic difficulties, must be growing every day. If the Treasury no longer has to approach the investor as a suppliant, but instead can induce in the investor an eagerness to lend his money to the country as the best and safest means of finding employment for his savings, then M. Reynaud will have achieved his principal ends. But to do these, he must first convince the investor of the financial stability of the country, and then give the Paris market a chance to settle down without fear of further interruption.

* * *

Cheques and their Substitutes.—Mr R. A. Wilson, who has been re-elected as President of the Institute of Bankers for another year of office, delivered his inaugural address this week and chose as his text that most commonplace article of British banking, the cheque. The evolution of that instrument of credit, its gradual adaptation through the development of commercial practice, legislation and legal decisions to the objects which it serves to-day, were admirably drawn. The most interesting part of Mr Wilson's address, however, was the concluding section in which he questioned whether recent legal decisions had not deprived bankers of some of the protection to which they felt entitled in handling cheques, and whether these decisions did not impose upon bankers a standard of care which it was impossible to discharge, given the volume of present-day business and the speed at which it must be conducted. From this observation Mr Wilson went on to deal with possible substitutes for cheques as means of payment out of and into bank accounts. They are many and they are growing in importance. Traders' payments or traders' credits are perhaps the most important. In addition there has been an increase in the number of payments made by direct transfer from one banking account to another in dividend distributions, hire purchase instalments, standing orders, salary payments, disbursements of the Milk Marketing Board, and such like. These non-cheque payments at present represent about 4 per cent. of the payments made by cheque. But they have doubled in the past few years. Will they continue to grow? Mr Wilson as a banker sees some of their advantages—the greater economy of handling, their avoidance of some of the risks attendant on the use of cheques. But he doubts whether their use will ever extend beyond a strictly limited field of usefulness. Moreover, the Inland Revenue authorities may intervene if the movement for displacing cheques reaches a momentum at which serious interference will occur with what is at present an important source of revenue, namely, the stamp duty on cheques.

* * *

The Belga's Recovery.—The belga has emerged with great credit from a fairly prolonged period of pressure. From remaining for several months in the vicinity of gold export point *vis à vis* the dollar it has recently swung violently to gold import point from London, and during the past week has been one of the strongest currencies in the foreign exchange market. Last week's reduction of the National Bank's discount rate was a token of this recovery. The earlier weakness of the belga was altogether due to adverse capital movements prompted by the fear that the belga would not be able to stand the pace set by the appreciating dollar. Tied by its rigid link with gold, the belga was being drawn reluctantly in the wake of this appreciating dollar, and was thus in danger of becoming considerably overvalued in terms of the Continental currencies with whose movements the belga is usually far more closely identified than with those of the dollar. The rise in the dollar, however, was arrested and partly remedied before any such danger to Belgian economy could emerge. By this time, however, a sizeable speculative position had been built up against the belga. It is the covering of this position which has been primarily

responsible for the sudden recovery in the exchange value of the belga. That movement has also been helped by the recent transfer to Belgium of a certain amount of French capital which in the recent tribulations of the franc has shown definite preference for the gold currencies—dollars and belgas—as havens of refuge. The strength of the belga during the past week has led to some gold arbitrage operations between London and Brussels. This traffic provides part of the explanation of the readiness of arbitrageurs in London to buy gold at a premium on the dollar parity. Most observers of the gold market have become so obsessed with this dollar parity that they fail to realise that there are other parities which can at times become the effective anchor for the sterling price of gold. The belga is one of these, and during the past week it has at times been the effective parity. At such times, in other words, the price of gold in London was in fact fixed at parity with the belga and without reference to the dollar.

* * *

Triangular Exchange Effects.—On several occasions recently we have drawn attention to the way in which sterling is liable to be affected adversely as a result of London's intermediary position between Continental centres and New York. Continental people desirous of buying dollars for the transfer of their funds to New York, and Continental speculators desirous of building up a long position in dollars, do so in the London market, thereby giving rise to a technical selling pressure on sterling. The evidence of such selling pressure is liable to lead to additional sales of sterling by foreign holders and by speculators, and thus tends to weaken the gold resources of the Exchange Equalisation Account. During the past week, however, London's intermediary position has been decidedly beneficial to sterling. Following upon the announcement of M. Paul Reynaud's appointment as French Finance Minister, sterling became distinctly firmer as a result of covering operations by French speculators who had bought dollars in London. Nevertheless it seems that on balance sterling stands to lose rather than gain through triangular exchange transactions. For, as we pointed out recently, the French Exchange Stabilisation Fund has made it a rule to pay out sterling irrespective of whether the demand of the French public is for sterling or dollars, while, on the other hand, when the trend changes in favour of the franc, the French Stabilisation Fund is a ready buyer of both sterling and dollars. The explanation of the unwillingness of the French authorities to sell dollars in support of the franc lies in the fact that the sale of dollars would have necessitated the export of gold to New York; and since the United States authorities melt down all the gold they buy, involving a loss of about $\frac{1}{2}$ per mille for the seller, the French authorities prefer to sell their gold in London rather than in New York. It is for this reason that they prefer to support the franc by selling sterling in preference to dollars.

* * *

Martins Bank Chairmanship.—Less than a year after he took office, Sir Richard Holt has most regrettably been forced by ill-health to resign the chairmanship of Martins Bank. He is to resume his former position as deputy chairman of the bank. The new chairman is Mr F. A. Bates, who has been deputy chairman for the past nine months. Mr Bates is deputy chairman of the Cunard Steam Ship Company, of which his brother is chairman, and is also a partner of Messrs Edward Bates and Sons, merchants and bankers. In addition he holds important insurance directorships. While Sir Richard Holt's enforced retirement is greatly to be regretted, Martins Bank will have in its new chairman a man intimately acquainted with the chief activities of the bank. It will also have the benefit of Sir Richard Holt's advice and assistance as deputy chairman, and both on personal and public grounds it is to be hoped that Sir Richard's health will permit him to carry out his less arduous but still important duties.

MONEY MARKET NOTES

Foreign Exchanges

IN spite of the immediate reactions of M. Marchandau's resignation, referred to in a Financial Note, the London foreign exchange market has had a very quiet week. Paris was closed for the All Saints' holiday from Friday evening until Wednesday morning. During this period there was considerable uncertainty as to M. Daladier's financial programme, for M. Reynaud's appointment as Finance Minister was only announced on Tuesday evening. There was a fair amount of pressure to sell forward francs, and the French banks, who normally buy, so as to secure the profit corresponding to the discount on the forward position, were closed for the holidays. Hence by Tuesday the three months' rate had widened to Frs. 6 $\frac{1}{2}$ discount. The next day Paris reopened, while M. Reynaud's appointment also made a good impression. Forward francs were once more bid, and by Thursday afternoon the three months' rate had come back to Frs. 3 $\frac{1}{2}$ discount. The spot rate remained steady during the whole week at about Frs. 178 $\frac{1}{2}$. The French Control lost exchange up to Tuesday evening, but has bought back a fair amount since. There has been little business in dollars, with the New York rate mainly influenced by events in Paris. Thus the nervousness in France over the week-end caused sterling to fall from \$4.77 $\frac{1}{2}$ to \$4.75 $\frac{1}{2}$; for French interests were buying dollars through London. On Wednesday, when the French position changed, dollars promptly came on offer at \$4.76, but by Thursday sterling had eased again to \$4.75 $\frac{1}{2}$. Belgas, guilders and Swiss francs followed the dollar, with very little business.

*

The Bank Return

THERE is the usual end-of-the-month increase in the note circulation, but its only significance is to show that the return of the "crisis" currency had been completed by last week.

	Nov. 3, 1937	Oct. 19, 1937	Oct. 26, 1937	Nov. 2, 1938
Issue Dept.: Gold	326.4	326.4	326.4	326.4
Notes in circulation	485.9	486.4	482.5	483.9
Banking Dept.: Reserve	42.1	40.0	43.9	42.5
Public Depts.	30.3	33.8	25.0	14.1
Bankers' Depts.	89.4	90.9	100.0	109.5
Other Depts.	36.6	35.9	35.5	36.4
Govt. Secs.	103.4	104.9	107.6	102.4
Discounts & Advances	7.8	8.0	4.2	10.4
Other Secs.	20.7	23.9	21.6	21.1
Proportion	26.9%	25.7%	28.1%	27.3%

There are several wide movements in the banking department. The Conversion and Funding Loan dividend payments on November 1st are the chief explanation of the week's big drop in public deposits. Meanwhile discounts and advances have risen by £6.2 millions, an increase which probably indicates the first Czech drawings against their £10 million credit. As other deposits, which would include any balances held by the Czech National Bank with the Bank of England, are less than a million higher, it looks as if the bulk of these drawings have already been spent. The changes already described would by themselves have caused an increase of no less than £16 millions in bankers' deposits, and so to

prevent so large an expansion Government securities are reduced by £5.2 millions. In consequence, bankers' deposits are only £9.5 millions higher than a week ago.

*

The Money Market

THE November 1st dividend payments, revealed in this week's Bank return, have made money very easy, and even bond-money has been generally obtainable at $\frac{1}{2}$ per cent. There has also been a very small demand for money. The banks have been buying January Treasury bills at $\frac{1}{2}$ per cent., and have largely given up the attempt to take them only in conjunction with December maturities, which are no longer readily obtainable. The market is trying to quote three months' bank bills at $\frac{1}{4}$ per cent., but $\frac{1}{2}$ per cent. is really the effective rate. Even six months' bank bills are as low as $\frac{1}{8}$ per cent.

	Nov. 4, 1937	Oct. 27, 1937	Nov. 3, 1938
Bank Rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
London Deposit Rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates: Clearing Banks	1 $\frac{1}{2}$ -2 $\frac{1}{2}$	1 $\frac{1}{2}$ -1 $\frac{1}{2}$	1 $\frac{1}{2}$ -1 $\frac{1}{2}$
Others	1 $\frac{1}{2}$ -2 $\frac{1}{2}$	5 $\frac{1}{2}$ -5 $\frac{1}{2}$	5 $\frac{1}{2}$ -5 $\frac{1}{2}$
Discount Rates: Treasury bills	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Three months' bank bills	1 $\frac{1}{2}$ -2 $\frac{1}{2}$	$\frac{1}{2}$	1 $\frac{1}{2}$ -2 $\frac{1}{2}$

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

Apart from such temporary influences as Government dividend disbursements, the real explanation of the return of the previous ease is that the crisis withdrawals of funds from London have been largely neutralised by the contraction in tender issues of Treasury bills, which has occurred in spite of the autumn increase in the floating debt. This is an automatic consequence of our present monetary system, whereby withdrawals of funds lead to gold sales by the Exchange Equalisation Account and so to an expansion in the tap issue and a reduction in the tender issue of Treasury bills. Many of the tender Treasury bills still outstanding were also bought by the Exchange Equalisation Account during the crisis. Unlike the normal gold standard, the disappearance of money from London does not lead to more stringent credit conditions at home, except during the time taken by the authorities to re-invest the proceeds of its gold sales.

The low level of public deposits shows that this re-investment process is now complete.

*

The Bullion Market

THERE have been some Continental purchases of gold this week, but the main demand has come from arbitrageurs. Early in the week the dollar was inclined to strengthen and so it was relatively easy for arbitrageurs to operate even though the London gold price was fixed at a small premium. On Wednesday, when sterling rallied, arbitrage became less certain, and so the volume of business shrunk. On Thursday the dollar was again firmer, and so dealings expanded. Under present conditions, when arbitrageurs buy their gold first and cover their exchange afterwards, the trend of the New York exchange can easily prove of greater importance than the presence or absence of a small premium.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in £	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Oct. 28 ...	145 10 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	757	19 $\frac{1}{2}$	19 $\frac{1}{2}$
" 29 ...	145 10 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	164	19 $\frac{1}{2}$	19 $\frac{1}{2}$
" 31 ...	146 0 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	864	19 $\frac{1}{2}$	19 $\frac{1}{2}$
Nov. 1 ...	146 3 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	973	19 $\frac{1}{2}$	19 $\frac{1}{2}$
" 2 ...	146 1 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	288	19 $\frac{1}{2}$	19 $\frac{1}{2}$
" 3 ...	146 1 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	530	19 $\frac{1}{2}$	19 $\frac{1}{2}$

* Above or below American shipping price. This week's calculations are based on a temporary parity, in which the war risk rate is taken as 1s. 3d. per cent.
† At fixing.
‡ The New York price of silver remained at 43 cents per ounce .999 fine during the week.

In the silver market, the margin in the cash and forward prices is now wider than it has been for some time, mainly because of some shortage of spot silver, combined with Eastern offering of forward. There has developed in the market a lack of "mines," i.e. silver, .999 fine, and as United States buyers do not like to take silver of less fineness, this is also disturbing business. Monday's improvement in the market was due to special buying, probably connected with the shipment to Hungary shown in this week's export returns. There has since been further Eastern selling, and with the United States disinclined to buy, prices have since eased again.

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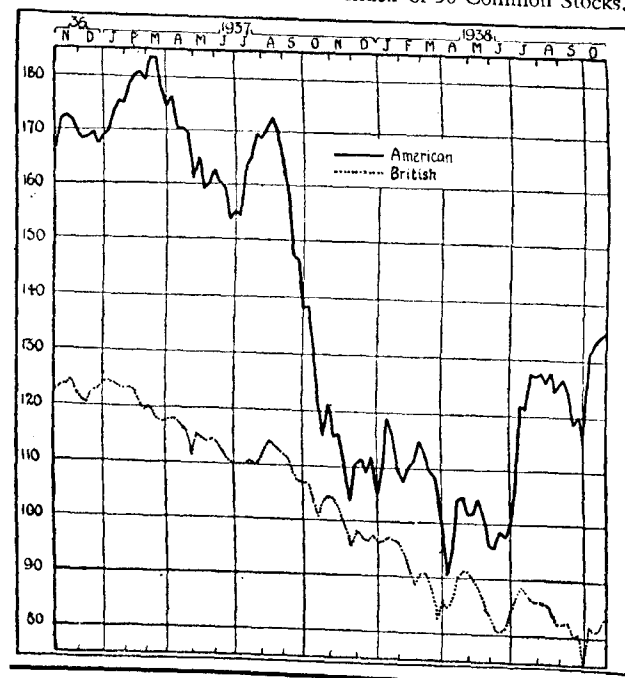
Investment

Course of Share Values.—October was devoted to capitalising the gains of peace in every stock market in the world. But only Wall Street enjoyed the additional advantage of domestic recovery. That market has steadily pursued its upward course—though recently at a reduced pace—unaffected by the schism between the chart-readers whether its action is to be interpreted as a primary recovery or merely as an intermediate rally. While common stock prices have almost exactly regained their position of twelve months ago, British equities are only fractionally higher than their end-August level, when the European crisis was already casting a long shadow. The same contrast is evident in the record of business in the two centres. During the past week or two, turnover has been relatively satisfactory in New York, but in London new buying incentive has been restrained, partly on second thoughts regarding the European prospect, and partly because investors were loth to incur new commitments until the Government's political and financial policy had been clarified. This week's debates appear to have removed the second uncertainty. Re-armament is to continue but

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS

(July 1, 1935 = 100)

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



not, apparently, to be accelerated. The Government will not seek compulsory powers to control industrial activity, and fears that the profits and dividends of companies engaged in the re-armament programme might be rigorously supervised have proved groundless. For the gilt-edged market, the immediate consequence, it would seem, is to limit the burden of defence finance, and to avoid any inflationary consequences of intensified re-armament. The market will doubtless be able to cope with the present scale of expenditure without strain, but an accelerated programme would obviously have involved problems of capital market control, and immediate budgetary stringency. For the industrial market, normal economic factors must now take a higher place, while the expected benefits of re-armament must be demoted. This interpretation suggests that the recent advance in armament and "re-armament" shares may not be maintained, although the level of activity which is in prospect for such companies should ensure satisfactory profits for the next year or two. It is possible, without an undue indulgence in wishful thinking, to anticipate a moderate cyclical recovery in industrial conditions during the course of the next few months. Its pace, however, depends first upon the assistance

which the United States can provide, and secondly upon the success of the Prime Minister's task of appeasement. Caution, tempered with a mild degree of optimism, appears to be the investor's watchword.

Wall Street and Recovery.—American industrial stocks have fluctuated this week within a narrow range, and turnover on the New York Stock Exchange has been significantly lower. Operators still appear to be confident that the market conditions are favourable, though perhaps they feel that little will be lost by waiting until next week's Congressional elections are out of the way. That confidence is merited is again confirmed by the steel operation figures. *Iron Age* estimates this week's rate at 57 per cent. of capacity, compared with 54 per cent. last week. Again, optimistic guesses that the Federal Reserve Board's index of production for October may reach 95, against 90 for September, suggest that the fuel for a further advance exists, if it can be kindled. During the past week, three major developments, affecting the relations of the market with the Administration, have been reported. The first, and most important, is the new programme of "conciliation and development," which has been drawn up by the Administration and the utility companies. These plans, which are reported to involve immediate expenditure of between \$200 millions and \$350 millions and a total expenditure of \$2,000 millions over the next two years, have been coupled with the national defence programme. The new construction work, it is stated, will be carried out in "strategic war-material centres." Doubtless this phrase covers an association of aims, among which internal political considerations have a place. From the investor's point of view, two important consequences follow from the agreement. First, after several years of mutual distrust, the Administration and the utility industry appear to have established workable relations, which, even without the impetus of the new construction projects, would encourage the industry to undertake some unassisted capital expenditure. Secondly, the consequences for the electrical equipment industries and ancillary construction trades are obviously favourable.

The railroad industry may well look at the utilities with jealous eyes for, at the end of last week, the President's fact-finding Commission rejected the companies' claim for a 15 per cent. wage cut, and declared that the financial distress of the carriers during the past year is only a "short-term situation." It is true, of course, that the railroads have shared in recovery since last June. But even the Class I roads only covered their bond interest with a margin of \$1,097,000 in August, and their net losses for the previous seven months aggregated \$185,149,000. Both sides now have a breathing space of thirty days before they may take action. Railroad stocks were not greatly affected by this adverse report, nor indeed did the general market react to the news that further measures of control had been recommended by the Securities and Exchange Commission. The Whitney case has doubtless encouraged Mr William Douglas in his difficult task of drawing the line between professional speculation and permissible investment. Inter-member dealings on margin are to be forbidden; brokers must reduce the maximum proportion of indebtedness to working capital from 22-1 to 15-1; in future, quarterly reports of member firms will replace the present half-yearly reports; yearly audits and more frequent checks are to be imposed; and brokerage capital must be segregated from underwriting commitments. Finally, it is proposed to establish a central depository to hold and make delivery of customers' securities. The obvious intention of these rules is to limit overtrading, to separate brokerage from banking business, and to control the physical dis-

position of securities. The New York Stock Exchange authorities have consented to this programme, which may prove irksome in detail, but is commendable in many points of principle.

London Transport Pool Receipts.—A year ago we ventured to make the suggestion that the London Transport Board might make copies of its excellent annual report available to stockholders without charge. Without flattering ourselves that the Board's decision to circulate the latest report to stockholders was directly associated with this appeal, the coincidence provides an encouraging context for a further suggestion. At present, the Board publishes weekly traffic receipts before pooling. These sums are paid into the London Passenger Pool, the total of which is subsequently re-distributed among the members—the Board and the main line railways—after making certain allowances for unfructified capital and other operating factors, the Board's share being 62.10364 per cent. The "C" stockholder has only to compare the Board's receipts for the 52 weeks to June 25th, which amounted to £29,388,200, with its receipts for the full year, after pooling, which amounted to £30,758,440, to realise that the Board's own receipts give no indication, unless perhaps one of trend, of its effective receipts. In certain circumstances—such as the bus strike in 1937—the record of the Board's own receipts may become positively misleading. On that occasion the other constituents of the Pool received part of the diverted bus traffic, of which London Transport eventually received its due share from the Pool. According to the Act of 1933, the Pool allocations are determined month by month. Does any major consideration of policy stand in the way of publication of the Board's monthly share, as and when it is calculated? "C" stockholders, we believe, would welcome such figures as a more accurate guide to the effective receipts of the Board than the present weekly returns.

New Issue Inactivity.—During October the capital market came almost to a complete standstill. The only public offer consisted of £500,000 4 per cent. preference shares by Scottish Power Company, and issues to shareholders accounted for most of the remaining new money, which totalled £1,168,000 on our "old basis." On the "new basis," the October total of £6,890,000 was higher than for September, but still abnormally small. Particulars under both headings are set out below:—

Monthly Average	United Kingdom		British Possessions	Foreign Countries	Total
	£	£	£	£	£
Old basis	18,603	1,842	525	20,970	
New basis	32,296	5,283	592	38,171	
Monthly Total (Old Basis)					
Aug., 1937	Dr. 450	4,264	487	Nil	4,301
Aug., 1938	100	1,476	657	421	2,654
Sept., 1937	Dr. 550	4,487	2,706	Nil	6,643
Sept., 1938	150	1,239	413	Nil	1,802
Oct., 1937	Dr. 400	6,965	350	Nil	6,915
Oct., 1938	Dr. 850	500	1,518	Nil	1,168
(New Basis)					
Aug., 1937	†41,254	8,246	1,163	Nil	50,663
Aug., 1938	100	2,731	1,940	421	5,192
Sept., 1937	Dr. 550	5,634	5,897	Nil	10,981
Sept., 1938	150	1,836	413	Nil	2,399
Oct., 1937	Dr. 400	10,528	1,061	Nil	11,189
Oct., 1938	Dr. 850	4,471	3,269	Nil	6,890

† Includes £40,804,000 for Tithe Redemption 3 per cent. stock.

Such poor results must be attributed in large part to the aftermath of the September crisis. The market, however, stirred itself into activity at the very close of the month, in preparation for the Woolworth offer, which is expected to herald further issues in the near future. This offer is not included in our October total, for the lists opened on November 1st.

Foreign Bond Movements.—The reaction in European bond prices last month is in marked contrast to the improvement in Far Eastern and South American issues. The resultant of these forces is evident in the index of

107 foreign bonds compiled by Municipal and General Securities Company, which recovered to 67.8—1.7 points higher than the low level of 66.1 recorded in September. This improvement, however, still leaves the index nearly two points lower than at the end of August. Movements of the component indices over the past year are set out below:—

Below. —

AVERAGE JANUARY-JUNE, 1934 = 100.

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Un- defaulted Bonds	De- faulted Bonds
				States	Pro- vinces	Total			
1937	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(54)	(55)
October ...	99.0	88.1	98.3	105.1	108.2	105.8	98.5	95.5	101.5
December ..	98.4	81.6	98.6	82.6	75.0	80.7	85.8	86.6	85.0
1938									
January ...	97.9	71.7	97.8	75.5	67.1	73.4	79.3	80.2	78.2
February ...	96.2	74.7	97.6	75.4	63.8	72.4	79.5	82.7	76.4
March	83.4	73.9	97.2	61.3	49.4	58.2	69.6	74.9	64.8
April	88.9	77.3	98.5	69.8	51.4	64.9	75.1	(53) 78.8	(56) 71.8
May	85.7	74.9	98.4	63.0	47.2	58.8	70.7	(52) 76.1	(57) 66.1
June	(27) 89.0	68.5	98.0	65.9	51.2	62.0	(108) 71.1	(48) 76.5	(60) 67.0
July	90.8	67.7	97.5	65.4	53.4	62.3	71.3	75.7	67.9
August	(26) 86.4	72.1	97.3	61.4	50.4	58.6	(107) 69.7	(47) 75.1	(59) 65.7
September ..	88.5	66.2	96.1	57.7	44.4	54.2	66.1	72.3	61.7
October	86.7	70.8	95.2	59.4	45.3	55.7	67.8	74.1	63.2

N.B.—Figures in brackets denote number of bonds included.

Despite the payment of the October coupon on the Czechoslovakian loan, its price fell sharply during the month, and German, Austrian and Hungarian issues also failed to maintain their post-Munich advances. The substantial recovery in Far Eastern bonds from 66.2 to 70.8 has followed Japan's military successes. A separate index of seven Japanese bonds, based on June, 1937=100, shows a jump from 50.5 to 64.0 during the month, but Chinese issues were only slightly higher. In the South American list, Argentine and Chilean bonds show an improvement—the latter assisted by higher copper prices and mining activity.

Philip Hill and Partners.—This week's offer of 2,200,000 5s. shares of F. W. Woolworth appears to be the largest individual transaction handled by Philip Hill and Partners. At the annual meeting last May the chairman declared that the company had been instrumental in raising over £8 millions of new finance during the year to March, 1938. That figure has been comfortably exceeded during the six months which have since elapsed. In the following table we set out a number of the principal issues which the company has sponsored during 1937 and 1938:—

Company	Issue	Issue Price	Latest Price	Money involved
Odeon Theatres	£1,800,000 5% deb. stk.	99	84½	1,782,000
Hawker Siddeley Aircraft	180,000 5s. ord. shrs.	5/-	6/3	45,000
Covent Garden Properties	2,000,000 5% red. £1	20/-	21/3	2,000,000
Beecham Maclean Hldgs.	pref. shares			
	£1,000,000 4% deb. stk.	99	96	990,000
	1,496,500 5% £1 pref.	20/-	20/-	1,496,500
Beechams Pills	2,400,000 2s. 6d. def. shares	7/6	8/-	900,000
F. W. Woolworth	2,200,000 5s. ord. shrs.	58/-	...	6,380,000

This list does not claim to be exhaustive. It does not include such indirect financing as the marketing of Odeon Theatres preference shares, nor the offers to

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shareholders of Eno Proprietaries and John Greenwood (Millers) to exchange their holdings for shares in Beechams Pills and Ranks, Limited, respectively. But it goes some way to confirm the impression that Philip Hill and Partners have secured a major share of industrial financing in recent months, when market conditions generally have been far from propitious. The total of new money involved in the issues we have set out is £13.6 millions. Since the beginning of 1937 the total sum raised for general industrial purposes, using our "old basis" figures (which also cover offers to shareholders only), slightly exceeds £80 millions. Approximately 17 per cent. of this sum, therefore, is represented by issues sponsored by Philip Hill and Partners. The firm will offer for sale on Wednesday next at 17s. 6d. a block of 2,800,000 5s. shares in Ranks, Limited, which has hitherto been in private hands.

Butter and Guns.—The investor this week has been well provided with illuminating company speeches. Of these, two are of especial interest. There are few companies with a more consistent profits record than United Dairies, but Mr Joseph Maggs' speeches have invariably claimed that operating conditions are in constant flux, and that good results are due to high efficiency and not large profit margins. The company's sales increased last year by over £2 millions, and milk purchases were six million gallons higher. But the effect of high milk prices on consumption has become marked, and the drought increase last July, which was subsequently consolidated for the whole year, will take its toll during the current year. Indeed, milk retailing during the first half of the current financial year is expected to involve a loss, and the additional profit on summer milk will not come into account until the following financial year. Moreover, the rise in butter prices towards the end of 1937 seems permanently to have affected consumption, although prices have since fallen. There is no relief from manufacturing milk costs, and wages and other charges are still rising. For any other company, with a less stable record than United Dairies, these adversities might spell a revision of ordinary share prospects. The chief points in Sir Alexander Roger's speech at the Birmingham Small Arms meeting necessarily concerned the company's armament work and its finance. The company was among those which suffered severely in post-war years and it is not anxious to repeat that experience. In addition to the Daimler shadow factory, and sub-contract work on aero engines, B.S.A. has undertaken to erect a large new works at Redditch. Reading between the lines of Sir Alexander's remarks, it would appear that Government assistance has been given—or is anticipated—in connection with this new venture. "It cannot be expected," he declared, "that stockholders will again bear the brunt of maintaining a nucleus arms plant at their own expense, capable of great expansion in emergency, without compensating orders." Yet from a subsequent passage it would appear that the munitions industry, apart from a few firms, is not fully occupied—even B.S.A. Guns could undertake more orders. Shareholders with long memories will appreciate the chairman's emphasis on the preparation of plans for purely peace-time activity.

Investment Trust Results.—During the past fortnight the flow of investment trust reports to September 30th has commenced. From these reports the investor can obtain some measure of the effect of a year of industrial

recession upon trust profits. In the following table, accordingly, we have analysed the more important results. We also show the proportion of portfolios represented by British stocks and equities, and compare the market values of portfolios with book values:—

Company (years to Sept. 30th)	Total Rev.	Earned for Ord.		Div.	Portfolio			Current	
		Amt.	%		Home	Ord.	Val.*	Price	Yield
Clydesdale—	£'000	£'000	%	%	%	%		%	
1936	113.7	26.4	8.6	5	47	31	- 7	} 95x	6.3
1937	120.3	31.0	10.2	6	49	36	-10		
1938	113.8	26.9	9.2	6	50	39	-25		
Sec. Edin- burgh—									
1936	91.3	21.5	9.2	8	47	81	+29	} 154 ¹ / ₂ x	6.4
1937	113.9	35.2	15.4	10	48	83	+21		
1938	117.8	37.8	17.1	10	46	83	+ 1		
Sec. Inv. Mort.—									
1936	176.4	45.7	11.9	9	...	...	+ ?	} 175 ¹ / ₂ x	5.7
1937	193.1	58.9	15.5	10	...	...	- 1 ¹ / ₂		
1938	182.1	50.7	13.8	10	...	...	-16		
Sec. Scot. Mort.—									
1936	74.5	14.7	7.6	5	...	...	+ ?	} 102 ⁷ / ₁₆ x	5.3
1937	83.5	21.0	9.9	5 ¹ / ₂	...	...	+ ?		
1938	82.6	18.2	8.3	5 ¹ / ₂	...	...	-10		
Stn. Stock- holders.—									
1936	70.3	41.1	4.1	3	32	50	...	} 11 ¹ / ₂ x	7.0
1937	85.5	52.1	5.6	4	36	53	- 6		
1938	81.9	47.8	5.1	4	36	51	-23		
Third Caled.									
1936	50.9	5.3	3.5	2	30	27	-20	} 50x	2.0
1937	54.0	7.3	4.8	2	42	34	-22		
1938	49.9	5.0	3.4	1	44	36	-35		

* Percentage appreciation (+) or depreciation (—) of valuation as compared with book values.
† £1 shares.

While trust profits are inevitably related to the course of industrial activity, a time-lag of fifteen months or more may operate between a change in industrial profits and its reflection in investment trust accounts. For this reason, the decline in earnings which is shown by five out of the six trusts listed in our table is somewhat disappointing. Industrial profits, indeed, have only begun to fall during the past three months, and if the whole year to September is taken a satisfactory rise is still apparent. But distribution policy during the period has been more, rather than less, conservative, although most of the trusts in our table, having a generous margin, maintain their dividend even where earnings are lower. Moreover, the decline in profits and dividends in the United States began earlier and proceeded more rapidly than in this country—a matter of some consequence, since the percentage of American holdings varied between 17 and 26 per cent. for the four companies which disclose particulars of their investment distributions. Substantial falls in market values as compared with book values of securities would have been greater but for the Munich recovery. Current dividend yields of between 5½ and 6½ per cent. appear appropriate in to-day's circumstances.

Naval Shipbuilding Results.—Three reports from shipbuilding companies closely associated with naval work indicate that 1937-38 was a more successful year even than 1936-37. For the year to June 30, 1938, Fairfield Shipbuilding and Engineering Company, of Glasgow, record total profits of £263,520, against £223,679, and after deducting £70,000 for depreciation and £21,950 for debenture interest (as in the previous year), earnings available for dividend amount to £171,570, against £131,729. Recovery has been so rapid that in 1937-38 it would have been possible to pay off the five years' preference dividend arrears, and still leave earnings of £66,570 (equivalent to 37 per cent.) available for the ordinary shareholders. But the company has wisely conserved its resources to finance its growing volume of business. The net value of the work in progress rose last year from £224,000 to £277,000, and there is an excess of current liabilities over current assets of £37,000. Hence only one year's preference arrears are being paid in addition to the normal preference dividend, though a

further year's payment is to be made in January and the remainder will be worked off gradually. Yarrow & Company, like all shipbuilding companies, have a fluctuating profits record, but the company now has a straight capitalisation, and with one exception it has paid a dividend in each of the past twelve years. The latest year's total profit is £48,067, as compared with £32,601—a comparison which is the more favourable since earnings in 1936-37 were reduced by £5,630 owing to the rapid increase in the cost of materials. The amount earned for dividend is £45,867, against £30,511 (or 34.6 per cent., against 22.1 per cent.), and the distribution is raised from 15 to 20 per cent. by increasing the cash bonus from 5 per cent. to 10 per cent. Although in the current year further orders have been received from the Admiralty, the company is not ignoring the trading problems which may arise when the naval programme nears completion. For this reason large sums are being spent on re-equipping the works. The growth of current work has resulted in a rise of £706,250 to £982,360 in the gross amount of stock and work in progress. Satisfactory prospects for the near future are reflected in a current yield of £6 16s. 9d. per cent. on the £1 ordinary shares. Finally, John I. Thornycroft, which specialises in destroyers, smaller naval craft and road vehicles, has this week announced a dividend of 8 per cent. on the ordinary shares for the year to July 31st—the first since 1929-30. The company cleared off all preference arrears last March, and is now in a position to share the fruits of recovery between ordinary shareholders and reserves. The latter were drawn upon to the extent of £362,000 during the depression. Out of the latest profits, £50,000 is transferred to special reserve and £50,000 to general reserve. The The medium-term outlook for all three companies must be regarded as favourable.

Tin Mining Results.—During the year to June 30th, Malayan tin producers have been faced with two problems: falling metal prices and a tendency towards rising costs due to the reduction in the Malayan quota from 73 per cent. in 1936-37 to 64½ per cent. for 1937-38. The share market has long discounted a reduction in tin mining earnings, but as the following table shows, the incidence of these factors upon individual companies has shown considerable variation:—

Company (years to June 30)	Per ton of output		Total revenue	Earned for ord.		Div.	Ordinary Shares	
	Pro- ceeds	Costs		Amt.	Rate		Price*	Yield
	£	£	£	£	%	%	s. d.	%
Kamunting :—								
1936	127	45	250,786	86,147	16.9	20	} 11/3xd	7.1
1937	136	40	344,720	137,684	27.5	22½		
1938	124	42	324,288	91,654	18.9	16		
Pahang Con. :—								
1936½	142	77	370,001	147,351	39.3	40	} 16.0xd	6.2
1937½	162½	83	459,477	175,082	46.7	50		
1938½	139½	79	364,756	85,886	24.0	20		
Ayer Hitam :—								
1936	131	53	87,991	44,838	24.9	25	} 26/3	14.3
1937	147	28	162,538	91,548	51.1	50		
1938	140	21	226,460	136,423	76.1	75		
Kepong Dredg- ing :—								
1936	123	46½	35,037	11,748	9.1	7½	} 11/3	9.8
1937	131	71	44,884	14,587	10.8	12½		
1938	124	86½	44,455	6,136	4.5	5		

* 5s. shares, except Kepong, £1. † Years to July 31st.

Producers have exploited a number of alternatives to meet adverse conditions. Some have reduced their dredging operations. Others have increased their stocks or have bought export rights. Kamunting, for example, worked at an even higher level than in 1936-37; the cubic yardage dredged increased by 8 per cent., and production of tin ore was 202 tons higher at 2,746 tons. These results were obtained by increasing end-year stocks by 157 tons, and by purchasing export rights for 452 tons, but despite this increase, costs were slightly higher, owing, apparently to higher dredging costs in the Kamunting area. Pahang also increased its production from 2,793 tons to 3,118 tons of black tin, and milled no less than 30 per

cent. more ore. This company's higher level of activity and lower costs were also achieved by buying rights and keeping 464 tons in stock. The policy of buying quota rights made a considerable difference to Ayer Hitam, a low-cost producer whose increased dividend is in a class by itself. Dredging costs rose substantially, for the area dredged was little more than half that for 1936-37, but thanks to a yield of 2,481 lbs. per cubic yard, against 1,066 lbs., the ore obtained rose by 339 tons to 1,590 tons. The fall in working costs corresponded closely to the fall in proceeds per ton; consequently the same working profit per ton was obtainable on a larger output. The company actually produced 111 per cent. of its annual assessment, despite the average quota of only 64½ per cent., by purchasing rights for the balance. By dredging richer ground, Kepong Dredging was able to increase ore output and thus to obtain practically the same gross proceeds as in 1936-37. The volume of ground treated was reduced to only 750,900 cubic yards, against 948,600 cubic yards, and costs were consequently about £15 a ton higher. Since the end of June, tin has risen substantially and standard cash now stands at £212. Producers may assist their revenues by concentrating upon richer ground, as they had already done last year, and low-cost producers, such as Ayer Hitam, may still find profit in the purchase of export rights. But a current general quota of only 45 per cent. weighs very heavily against such advantages.

Lake View and Star.—Last year's operations of Lake View and Star showed a general improvement upon those of 1936-37. The increased tonnage of ore treated carried higher average values, the percentage of extraction was improved, and a small reduction in costs resulted from the installation of improved equipment in the underground workings. These factors produced an increase of £42,130 in profits to £482,030. Special appropriations, at £85,840, required somewhat less than before, but the directors have placed £92,000 to reserve for British and Australian taxation, compared with £69,000, and also allocated £5,000 to general reserve. The increase in earnings was insufficient to permit any advance in the total dividend of 50 per cent., but £19,280 has been carried forward, against £10,090 brought in. At 3,589,000 tons, ore reserves, including probable and broken ore, show an increase of 174,400 tons to 3,589,000 tons, the grade being a trifle lower at 5.67 dwts. The average value of the ore treated last year, however, was 6.28 dwts.—more than ½ dwt. above the average of the reserves. Any reduction in the grade sent to the mill might be counter-balanced by the rise in the price of gold, but little ground is apparent for anticipating any increase in the rate of dividend. At this week's meeting Mr John A. Agnew referred to the favourable development results. The Minor lodes had responded well, not only in respect of tonnage, but also in an improved grade of ore. Although the new basic wage

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system comes into operation this year—at a cost for Lake View estimated at £25,000 directly, and possibly £40,000 in total—Mr Agnew was able to report that the labour situation had improved. On the basis of the distributions for the past two years, the current yield on the shares is about 10 per cent., while the ore reserve tonnage represents nearly six years' supply.

* * *

The Week's Company Profits.—Rubber companies, investment trusts and companies engaged in the heavy industries form the bulk of the 43 companies whose reports have been received this week (excluding six concerns for which comparable figures are not available). The total net profits of these companies show a fall of 11 per cent. from £1,716,000 to £1,528,000. The cumulative total for 2,037 companies during the year to date is £261,150,000, a rise of 9½ per cent. as compared with the £238,510,000 earned in the previous year. The week's results are discussed in preceding Notes and on page 290 under the heading "Shorter Comments," while our usual analysis table appears on page 308.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
NOVEMBER 8	NOVEMBER 10

EYES have been turned towards Parliament this week, rather than the Stock Exchange. The account has ended with scarcely more activity than at the opening, but with a suggestion of a better tone, following the Prime Minister's statement of policy. In terms of prices, the response was small, but it was well distributed throughout the market. Each section had its own cause for satisfaction—gilt-edged because the need for extreme financial measures might be avoided, and industrials because the slight improvement in economic conditions might now have an opportunity to broaden. Even armament issues, paradoxically, made the best of a speech which contained no plums for them, although it removed the danger of Governmental control.

Drifting conditions in *gilt-edged*, led by the undated list, were arrested in mid-week following the Premier's speech. But at first only the symptom of improvement was recorded. Business failed to expand, and gains were limited to one-eighth of a point. Better advances were recorded on Thursday, ranging up to ¼ on Old Consols, though dealings remained small. After a lame start, improved business was recorded in Dominion stocks.

Among *foreign bonds*, both Japanese and Chinese issues were depressed, the former losing last week's buoyancy on consideration of the economic effects of war, as reflected in particular by the trade figures. The official statement regarding the debt service further discouraged Brazilian bonds, whose recent rise was demonstrably due to excessive optimism. Peru Corporation issues were also affected by the adverse report, but Chilean bonds enjoyed some support. Czech 8 per cent. bonds jumped smartly in mid-week, on the settlement of the Hungarian frontier claims.

Little interest was shown in *home rails*, and the publication of depressing traffics did not shake the general level

of quotations by more than a fraction of a point. Southern deferred, indeed, managed to improve slightly. Interest in Argentine rail stocks, whose prospects are discussed in a leading article on page 275, was devoted principally to debentures and leading preference issues.

Although prices were well maintained on the whole, the *industrial market* early this week was lifeless, and the slightly brighter tone in mid-week provided only fractional gains. The firmness of iron and steel shares in recent weeks was less in evidence, and movements were irregular. Brown Bayley responded to the increased dividend, and Yarrow to the good report. Engineering shares were comparatively active and tended to advance despite unimportant declines in some issues. The B.S.A. meeting had a good effect on the shares. Coal shares, in particular Shipley, were harder, but Horden Collieries eased slightly on the report. Movements in electrical equipment shares were uncertain and featureless. Motor shares were typical of the industrial market generally. They showed no pronounced trend; different issues behaved independently and prices moved irregularly within narrow limits. Aircraft securities were rather steadier than other sections, but turnover remained small. There was some support for textiles on Wednesday, but the earlier part of the week was listless. British Celanese were active in anticipation of the report. Tobacco issues steadied in mid-week after being inclined to sag. Brewery shares were depressed almost throughout, on fears of higher taxation and lower dividends. The satisfactory output figures checked the decline only temporarily. Tate and Lyle were the most prominent in a variable provision and catering section. Interest in stores was concentrated on Woolworth, which were active though not always steady. Some reaction followed the improvement resulting from the success of the new issue. Miscellaneous shares were irregular, but price changes remained small; Murex, however, were a firm feature. Shipping shares were dull and Argentine Navigation preference fell sharply on the postponement of a dividend decision.

Company Meetings of the Week.—Reports of company meetings will be found in this issue on pages 299 to 301. Reductions in operating expenses of the *Buenos Aires Western Railway* totalling £80,000 were described by Sir Follett Holt at the annual meeting. Mr. J. A. Goudge explained to *Buenos Aires and Pacific Railway* stockholders that out of total net losses of £4,657,000 recorded in the past six years, exchange losses accounted for no less than £3,949,000. Mr Joseph H. Maggs's discussion of milk policy at the *United Dairies* meeting, Sir Alexander Roger's survey of the *Birmingham Small Arms* position, and points from Mr John A. Agnew's address to *Lake View and Star* shareholders are discussed on earlier pages. At the *Consolidated African Selection Trust* meeting, Mr A. Chester Beatty reported that there had been encouraging progress in research upon the extension of industrial uses for diamonds. At the *Imperial Smelting* meeting, Lord Horne referred at length to the proposals for an increased duty on foreign zinc, coupled with revised arrangements governing Empire supplies and prices. Together with the improvement in prices, and recovery in the United States, these proposals formed the basis for a confident estimate of future prospects.

There was a still further shrinkage in the very small turnover that has characterised the *oil market* for some time past. Prices, however, became a little firmer after a weak start. Trinidad issues were steady. Business in rubber shares was again negligible, and no special activity is anticipated until the quota for the first quarter of 1939 is decided. Though price changes remained very small, tea shares tended to weaken.

Apart from some short-lived improvement in *Kaffir* prices, conditions in the mining market were again dull, and changes in quotations small. A poor level of activity in the Kaffir market and the closing of the Paris Bourse on Monday and Tuesday made prices rather sensitive to Cape initiative. Monday was thoroughly dull, and though quotations advanced towards mid-week, quiet conditions were soon resumed. Rhodesian copper issues became firmer after initial weakness, but business was on a small scale. Other base metals were neglected.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargain†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Oct. 28	5,905	7,395	83.4	125.5
Oct. 31	6,580	6,985	83.3	125.5
Nov. 1	6,120	6,270	83.0	125.4
Nov. 2	5,575	6,600	83.2	125.5
Nov. 3	5,685	6,455	83.2	125.7
High...	...	...	97.2	131.0
Low...	...	...	73.7	119.9
			Jan. 12	Sept. 27
			73.7	119.9

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial ordinary share prices fell slightly in the week to Tuesday, November 1st, when it stood at 63.1, compared with 63.7 a week ago and 63.2 a month ago. The corresponding average yields are 5.90, 5.85 and 5.95 per cent. We give

below a selection of the separate indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Oct. 4, 1938	Oct. 25, 1938	Nov. 1, 1938	
Insurance (10)	115.1	114.0	115.9	121.5
Bldg. mats. (6)	77.3	76.1	74.9	87.1
Coal (9)	74.3	81.1	81.9	106.7
Elec. manufg. (12)	117.5	117.2	118.2	129.7
Oil (4)	85.2	84.1	82.7	92.1
Home rails (4)	38.8	37.6	36.5	71.0
Breweries, etc. (20)	121.1	116.7	111.3	133.6

Group	Yield (%)			Prices 1938 Low
	Oct. 4, 1938	Oct. 25, 1938	Nov. 1, 1938	
Insurance	3.71	3.75	3.69	102.7
Building mats.	7.15	7.28	7.39	69.1
Coal	6.98	6.30	6.21	69.0
Elec. manufg.	5.73	5.75	5.67	108.0
Oil	7.17	7.19	7.30	67.1
Home rails	8.89	9.21	9.58	34.2
Breweries, etc.	5.50	5.72	6.00	111.3

We are officially informed that the result of the election of a member to serve on the Committee for General Purposes in the place of Mr R. K. C. Maguire, deceased, held on November 2nd, was as follows:—Viscount Buckmaster, 1,311 votes (elected); Donald Stuart Savory, 566 (not elected).

New York

WALL STREET has passed an idle week, with turnover on a small scale, and prices lethargic, although on the whole firm. The fact-finding report adverse to a reduction in rail wages was received philosophically, and in spite of it industrials tended to harden on Monday on satisfactory business news. Easier conditions, however, soon returned. Rails recovered from the low levels to which they had fallen, but activity died down as the week proceeded, since the market adopted a waiting attitude pending the meeting of railroad executives on November 4th. Until its more exact implications could be known, the utilities scheme failed to have much effect on utilities. Steels improved on the whole, on the higher estimate of output and on reports of an increase in scrap prices, while in mid-week oil shares responded to the Standard Oil of New Jersey dividend announcement. The market was unmoved by the new S.E.C. rules.

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

	WEEKLY AVERAGES				
	1938		Oct. 19, 1938	Oct. 26, 1938	Nov. 2, 1938
	Low Mar. 30	High Oct. 26			
347 Ind'ls. ...	75.9	113.9	112.1	113.9	113.0
32 Rails ...	19.0	31.4†	29.4	30.0	29.7
40 Utilities ...	57.7	82.4	80.2	82.4	81.2
419 Stocks ...	63.7	95.1	93.4	95.1	94.2
Av. yield %*	8.35	3.46	3.57†	3.49†	3.46†
	High	Low			

* 50 Common Stocks. † January 12th.

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

	Oct. 27	Oct. 28	Oct. 29	Oct. 31	Nov. 1	Nov. 2
	131.1	129.2	128.9	129.8	129.2	129.7

1938 High: 132.6 October 22nd. Low: 83.6 March 31st.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 8000's	
Oct. 27	2,000	8,930	346
" 28	1,560	8,880	258
" 29	610	3,790	119
" 31	1,090	6,490	171
Nov. 1	1,280	7,380	247
" 2	780	5,950	195

* Two-Hour Session.

New York Prices

	Close Oct. 27, 1938	Latest Nov. 3, 1938	Close Oct. 27, 1938	Latest Nov. 3, 1938
--	---------------------	---------------------	---------------------	---------------------

1. Rails and Transport

Atchafalaya	39½	39¼	Briggs	34½	34½
Balt. & Ohio	8½	8¼	Chrysler	83½	82½
B.M.T.	12½	12½	Elec. Autolite	33¼	34½
Can. Pacific	6½	6¼	Gen. Motors	50½	50
Ches. & Ohio	35½	33½	Nash Kelvinator	10¼	10¼
G.N. Ry. Pl.	23½	25½	Packard Mtr.	6	5½
Illinois Cent.	15½	14½	Bendix Avtn.	23½	23¼
N.Y. Central	20½	19½	Boeing Airplan	29½	27½
Northern Pac.	12½	12½	Douglas Air.	69	66½
Pennsylv. R.	21½	21½	United Aircr.	36½	34½
Southern Pac.	19½	19½	Air Reduction	64½	64¼
Southern Ry.	19½	19½	Allied Chem.	189½	188
Union Pac.	92½	94½	Col. Carbon	94	91½
Greyhound	19½	19½	Dupont	147½	145

2. Utilities and Communications

Am. W'orks.	14½	14½	Un. Carbide	88½	86½
C'with. & S.	2½	2	U.S. Ind. Alc.	28	28½
Con. Edison	33½	32½	Allis Chalmers	52½	51½
Col. Gas & El.	9	9	Gen. Electric	45¼	46
El. Bond & Sh.	13½	13½	West'iselec.	119¼	118
Nat. Pwr. & Lt.	9½	9	American Can	103½	101½
N. American	24½	24½	Addressograph	27	28½
Pac. Gas & El.	29½	29½	Caterpillar	53	49
Pac. Lighting	41	41¼	Cont. Can.	44¼	42½
Pub. Serv. N.J.	34½	32½	Int. Harvester	64	64½
Stan. Gas & E.	4½	4½	Johns Manville	102½	103
United Corp.	4½	4	Am. Radiator	18¼	17¾
Un. Gas Imp.	11¼	12	Corr. Prod.	69½	69½
Amer. Tel.	148¼	147½	J.I. Case & Co.	95½	90¼
Internat. Tel.	10	10½	Glidden	25	25¼
Westn. Union	27½	26½	G. Am. Trans.	54¼	54¼
Radio	8½	8½	Allied Stores	12¾	12¾
" B. Prei	65½	65½	Calumet of A.	24	24½
			Ind. Rayon	27	25½
			Colgate Palm.	15¾	16
			Eastm'n Kdk.	181½	181¼
			Gillette	9½	9¼
			Loewes	59	60½
			20th Cen. Fox	25¼	26¼

3. Extractive and Metal

Am. Rol. Mill	20½	20½
Beth. Steel	68½	69
Beth. Steel P.	110	109½
Republic St.	20	19½
U.S. Steel	65½	65
U.S. Steel Pl.	119½	116
Alaska P'neau	9½	9½
Am. Metal	43¼	41½
Am. Smelting	56	53½
Anaconda	39¼	36½
Bohm Alum.	28½	28¼
Cerro de Pas.	54	50
Int. Nickel	56½	56½
Kennecott	48	45½
Patino Mines	123½	112
Tex. Gif. Sul.	33½	31½
U.S. Smelt.	68½	65
Vanadium	24½	26½
Atlantic Refg.	23½	23¼
Phillips Petr.	39½	38½
Shell Union	15½	15
Shell Un. Pl.	104½	105
Socony Vac.	14	13½
Stan. Oil Cal.	30¼	30
Stan. Oil N.J.	53	53½
Texas Corp.	44	42¼

5. Retail Trade, etc.

Mont. Ward	51¼	51½
J. C. Penney	83	81
Sears Roebck	76½	75½
Walgreen	16½	16¼
Woodworth	50½	51½
Borden	17	17¼
Gen. Foods	37½	38½
Kroger Grcy.	19¼	20½
Nat. Biscuit	27	26½
Nat. Dairy	14½	13½
Am. Tob. B.	90¼	89¼
Lorillard	19½	20½
Reyn. Tob. B.	45½	44½
Nat. Distillers	28½	27½
Schenley Dis.	20¼	19¼

6. Finance

Comcl. Credit	57½	56
Atlas Corp.	8½	8¼
Com Inv. Tr.	60½	58½

Paris

THE Paris Bourse like other markets began the month by consolidating the rapid advances made at the end of September. In the first week, hardly any trace was evident of the falls caused by the crisis. Subsequently, greater attention was paid to the domestic financial position than to international politics, though prices were not entirely unresponsive to day-to-day reports from abroad. Operators adopted a waiting attitude, pending the publication of the long-delayed financial and economic

decrees. While the market refused to move strongly one way or the other pending this news, the undertone throughout was quite satisfactory. The first week was comparatively active, local issues following international in favour as the franc became steadier. The feeling then became more reserved, and the stalemate continued as the month elapsed. Turnover was small, though prices continued firm. The results of the Senatorial elections and M. Daladier's speech to the Radical Socialist Congress were without marked effect. The four-day holiday and the approach of the financial decrees brought slight irregularity and featureless trading at the end of the month, but business was resumed with the knowledge that MM. Marchandau and Reynaud had exchanged portfolios while the Bourse remained closed.

Berlin

At the very end of September, quotations recovered with a bound, so that the losses not only of the crisis period but of many earlier weeks were regained. The improvement was checked later by some profit-taking, and quiet conditions soon returned, although prices continued firm. Some of the dullness was attributed to the shortage of funds caused by the new 4½ per cent. Reich loan of Rm. 1,500 millions, subscriptions for which were in some cases financed by selling industrial securities. Bank shares were in demand, but the chief feature of the month was the interest taken in mines, for which the Klöckner dividend increase provided a useful stimulus. Attention was also paid to colonial stocks, such as the German East Africa Company and Cameroon Railways. Shipping shares were in favour towards the end of the month. After being closed since March, the Vienna Bourse reopened on October 27th.

	Sept. 28, 1938	Nov. 2, 1938	Sept. 28, 1938	Nov. 2, 1938
Reichsbank	176.00	193.75	Nord.	62.00 78.00
Bank ...	113.00	120.25	Lloyd...	106.00 125.20
Dresdner	105.00	114.10	A.E.G.	100.00 125.20
I.G. Farben	146.50	153.75	H. & H.	190.00 201.10
			Stahlwerk...	94.50 112.90
			Amer.	59.00 75.50

Amsterdam

THE Amsterdam Bourse last month provided no exception to the general tendency on the chief European stock exchanges. In the last sessions of September, it seemed to consume so much energy in regaining the heavy falls during the crisis weeks, that it exhausted its power to go much higher. The undertone, however, was satisfactory, and September's falls were more than overtaken. The first week of the month saw further gains, when prices were particularly responsive to changes in Wall Street, but some irregularity developed as the week progressed. The remaining weeks were uneventful, with a shrinking turnover and a return to

(Continued on page 290)

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938				Name of Security	Price, Nov. 2, 1938	Change since Oct. 26, 1938	Yield Nov. 2, 1938	Prices, Year 1938				Name of Security	Price, Nov. 2, 1938	Change since Oct. 26, 1938	Yield Nov. 2, 1938		
High-Low		High-Low		High-Low		High-Low						High-Low		High-Low							
High	Low	High	Low	High	Low	High	Low					High	Low	High	Low					High	Low
84 1/2	73 1/2	79 1/4	64	British Funds				71 1/4	-1 1/4	£ s. d.	107 1/2	98	107 1/2	98	Do. 4 1/2% (alt. 1957)	107 1/2	-1 1/4	13 9			
113	105 1/2	111 1/4	98	Consols 2 1/2% (alt. 1957)				107 1/2	-1 1/4	3 10 0	53 9	50 1/2	53 9	50 1/2	53 9	Do. 4 1/2% (alt. 1957)	107 1/2	-1 1/4	13 9		
103 1/2	94 1/2	100 1/4	90	Conv. 2 1/2% 1944-49				96 1/2	-1 1/2	2 17 3	90 1/2	72 6	90 1/2	72 6	90 1/2	72 6	Conv. 2 1/2% 1944-49	96 1/2	-1 1/2	2 17 3	
106 1/2	99	104 1/2	90 1/2	Do. 3% 1948-53				99	-1 1/2	3 1 9	10 9	9 1/2	10 9	9 1/2	10 9	Do. 3% 1948-53	99	-1 1/2	3 1 9		
108	105	105 1/2	100	Do. 3 1/2% after 1961				99 1/2	-1 1/2	3 11 0	10 9	10 9	10 9	10 9	10 9	Do. 3 1/2% after 1961	99 1/2	-1 1/2	3 11 0		
117 1/2	111 1/4	115 1/2	100	Do. 5% 1944-64				104 1/2	-1 1/4	2 18 0	6 4	49 1/2	6 4	49 1/2	6 4	Do. 5% 1944-64	104 1/2	-1 1/4	2 18 0		
92 1/2	89	91 1/2	81	Fund. 2 1/2% 1956-61				110 1/2	-1 1/2	3 1 9	9 1/2	7 1/2	9 1/2	7 1/2	9 1/2	7 1/2	Fund. 2 1/2% 1956-61	110 1/2	-1 1/2	3 1 9	
96 1/2	89 1/2	97 1/2	88 1/2	Fund. 2 1/2% 1952-57				87 1/4	-1 1/4	3 5 0	89 3	72 6	8 1/2	8 1/2	8 1/2	8 1/2	Fund. 2 1/2% 1952-57	87 1/4	-1 1/4	3 5 0	
101 1/2	92 1/2	99 1/2	90	Fund. 3% 1959-69				95 1/2	-1 1/2	3 6 0	6 1/2	5 1/2	6 1/2	5 1/2	6 1/2	5 1/2	Fund. 3% 1959-69	95 1/2	-1 1/2	3 6 0	
99 1/2	90	101 1/2	98	Fund. 4% 1960-90				108 1/4	-1 1/4	3 8 5	5 1/2	4 1/2	11 1/2	4 1/2	11 1/2	4 1/2	Fund. 4% 1960-90	108 1/4	-1 1/4	3 8 5	
114 1/2	107 1/2	112 1/2	93	Nat. D. 2 1/2% 1944-48				98 1/4	-1 1/4	2 14 6	3 3/4	22 1/2	9 1/2	9 1/2	9 1/2	9 1/2	Nat. D. 2 1/2% 1944-48	98 1/4	-1 1/4	2 14 6	
105 1/2	99 1/2	103 1/2	90 1/2	Do. 3% 1954-58				97 1/4	-1 1/4	3 3 6	48 1/2	42 0	8 1/2	8 1/2	8 1/2	8 1/2	Do. 3% 1954-58	97 1/4	-1 1/4	3 3 6	
96 1/2	84 1/2	90 1/2	78	Victory Bonds 4%				107 1/2	-1 1/4	3 14 0	16 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	Victory Bonds 4%	107 1/2	-1 1/4	3 14 0	
102	99 1/2	102 1/2	90 1/2	War L. 3 1/2% at 1952				99 1/2	-1 1/2	3 11 0	51 3	36 1/2	51 3	36 1/2	51 3	36 1/2	War L. 3 1/2% at 1952	99 1/2	-1 1/2	3 11 0	
72	62	68 1/2	55	Local Loans 3%				85	-1 1/2	3 10 6	99 1/2	77 1/2	11 1/2	9 1/2	11 1/2	9 1/2	Local Loans 3%	85	-1 1/2	3 10 6	
85 1/2	74 1/2	82 1/2	68	Austria 2 1/2% 1933-53				98 1/2	-1 1/2	3 16 11	28 1/2	24	40 1/2	35 1/2	40 1/2	35 1/2	Austria 2 1/2% 1933-53	98 1/2	-1 1/2	3 16 11	
98 1/2	87 1/2	95 1/2	75	Do. 3%				78	-1 1/2	3 16 0	16 1/2	12 1/2	16 1/2	12 1/2	16 1/2	12 1/2	Do. 3%	78	-1 1/2	3 16 0	
119 1/2	112 1/2	117 1/2	110	Do. 3 1/2% 1938-68				115 1/2	-1 1/2	3 8 11	10 1/2	8 1/2	20 1/2	16 1/2	20 1/2	16 1/2	Do. 3 1/2% 1938-68	115 1/2	-1 1/2	3 8 11	
109 1/2	105	108 1/2	97	Dom. & Col. Govts.				105 1/2	-1 1/2	4 9 6	51 2	4	20 1/2	16 1/2	20 1/2	16 1/2	Dom. & Col. Govts.	105 1/2	-1 1/2	4 9 6	
105 1/2	101	104 1/2	97	Aust. 5% 1945-75				105 1/2	-1 1/2	2 13 9	21 1/2	16 1/2	21 1/2	16 1/2	21 1/2	16 1/2	Aust. 5% 1945-75	105 1/2	-1 1/2	2 13 9	
118 1/2	114 1/2	115 1/2	109 1/2	Canada 4 1/2% 1940-60				102 1/2	-1 1/2	3 16 0	31	26 1/2	31	26 1/2	31	26 1/2	Canada 4 1/2% 1940-60	102 1/2	-1 1/2	3 16 0	
110	104 1/2	108	95 1/2	Nigeria 5% 1950-60				112 1/2	-1 1/2	4 19 6	16 1/2	13 1/2	16 1/2	13 1/2	16 1/2	13 1/2	Nigeria 5% 1950-60	112 1/2	-1 1/2	4 19 6	
107 1/2	103 1/2	107 1/2	95	N. Zealand 5% 1946				101 1/2	-1 1/2	4 3 0	35 11 1/2	28 1/2	17 1/2	17 1/2	17 1/2	17 1/2	N. Zealand 5% 1946	101 1/2	-1 1/2	4 3 0	
114 1/2	110 1/2	112 1/2	97	Queens. 5% 1940-60				101 1/2	-1 1/2	3 10 0	106 1/2	81 3	150 1/2	125 1/2	150 1/2	125 1/2	Queens. 5% 1940-60	101 1/2	-1 1/2	3 10 0	
103	93	96 1/2	73	S. Africa 5% 1945-75				109 1/2	-1 1/2	3 10 0	106 1/2	81 3	150 1/2	125 1/2	150 1/2	125 1/2	S. Africa 5% 1945-75	109 1/2	-1 1/2	3 10 0	
105 1/2	97 1/2	102 1/2	73	Foreign Governments				88	-1 1/2	5 3 6	9 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	Foreign Governments	88	-1 1/2	5 3 6	
91 1/2	84 1/2	89	38	Arg. 4 1/2% St. Bds.				51 1/2	-1 1/2	9 15 0	4 1/2	88 1/2	69 1/2	71 1/2	69 1/2	71 1/2	Arg. 4 1/2% St. Bds.	51 1/2	-1 1/2	9 15 0	
102 1/2	95 1/2	99	80	Austria 1930-55				61 1/2	-1 1/2	4 12 2	8 1/2	7 1/2	8 1/2	7 1/2	8 1/2	7 1/2	Austria 1930-55	61 1/2	-1 1/2	4 12 2	
33 1/2	24 1/2	36	30	Do. 4 1/2% 1934-59				90 1/2	-1 1/2	7 1 1/2	11 1/2	267	228	8 1/2	4 1/2	267	228	Do. 4 1/2% 1934-59	90 1/2	-1 1/2	7 1 1/2
89 1/2	37	37 1/2	13	Belgian 4 1/2% (36) 1970				34	-1 1/2	11 10 0	17 1/2	13 1/2	17 1/2	13 1/2	17 1/2	13 1/2	Belgian 4 1/2% (36) 1970	34	-1 1/2	11 10 0	
28 1/2	15	19 1/2	14	Bulgaria 7 1/2%				16	-1 1/2	11 10 0	17 1/2	13 1/2	17 1/2	13 1/2	17 1/2	13 1/2	Bulgaria 7 1/2%	16	-1 1/2	11 10 0	
95 1/2	54 1/2	60 1/2	40	Brazil 5% Fd. 1914				17	-1 1/2	11 10 0	17 1/2	13 1/2	17 1/2	13 1/2	17 1/2	13 1/2	Brazil 5% Fd. 1914	17	-1 1/2	11 10 0	
101 1/2	59	73 1/2	40	Chile 6% (1929)				40 1/2	-1 1/2	10 19 9	11 1/2	7 1/2	11 1/2	7 1/2	11 1/2	7 1/2	Chile 6% (1929)	40 1/2	-1 1/2	10 19 9	
108 1/2	101 1/2	105 1/2	20	China 5% (1912)				55 1/2	-1 1/2	9 0 0	233	208	6 1/2	6 1/2	6 1/2	6 1/2	China 5% (1912)	55 1/2	-1 1/2	9 0 0	
100	92 1/2	99	94	Do. 5% (1913)				54 1/2	-1 1/2	14 13 9	97 1/2	155 1/2	3 1/2	3 1/2	3 1/2	3 1/2	Do. 5% (1913)	54 1/2	-1 1/2	14 13 9	
106 1/2	100 1/2	104	87	Czechoslovakia 8%				97 1/2	-1 1/2	4 3 3	254	200	4 1/2	4 1/2	4 1/2	4 1/2	Czechoslovakia 8%	97 1/2	-1 1/2	4 3 3	
18 1/2	11	13	9 1/4	Egypt Unified 4%				10 1/2	-1 1/2	5 14 0	275 1/2	214 1/2	5 1/2	5 1/2	5 1/2	5 1/2	Egypt Unified 4%	10 1/2	-1 1/2	5 14 0	
66 1/2	52 1/2	60 1/2	45	French 4% (British)				51	-1 1/2	9 16 0	17 1/2	13 1/2	17 1/2	13 1/2	17 1/2	13 1/2	French 4% (British)	51	-1 1/2	9 16 0	
49 1/2	35	46	25	Ger. Dawes Ln. 5%				40	-1 1/2	11 5 0	252 1/2	215	8 1/2	8 1/2	8 1/2	8 1/2	Ger. Dawes Ln. 5%	40	-1 1/2	11 5 0	
40 1/2	30	34 1/2	25	Do. Young Ln. 4 1/2%				51	-1 1/2	7 15 0	10 1/2	12 1/2	10 1/2	12 1/2	10 1/2	12 1/2	Do. Young Ln. 4 1/2%	51	-1 1/2	7 15 0	
62 1/2	47 1/2	58 1/2	20	Greco 6% Stab. Ln.				31	-1 1/2	10 19 9	251 1/2	212 1/2	4 1/2	4 1/2	4 1/2	4 1/2	Greco 6% Stab. Ln.	31	-1 1/2	10 19 9	
88 1/2	53	60	35	Hungary 5 1/2% 1936-65				41	-1 1/2	10 10 0	5 1/2	3 1/2	5 1/2	3 1/2	5 1/2	3 1/2	Hungary 5 1/2% 1936-65	41	-1 1/2	10 10 0	
94 1/2	57 1/2	64 1/2	38	Japan 5 1/2% 1936-65				55	-1 1/2	10 10 0	5 1/2	3 1/2	5 1/2	3 1/2	5 1/2	3 1/2	Japan 5 1/2% 1936-65	55	-1 1/2	10 10 0	
61 1/2	40 1/2	50	35	Do. 6% (24) red. 1959				49	-1 1/2	10 10 0	5 1/2	3 1/2	5 1/2	3 1/2	5 1/2	3 1/2	Do. 6% (24) red. 1959	49	-1 1/2	10 10 0	
83	56	75 1/2	54	Peru 7 1/2% 1922				65	-1 1/2	8 9 3	193	167	6 1/2	6 1/2	6 1/2	6 1/2	Peru 7 1/2% 1922	65	-1 1/2	8 9 3	
20 1/2	13	15 1/2	10	Poland 7%				12 1/2	-1 1/2	16 0 0	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	Poland 7%	12 1/2	-1 1/2	16 0 0	
96 1/2	88 1/2	92	75	Port. 4% Con. 1922				81 1/2	-1 1/2	3 13 7	11 1/2	6 1/2	11 1/2	6 1/2	11 1/2	6 1/2	Port. 4% Con. 1922	81 1/2	-1 1/2	3 13 7	
118	111 1/2	115 1/2	101	U.K. & Arg. C. 3 1/2%				110 1/2	-1 1/2	3 12 0	23 1/2	19 1/2	10 1/2	10 1/2	10 1/2	10 1/2	U.K. & Arg. C. 3 1/2%	110 1/2	-1 1/2	3 12 0	
118 1/2	112 1/2	115 1/2	101	Corp. Bonds				111 1/2	-1 1/2	3 14 0	16 10 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	Corp. Bonds	111 1/2	-1 1/2	3 14 0	
95 1/2	82 1/2	87 1/2	75	Bristol 5% 1946-56				82 1/2	-1 1/2	3 13 2	33 1/2	25 1/2	12 1/2	12 1/2	12 1/2	12 1/2	Bristol 5% 1946-56	82 1/2	-1 1/2	3 13 2	
101	93	97 1/2	80 1/2	Birham 5%, 1948-53				93	-1 1/2	3 8 0	7 1/2	6 1/2	7 1/2	6 1/2	7 1/2	6 1/2	Birham 5%, 1948-53	93	-1 1/2	3 8 0	
104 1/2</																					

(Continued from page 287)

the quiet conditions prevailing before the crisis. On balance changes in prices were unimportant. Towards the end of October tin shares provided an exception to the general dullness, and became temporarily active.

	Sept. 28, 1938	Nov. 2, 1938	Sept. 28, 1938	Nov. 2, 1938
2½% Dutch	75	81½	A. K. U. ...	31
5½% Ger. *	151½	251½	Ford Motor	200½
Philips Lp.	178½	229½	Deli B. To.	194
Neth. Ship.	102½	121	Ryl. Dutch	296
Lever Bros.	110	141	Hand. Am.	420
& Unilever				467½

* Without transfer certificate.

Canada

THE effect of the Munich settlement on the Canadian Stock Exchanges was almost magical and stocks immediately responded to public buying, which was more free than at any time for months. Although there have been some checks in the forward movement, the markets are still sound and fairly active and the outlook for an eventual further advance is considered good. Already by mid-October the ground lost in the slump at the end of September had been more than regained. Aircraft and munitions stocks are still popular, and public utility and liquor stocks obtained support. New interest is being evinced in the better newsprint stocks. The mining market felt the full impact of the slump, but has now recovered and base metal shares in particular are tending to rise despite occasional checks. The bond market sagged somewhat during the crisis, but on the whole remained surprisingly steady. Towards the end of October the tone in most sections was rather more irregular, but on the whole prices were well maintained. The Bureau of Statistics "Investors" index for common stock prices which stood at 101.5 on September 21st fell to 91.7 on September 27th; then it moved upwards to 105.0 on October 1st and touched 111.2 on October 12th. The Bureau's index for long-term Dominion bonds, which stood at 115.7 on September 17th, fell to 112.7 on September 27th, but recovered to 116.7 on October 13th.

	Sept. 28, 1938	Nov. 2, 1938	Sept. 28, 1938	Nov. 2, 1938
Bel. Tel.	154	166½	Int. Petrol	23
Can. Car.	12½	16	Brazil Trac	27
Do. pref'd. ...	25½	29½	Brit. Col.	94½
Power Corp. ...	11	14	Power "A"	27½
Dome Mines ...	30	32½	Do. "B"	31½
Hollinger ...	13	15	Can. Cement	7½
McIntyre ...	45	51½	Int. Nickel ...	47½
B. of Mont. ...	1205	215	Massey Harris	53
Bk. of Nova			Quebec Pow.	27
Scotia ...	290	300	Shawinigan	14½
R. Bk. of Can.	170	187	Water ...	18
C. Bk. Com.	162	179	Steel Co. of	20½
Can. Pac.	5¼	6½	Canada	64
Cock. Plow ...	7¼	8¼		

Capital Issues

CAPITAL ISSUE TOTALS

It is hardly necessary to expatiate on the long-term merits of *F. W. Woolworth* shares. The offer for sale of 2,200,000 repatriated shares at 58s., however, has attracted more attention than any recent issue, and the "stags" filled in their application forms liberally in the hope of a substantial premium when dealings commence on Monday next week. The offer, incidentally, shows that the shares were acquired by Philip Hill and Partners, Limited, for 55s. 3.7d. per share. Issue expenses, including brokerage commissions, stamp duties (£63,800), underwriting commission of 1s. and over-riding commission

of 1½d. per share together absorb a further sum of 2s. 4.6d. per share, leaving a margin of 3.7d. below the issue price. On the same day, lists opened and closed for 85,000 6 per cent. £1 preference shares in *Ditchburns, Limited*. The major part of the proceeds are required to repay a bank overdraft amounting to £75,861. The issue is small for ready marketability, and the cover does not appear unduly generous. Particulars for information only have been published regarding the preference capital of *Express Dairy Company*, whose profits in recent years have been very satisfactory, and regarding the 5½ per cent. redeemable preference shares of *Superheater Company*, which has made rapid progress since 1933.

Week ending November 5	Nominal Capital	Conversions	New Money
To the Public	635,000	...	6,465,000
To Shareholders	15,952	...	15,952
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	666,260	...	1,006,387
Sav. Certs., week ended October 29	Dr100,000	...	Dr100,000

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	253,852,239	232,105,829
1937 (New Basis)	473,869,280	424,614,217
1938 (Old Basis)	183,402,695	162,636,380
1937 (Old Basis)	269,044,211	222,880,527

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1938 (New Basis)	177,886,251	51,369,401	2,850,177
1937 (New Basis)	362,825,012	58,530,846	3,258,359
1938 (Old Basis)	137,188,327	22,627,981	2,820,072
1937 (Old Basis)	204,669,849	16,718,178	1,492,500

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	137,374,908	16,122,721	78,608,200
1937 (New Basis)	211,164,122	27,460,576	185,989,519
1938 (Old Basis)	125,391,813	9,847,005	27,397,562
1937 (Old Basis)	152,201,824	16,855,819	53,822,884

NOTE.—"Old Basis" includes only public issues and issues to shareholders only; "New Basis" includes all new capital in which permission to deal has been granted.

OFFER FOR SALE

F. W. Woolworth and Company.—Offer for sale of 2,200,000 5s. ordinary shares (part of existing shares) at 58s. Firm applications, 750,000 shares. Total assets, end 1937: £22,513,243. Trading profits: 1935, £5,548,451; 1936, £6,127,221; 1937, £6,781,202 (or £6,490,013 net after depreciation). Philip Hill and Partners, Ltd., take shares at 55s. 3.7d., or 57s. 8.3d. including expenses. Lists closed at 9.1 a.m., November 1st. Applications for 11,338,394 shares were received (representing £32,881,343).

PUBLIC OFFER

Ditchburns, Ltd.—Issue at par of 85,000 6 per cent. cum. £1 preference shares. (Company aware of applications for 31,000 shares.) Furniture makers. Proceeds to finance acquisition of M. Madeloff. Profits: Ditchburns, year to April, 1936, £13,220; 14 months to October, 1937, £16,103; Madeloff, years to September 30, 1936, £8,802; 1937, £14,831. Combined net assets, £172,768. Required to repay bankers, £75,861. Lists closed at 9.5 a.m., November 1st. It is understood that 90 per cent. was applied for.

BY STOCK EXCHANGE INTRODUCTION

Superheater Company, Ltd.—Issued capital, 45,000 "A" 5s. ordinary shares, 480,000 5s. ordinary shares and 300,000 5½ per cent. cumulative £1

preference shares. Preference shares are redeemable 1940-75, or from 1950 on notice at 21s. 6d. Profits, after depreciation: 1936, £92,590; 1937, £129,438; 6 months to June, 1938, £73,064. Total net assets, £435,071. Purchase price, £431,150, in £300,000 unsecured non-interest bearing loan stock, 479,600 ordinary and 45,000 "A" ordinary shares.

Express Dairy Company.—Issued capital, 200,000 £1 ordinary, 200,000 6 per cent. cumulative £1 preference, 339,894 7 per cent. cumulative "A" £1 preference, and 100,000 7 per cent. £1 preference shares; also £25,000 5½ per cent. debentures. Total assets, end 1937, £2,461,698. Net profits after interest, depreciation, and tax: 1935, £94,966; 1936, £104,835; 1937, £116,257.

ISSUES TO SHAREHOLDERS ONLY

Central Wassau Gold Mines.—Issue of 120,000 1s. shares at par. Each share carries option on one further share at par at any time up to August, 1940.

Foyles Libraries.—Issue of 9,952 6 per cent. £1 preference shares to preference shareholders at par (one new share for every five held).

BY TENDER

Rugby Gas Company.—Sale by tender of £26,000 4½ per cent. preference stock; minimum price, par. Net revenue, 1937, £16,027 (before £4,196 loan interest). Sales of gas, 1937, 426 million cubic ft.; 10,433 consumers.

Woking Water and Gas Company.—Offer for sale by tender of 2,500 4½ per cent. £10 preference shares; minimum, £11 4s. Water rental, years to June 30: 1936, £48,098; 1937, £48,163; 1938, £50,359. Estimated population, 58,000. Net revenue, 1937-38, £26,810.

PRIVATE PLACINGS

Anglo-Transvaal Consolidated.—A block of 400,000 6 per cent. convertible £1 preference shares has been placed in London, at 25s. 6d.

Liverpool Gas Company.—This company has placed £190,000 3½ per cent. redeemable debenture stock.

Rugby Portland Cement.—This company has placed privately £150,000 4½ per cent. first mortgage debenture stock.

SHORTER COMMENTS

Company Results of the Week.—The report of C. N. A. INVESTMENTS, a new South African company, shows net profits of £90,846 for the year to September 30th, as compared with £93,019 for the initial period of 16½ months. The operating company, CENTRAL NEWS AGENCY, reports a satisfactory turnover in the various sections of the business. Most companies engaged in the heavy industries whose reports have been issued this week show considerable increases in profits. Another South African company DUNSWART IRON AND STEEL WORKS increased its production, and earned about £6,600 more at £46,302. The Sheffield steel makers SAMUEL OSBORN AND COMPANY earned 35 per cent. more at £80,994, but are repeating their 15 per cent. dividend. HORDEN COLLIERIES have maintained their profits, though trading conditions became more difficult in the later months of the year. During the year some £60,000

Industry and Trade

Anglo-Egyptian Cotton Agreement.—Preliminary reports of the terms of the Anglo-Egyptian cotton agreement have been received with mixed feelings in Lancashire. Messages from Cairo state that the agreement will permit an increase in the exports of Lancashire cotton goods to Egypt from 19.0 to 32.8 per cent. of her total imports. This quota is based on the quantity of Egyptian cotton purchased by Lancashire. As the agreement enables each exporting country to ship cotton goods in proportion to their average purchases of Egyptian cotton during the past three years, Lancashire is expecting some increase in trade. At the same time, disappointment has been expressed that the high tariffs which Egypt placed on Lancashire cotton goods at the beginning of the year will not be reduced. Yet another clause in the agreement apparently provides that Egypt's total cloth imports will in future be determined by the quantity of cotton piece-goods produced by that country. Consequently, an increase in Egypt's output of cloth will be accompanied by a corresponding reduction in imports. As a result of the high Egyptian tariffs, Lancashire has already suffered a severe decline in her trade with that country. Shipments so far this year were at the rate of 3,000,000 square yards per month, compared with 4,300,000 square yards per month in 1937 and nearly 10,000,000 square yards nine years ago.

net was spent on fixed assets. The severe fall in wool prices and drought in parts of Australia have reduced the net profits of NEW ZEALAND AND AUSTRALIAN LAND COMPANY from £127,039 to £56,523. The net realised price per bale averaged £13 17s. 9d., against £19 12s. 2d. All the rubber companies included in our table show substantial falls in net earnings. Thus BROOME have made net profits of £18,207, against £29,717, and LEDANG BAHRU are distributing 6 against 7½ per cent. The first report of FIRST RE-INVESTMENT TRUST shows gross revenue of £21,481 for the initial 14-month period. While the current price of the £1 stock units is 18s. 9d., their break-up value (based upon the valuation as at October 15th) is computed at 28s. 6d. FORTNUM & MASON maintain the 15 per cent. dividend, although net profits have fallen by nearly £28,000 to £58,967.

MISCELLANEOUS

Trust of Bank and Insurance Shares.—Distribution payable October 31st is 3.1101d. per unit net, making for year 6.5334d. net or 8.542d. gross, equivalent to a gross yield of 3½ per cent. on current price of 19s. ex div. Progress Report No. 6 shows composition of fund, and rates of dividend received. Policy of investing a larger proportion in this country has continued, home companies now comprising 74.94 per cent. of fund, against 71.52 per cent. a year ago.

First Re-Investment Trust, Ltd.—The initial report from August 14, 1937, to October 15, 1938, shows a balance of £15,123. Ordinary dividend 7½ per cent. for the period. Carry forward £1,638. About 80.7 per cent. of the original securities taken over have been sold, and the proceeds reinvested. Present holdings, 167 different investments, of which 79.7 per cent. in Great Britain and the Empire and 9.5 per cent. in U.S.A.

Dunswart Iron and Steel.—Profit for year to June 30, 1938, £47,851 (£45,166); depreciation £6,000 (£5,000); fees £1,550 (£1,184); taxation £3,275 (£4,234); final dividend 8 per cent., making 14 per cent. (same); forward £24,146 (£17,120).

Peruvian Corporation, Ltd.—Report for year to June 30, 1938, shows that gross traffic receipts have declined by £83,359 to £948,631; working expenses up from £798,097 to £804,044. After exchange, etc.,

net receipts are down from £220,021 to £131,909. Interest and miscellaneous receipts £11,133 (£11,647). Total receipts £88,626 lower at £143,042. Total deficit carried forward is raised from £1,041,691 to £1,243,390. A scheme has been formulated for extending the moratorium for three more years to December 31, 1941.

Financial News, Ltd.—The accounts to June 30, 1938, show a profit of £27,738, compared with £62,174. Tax and N.D.C. take £4,756 more at £7,418, and after depreciation and directors' fees, net profits are £18,647—a fall of £38,283. Ordinary dividend is 5 per cent., against 20 per cent. for 1936-37. Carry forward £93,085 (£90,228).

Sudan Plantations.—Gross profit, £582,560, after crediting £51,131 from reserve, against advances no longer required. To Gezira reserve, £45,000. After paying the 10½ dividend, £463,824 is carried forward.

General Motors Corporation.—Net income, \$5,368,000 in the September quarter against \$44,413,000 in the corresponding period of 1937. Earned net per common share, 7c. against 99c. Sales in the September quarter totalled 181,796 units, against 497,008 in the same period of 1937.

Joshua Hoyle and Sons.—Trading profit for year ended September 30, 1938, £138,000 against £164,541 before interest, depreciation and tax. Dividend 5 per cent. against 2½ per cent. in respect of the previous half-year, during which period the capital reorganisation became effective.

Rhodesian Anglo-American, Ltd.—Revenue for year to June 30, 1938, £874,860 (£867,899). General expenditure rose from £13,121 to £14,709. Tax £102,177 (£172,580). Fees £12,000 (same). Debenture interest £33,750 (£37,500). Ordinary dividend 15 per cent., as before, but absorbing £709,027 against £600,733. To general reserve £183,991 (£400,000). Carry forward raised from £329,442 to £332,079.

Horden Collieries.—Profits for year to September 30, 1938, £330,401, against £330,177. To depreciation £45,000 (£45,000). To tax and contingencies £50,000 (£50,000). Ordinary dividend maintained at 10 per cent. To reserve £20,000 (£20,000). Carry forward raised from £76,694 to £77,500.

The New Pig Contracts.—The British farmer is as prone as other people to procrastinate, and not all the appeals of the Pigs Marketing Board prevented the last-minute rush of contracts before the closing date of November 1st. The maximum number which the Board can accept this year (under the terms of the new Act) is 2.1 million pigs, but it was announced on Wednesday that it had received contracts for about 1.4 million pigs. In view of the steady decline in the number of breeding sows during the last two years, this total is perhaps not unsatisfactory, although it is believed that the prospect of cheaper feeding-stuffs decided many of the smaller farmers, who find it difficult to supply pigs at an even rate throughout the year, to risk the vagaries of the pork market. But it is doubtful if the bacon curers will regard the contract as a success, since they declared in 1936 that a minimum of 2.2 million pigs per annum was necessary for an economical throughput in their factories. Nor can the deficiency be made good to any great extent by purchases in the open market; the bacon curers are forbidden by the new Act to buy pigs except through the Pigs Marketing Board, which recently issued a declaration that it will on no account pay in the open market a higher price than that obtained by farmers for pigs supplied on contract. This declaration, if carried out, will undoubtedly remove what was to the contracting farmers one of the most unsatisfactory features of the

Martins Bank.—Sir Richard D. Holt, for reasons of health, has relinquished the chairmanship of the bank. He has been elected a deputy-chairman. Mr F. A. Bates has been elected chairman.

Van Ryn Gold Mines.—Total revenue year to June 30, 1938, £707,421, against £724,419. Expenditure £619,657 (£621,280). Gross profit £87,765 (£103,139). Tax £13,809 (£5,639). To writing off machinery, etc., £30,589, and £3,481 off township expenditure. Dividend 27½ against 30 per cent. Carry forward raised from £126,183 to £132,917.

Electrolux Corporation.—Consolidated net profit for nine months ended September 30, 1938, \$1,513,140, compared with \$2,153,893 for corresponding period in 1937. Net profit for third quarter, \$301,434, as compared with \$541,657 for same quarter in 1937.

Primitiva Gas Company of Buenos Aires.—The company's present contract with the municipality of Buenos Aires expires at the end of 1939. The company has, however, a constitutional right to operate without a municipal contract, as in fact it has done in the past. This matter has been considered for some time, and the recent vote of the Municipal Council in Buenos Aires now enables the question of a new contract to be discussed.

The Wall Paper Manufacturers, Ltd.—Profit for year ended August 31, 1938, after providing for taxation is £646,760, compared with £765,963 for previous year. Dividend on ordinary stock 10 per cent., and on deferred stock 12½ per cent., as before. Allocation of £79,208 is made in reduction of goodwill, as against £100,000; carry forward £304,234, against £303,705.

Jantar Nigeria Company.—Total revenue for year to September 30, 1938, £78,516, against £129,692. Mining expenses, £47,269 (£40,820); tax, £6,700 (£2,500). After other expenses, net profit £17,015 (£80,650). Total dividend, 15, against 65 per cent. Forward £3,393 (against £6,628 after crediting £11,000 tax provision not required). Output 474 tons concentrates (560 tons).

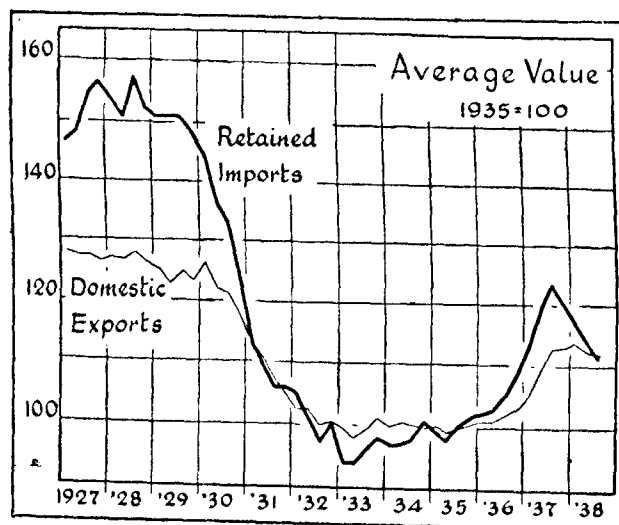
The London Assurance.—We are officially informed that the London Assurance has acquired a controlling interest in La Union Mercantil Insurance Company of Buenos Aires.

last scheme—the relatively higher prices paid for pigs bought outside the contract, but it will limit very considerably the competition which the Board will be able to offer on the pork market. The bacon curers are left, therefore, with a very considerable excess capacity, whose overhead costs will eat into their guaranteed margin between the price of pigs and the price of bacon.

* * *

The Terms of Trade.—The accompanying diagram shows the trend of the average prices of retained imports and domestic exports during the past eleven years, on the basis of the quarterly indices calculated by the Board of Trade. As the present indices, based on 1935, have not been recalculated for previous years, the new indices have been linked on to the preceding series, based on 1930. Although the two series of indices are not strictly comparable, changes in the terms of trade are clearly revealed by the diagram. Between 1928 and the middle of 1933 both import and export prices fell steeply, but the decline in the average price of imports, which consist mainly of raw materials and semi-manufactured goods, was much more marked than the fall in the average price

AVERAGE VALUE OF IMPORTS AND EXPORTS



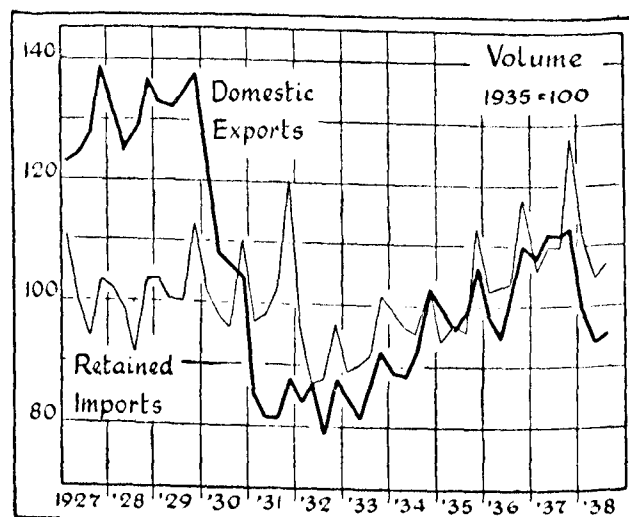
of exports, which comprise chiefly manufactured goods. While average import prices rose gradually between 1933 and 1935, export prices showed little change during that period, when a large proportion of our resources remained unemployed. Between 1935 and the middle of 1937 both import and export prices showed a steep rise. In the second quarter of 1937, however, import prices again turned sharply downwards and the fall has continued to the third quarter of the current year. In contrast, export prices did not begin to fall until the second quarter of this year and their decline has so far been comparatively small. The terms of trade have thus again changed considerably in our favour since the middle of last year.

* * *

The Volume of Our Overseas Trade.—Owing to the close relationship between changes in the average value and quantity of our overseas trade, we have prepared a second diagram (also based on the Board of Trade's

indices) showing the trend of the volume of retained imports and domestic exports. It will be seen that the correlation between the average price of retained imports and the volume of domestic exports during the past eleven years has been much stronger than that between the volume of our imports and domestic exports. Although the volume of imports in 1937 was appreciably higher than in 1929, that of exports never recovered to anything like the pre-depression level. The main cause of the decline in the volume of our exports between 1929 and 1937 is thus to be found in the growing disparity between import and

VOLUME OF IMPORTS AND EXPORTS



export prices rather than in the displacement of British goods by those of other countries on the world market. The volume of both imports and exports declined sharply at the beginning of this year. But while the fall in the volume of imports and exports is a natural consequence of the reduction in domestic and world economic activity, the decline in exports was accentuated by the headlong downward movement in import prices which reduced the purchasing power of our customers. The volume indices for the third quarter are more encouraging, for they indicate that the force of the downward movement has been broken by the rise in commodity prices due, in a large measure, to recovery in the United States.

* * *

Processed Milk.—In his annual speech to shareholders, Mr Maggs, the chairman of United Dairies, made some interesting references to the trade in processed milk. It may be recalled that in 1932 duties were placed on imports of these products from foreign countries, of whom Holland and Denmark are by far the most important. These duties were later supplemented, firstly by a "voluntary" quota on foreign imports and, secondly, by an agreement between the English and Dutch factories over the selling prices of skimmed condensed milk. In order to enforce the prescribed minimum prices, the Dutch trade to this country was centralised in the hands of a few agents. In 1937, the British Government announced that it would not give effect to a recommendation by the Import Duties Advisory Committee to raise further the import duties, so long as the existing marketing arrangements continued to give satisfaction, presumably to the English firms producing condensed milks, which, for all practical purposes, arrange among themselves the size of the voluntary quota for foreign imports. Mr Maggs revealed that the recent increase in Dominion exports of manufactured milk to Great Britain was due to the very profitable level of prices in this country, and that the "principal Continental importing country" (presumably Holland) has now insisted that these prices should be fixed at a level to compete

with the Dominions' supplies. Consequently, Mr Maggs feared that a reduction in these prices might be inevitable.

* * *

The cure which Mr Maggs advocated for this, to him, undesirable state of affairs is the immediate execution of the recommendation of the Import Duties Advisory Committee, coupled with an undertaking by the Dominions to limit their exports to this country. This remedy will hardly commend itself to the general public, especially if they read another statement by Mr Maggs, that "the minimum prices of processed milks were arranged to cover the cost of manufacture at the English Milk Marketing Board's price for milk, which incidentally was increased by reason of the measure of protection afforded." It cannot be in the interests of the consumer that the Milk Marketing Board, having, as Mr Maggs himself points out, reduced the consumption of liquid milk by its policy of high retail prices, should also raise steadily the price of the best substitute—condensed milk. If overseas producers can supply us with processed milks more cheaply than the Milk Marketing Board, there seems every reason why they should be encouraged to do so, until such time as the use of these products has been supplanted by a satisfactory increase in the consumption of liquid milk. It is obvious that the present policy of the Board retards rather than hastens this development, which is essential for the health of the nation.

* * *

Shipping Freight Rates Lower.—The improvement in tramp shipping freights, noticeable in August and September, was not maintained in the past month. The deterioration is reflected in the fall in our index of shipping freight rates given below:—

The Economist INDEX OF FREIGHT RATES
(1898 — 1913 = 100)

	Average, 1913	Oct., 1937	July, 1938	Aug., 1938	Sept., 1938	Oct., 1938
European waters	110.0	181.3	106.2	103.8	107.7	110.5
North America	113.1	143.5	108.5	110.1	110.2	110.8
South America	123.4	148.6	119.9	124.8	121.3	113.8
India	106.3	177.9	112.3	110.0	113.7	112.7
Far East and Pacific	117.4	171.5	105.2	106.2	112.8	104.5
Australia	127.9	158.8	112.5	113.0	112.2	111.6
Total	116.3	163.6	110.8	111.3	113.0	110.6
1913 = 100	100.0	140.7	95.2	95.7	97.2	95.1

But, as the following more detailed analysis shows, the fall in freight rates was not general:—

	Index No.	Inc. or dec. Points		Index No.	Inc. or dec. Points
Home trade	96.8	- 2.1	South America:—	74.2	-14.1
Bay—outwards	132.1	+16.7	Outwards	153.5	- 0.8
Bay—homewards	137.1	- 1.6	Homewards	96.1	- 2.8
Mediterranean:—			India—outwards	129.4	+ 0.8
Outwards	76.4	+ 0.4	India—homewards	104.5	- 8.3
Homewards	124.1	+ 5.5	Far East, etc.	111.6	- 0.6
North America	110.8	+ 0.6	Australia		

The cause of the fall in freight rates last month is not far to seek. During the political crisis in September, business transactions were held up, and this has led to a decline in foreign trade in the past month. But, as commercial activity has increased again in recent weeks, the fall in rates last month does not necessarily portend a further deterioration on the shipping freight markets.

* * *

Wolfram and Antimony.—At the beginning of Japan's "Chinese incident," there was considerable fear that China, who has supplied two-thirds of the world's wolfram and seven-tenths of the world's antimony, would

be unable to maintain her exports of these metals. Consequently, there was an abrupt rise in their prices, which was, however, short-lived, since the war until recently interfered very little with Chinese production. But during the current year exports have tended to fall. Between the first eight months of 1937 and the corresponding period this year, exports of wolfram ore fell by 28,028 quintals to 100,463 quintals, and exports of antimony in all forms by 44,362 quintals to 68,846 quintals. The rapid progress of the Japanese armies in South China has now brought them within reach of the huge antimony deposits in Hunan (which supply some 95 per cent. of China's production) and of the most important wolfram deposits in Kiangsi, Fukien and Kwangtung. The market, however, has taken the news very calmly, and the price of wolfram continues to fluctuate around 60s. per unit, compared with 50s. in the summer, while the price of antimony is now quoted at £60 per ton, compared with about £52 per ton in the summer. It is probable that the requirements of the armament firms have been covered for some time ahead, while the industrial demand has slackened in recent months. Further, there is a feeling that, even if the Chinese mines are captured by Japan, exports will be continued in order to provide Japan with foreign exchange. The next few weeks will show if these expectations are correct. Meanwhile, the markets for these two metals are likely to be somewhat erratic.

* * *

Fall in Coal-Mining Profits.—The general recession in business activity has not left the coal-mining industry unaffected. The statistics for the second quarter of this year, published by the Mines Department this week, reveal a fall of 12 per cent. in the output of coal disposable commercially since the corresponding quarter of 1937. The proceeds per ton rose from 15s. 6d. to 17s. 2½d. between the second quarters of 1937 and 1938; but as costs per ton rose even more rapidly, from 14s. 7d. to 16s. 6½d., there was a reduction in the credit balance per ton, from 11.08d. to 8.18d. The rise in wages per ton, from 9s. 11d. to 10s. 9d., was only partly responsible for the increase in costs. An unsatisfactory feature of the latest returns is the reduction in the output per man-shift worked during this period, from 23.36 cwt. to 22.6 cwt. The changes in the profitability of the coal-mining industry and in the output per man-shift since 1927 are shown graphically on the accompanying diagram. It will be seen that after many lean years, the margin between costs and proceeds per ton began to widen in the last

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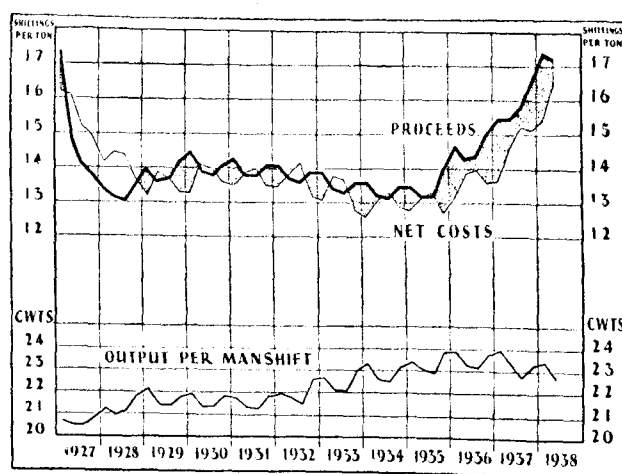
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quarter of 1935. The diagram also shows that the improvement in the industry's profitability was due to an increase in selling prices, revealed by the rise in the proceeds per ton. In the second quarter of this year the

COSTS AND PROCEEDS PER TON AND
OUTPUT PER MANSHIFT



margin between costs and proceeds was substantially reduced, partly through the fall in output, and partly through the decline in prices. This explains the efforts now being made to secure a better co-ordination of selling prices.

Cadmium—Supplies and Uses.—The world production of cadmium, derived from the treatment of zinc and lithopone plant residues and from fumes collected in lead and copper roasting plants, has, according to the American Bureau of Metal Statistics, increased from 4,200,000 lb. in 1930 to 7,800,000 lb. last year. Since cadmium is a good substitute for tin and a number of

countries lacking tin deposits have domestic zinc ores, it is worth their while to recover cadmium as a by-product in extracting zinc.

WORLD OUTPUT OF CADMIUM IN 1,000 LBS.

	1930	1932	1935	1936	1937
U.S.A.	2,778	800	3,477	3,634	3,723
Canada	456	65	581	786	745
Belgium	...	167	333	450	660
France	159	108	267	187	217
Germany	90	90	364	668	800
Great Britain ...	...	...	...	...	273
Italy	...	14	35	33	44
Norway	...	240	260	225	339
Poland	207	76	266	310	325
Tasmania	513	354	490	555	471
Russia	...	...	26	250	250
Total	4,203	1,914	6,099	7,098	7,847

Cadmium, now largely used in motor bearings, has been diverted from electroplating for which cheaper substitutes are available. It is also mixed with bismuth for the production of low-melting bismuth alloys for electrical fuses, fuse plugs and solders. Cadmium strengthens copper without reducing its electrical conductivity. The well-known yellow pigments are made of cadmium. Being a by-product, the production of the metal ultimately depends on that of zinc, with which it is genetically associated.

Correction.—In a survey of the aluminium industry in *The Economist* of August 13th (page 329), we stated that the Aluminum Corporation of America controlled the Canadian Arvida works, one of the world's largest producing units. The Arvida works was actually started by the Aluminum Corporation of America; but we are informed that that concern disposed of all its foreign interests some years ago and that a Canadian company, Aluminium, Ltd., was formed to take over the Arvida works. Our attention has been drawn to the fact that the Aluminum Corporation of America (as distinct from its shareholders) does not hold any share in the Canadian concern.

INDUSTRIAL REPORTS

The latest reports from industrial centres remain quite encouraging, though the increase in the flow of orders to certain industries after the conclusion of the Munich Agreement is not being fully maintained. Even if allowance is made for the normal seasonal increase in the output of coal at this time of the year, the latest returns are not unsatisfactory. Indeed, the current output of coal is now not much smaller than a year ago; the quantity raised during the week ended October 22nd was 4,796,500 tons, compared with 4,883,700 tons produced during the corresponding week last year. The iron and steel markets are also stirring again, though business is still held up by the uncertainty concerning next year's prices. The improvement in the tinplate industry has been maintained and the trial operations at the new strip mills at Ebbw Vale are showing encouraging results. New business in cotton goods has been smaller, and the terms of the new trade agreement with Egypt have given little satisfaction to the cotton industry.

Coal

Sheffield.—The inland market is gathering strength, but there is still room for improvement. Industrial

steam coals are being taken up in larger quantities, and public utility undertakings are specifying increased tonnages. Household coal is moving more freely and business is up to winter level, although at the moment output is ahead of current requirements. Gas coal is in better demand. The market in coke is rather weak, and in spite of decreased production stocks are accumulating.

Export trade is unsatisfactory, there being very few inquiries. It is hoped that some benefit will follow the steps taken with the object of co-ordinating district export prices in order to check the tendency of one district to undercut another. Bunkering business continues very quiet. Prices for the inland and export markets show no change.

Newcastle-on-Tyne.—The better feeling on the North-East coal market is maintained, but forward inquiry has eased somewhat during the past week. The prompt position, however, is very steady; Northumberland steam collieries are fully occupied and, apart from smalls, they have little coal available this year. Durham collieries are also better placed; the seasonal movement will help the gas coal section, and shipments to Italy have increased. Patent oven coke remains a steady market.

Glasgow.—The market generally remains firm. Shipping business has shown an improvement, both Denmark and Germany taking a keener interest in this market; this has stimulated business in the East Coast districts, where most classes of washed nuts are now strongly held. The Lanarkshire and Ayrshire sections have been less busy on the whole, due to a slacker industrial demand and to a lull in public utility buying. The London trade has tapered off for the time being. Prices all round remain steady.

Cardiff.—There have been inquiries for relatively small supplies for delivery over next year, but the collieries have been depending almost entirely on their contracts for the disposal of their current production. Sized and washed smalls are relatively scarce and there has been no further appreciable accumulation of stocks of best large steam coal, but for practically all other qualities the supply is in excess of current demand. Both the coke and the patent fuel markets are also weak.

Shipments in the foreign and coastwise trades at the South Wales ports last week totalled 426,500 tons, compared with 457,500 tons in the previous week and 440,674 tons in the corre-

sponding week last year; during the ten months ended October they totalled 16.3 million tons, a decrease of one million tons from those in the corresponding period of 1937.

Iron and Steel

London.—The weekly report of the London Iron and Steel Exchange indicates that brighter conditions have developed in the markets and that the change is noticeable in practically all departments of the industry. The improvement is largely the result of the reduction in the stocks of Continental steel which have been weighing on the market for several months and also a broadening in the requirements of some classes of consumers. Transactions are still limited for the most part to delivery before the end of the current year, but there is a definite expansion in the number of transactions and in the tonnage required.

Stocks of pig iron have been greatly reduced in recent weeks and some of the large users have found it necessary to enter into fresh contracts to tide them over until the end of the year.

In the semi-finished steel section there has also been a notable improvement in the requirements of the consuming trades and most of the works are better employed than for some time past. There has been a considerable amount of activity in the special steel departments arising from re-armament demand.

In the finished steel section of the market the majority of the works are operating at about 60 per cent. of capacity and recently most of the mills have experienced a satisfactory influx of new business. New contracts do not often run beyond the end of the year and it is anticipated that, when the prices for 1939 delivery are settled, business will considerably expand. Although export demand is still restricted, a number of markets have shown more interest and prospects appear brighter than for some time.

Sheffield.—Without so far showing any really definite upswing, the tone of the iron and steel market is more confident than for many months. Business is still largely confined to small orders for early completion, consumers being unwilling to buy forward in present circumstances. Consumption of foundry iron is increasing, but the substantial stocks still held at furnaces are equal to all current requirements, and increased production seems unlikely to be called for at present. Forge iron is a slow market.

There is a rather better call for both East and West Coast hematite, but here also users are well covered by contract, and are unwilling to go beyond limited parcels for early delivery while awaiting some indication of prices in the New Year. The position in finished iron is unchanged, the best features being common and marked bars.

Basic steel billets are in better request, but acid qualities show a slower recovery. Business in wire rods, strip and stainless steel sheets is more active.

The industrial prospects in this area have improved, and it looks as though the trade setback is being overcome.

Output of steel is being increased, particularly of the more expensive kinds in which Sheffield specialises. More work is coming to the forges and rolling mills. The heavy engineering branches are busily employed, and the lighter sections are securing a steady flow of orders.

Middlesbrough.—Shipments of pig iron from the Tees during October amounted to 2,462 tons, of which 1,479 tons was sent abroad. Shipments of manufactured iron and steel amounted to 30,481 tons, which is an improvement on the previous month. Shipments of manufactured steel to foreign destinations have increased by approximately 8,000 tons.

At the end of October, the number of blast-furnaces in operation in this area was 17, of which five were producing hematite, 11 basic iron and one ferromanganese. The decrease in makers' stocks of foundry iron is slow but steady; hematite makers also are experiencing a better call from users, and whilst the volume of business is limited to early requirements, there is a better feeling generally regarding the outlook. It is anticipated that two blast-furnaces will shortly be relighted for the production of hematite pig iron, and it is thought that a new start in the production of foundry iron cannot be long delayed.

An official announcement regarding the price of pig iron and steel for next year is expected to be made towards the end of November. No change has yet been made in the official prices for heavy steel melting scrap and the restricted deliveries are being made at the existing quotations. Blast-furnace coke is inclined to be firmer with the prospective increase in demand. Foreign ore imports during October amounted to 79,215 tons, compared with 63,576 tons during the previous month. These deliveries are being made under old contracts and new business is not mentioned as works are well covered for some time ahead.

Cardiff.—The recently improved position in the tinplate industry is being fairly well maintained. Stocks both in this country and abroad are again normal, and forward bookings are more active than they have been at any other period this year. Some of the other re-rolling sections of the iron and steel industry are also a little more active, but the position in regard to the heavier branches is not yet materially changed. Very favourable reports are current concerning the trial operations at the new strip mills at Ebbw Vale.

Textiles

Cotton (Manchester).—The market has turned quieter. Numerous contracts have been arranged, but demand has been less active. Merchants at the moment are not disposed to commit themselves very far ahead. Decidedly narrow fluctuations have taken place in raw cotton prices. The absence of speculative operations has been rather striking, with indications of a smaller trade demand from spinners, although fair buying has taken place in South American descriptions. It is not anticipated that the American Government crop estimate on Tuesday next will be

much different from that of a month ago, when it was 12,212,000 bales.

Some spinners of American yarns have had a fair week, and in some quarters there has been an improvement in delivery instructions. Negotiations are still pending with regard to the renewal of the 42's American weft price agreement. Buying of Egyptian yarns has been irregular.

There have been indications of a falling off in the amount of cloth demand. Inquiry has been fairly persistent, but buyers have been less disposed to place orders. Makers have found it very difficult to obtain higher prices. Scattered transactions have been put through for India, but the total sales have been smaller than during the first half of October.

The reported terms of the new trade agreement with Egypt have given very little satisfaction, as apparently there is to be no reduction in the tariff.

Jute (Dundee).—Business has reverted to dullness in all sections of the jute trade. Prices of raw jute and of Calcutta goods have shown signs of weakness recently and buyers are holding off in the hope of still lower terms. Imports of raw jute into Calcutta so far this season are higher than they have been for some seasons past, which does not point to the short crop forecast officially in September. More than half of the estimated crop has already been received in the first four months of the season and it is generally considered that the yield of the crop will exceed 8 million bales, compared with the forecast of 6,696,000 bales. This quantity, with the carry-over of about one million bales, will not, however, be sufficient to meet the world's requirements and it may be that stocks in the hands of users, which have already been reduced to low levels, will be further depleted by the end of the season on June 30, 1939.

Spinners and manufacturers are still very busy on orders in hand, but there is very little fresh business coming in, and there are fears that producers will be compelled to accept lower rates after the New Year. However, by that time, there may have been an accumulation of orders which will enable sellers to maintain their production on the present satisfactory scale. The main adverse factor in the industry is the immense size of the stocks of goods in Calcutta, which it will take a long time to dispose of even at the reduced working hours of 45 per week, compared with 54 worked previously.

The price of Daisee-2/3 has been reduced to £19 5s. per ton and Tossa-2/3 to £20, November/December. Common 8-lb. cops are maintained at 2s. 3d. and 10-oz. 40-in. hessians at 2½d. and 8-oz. at 2½d.

THE COMMODITY MARKETS

The upward trend of the prices of sensitive commodities came to a halt last week, when movements showed considerable irregularity. This week the general trend was downwards. The downward movement was led by wheat, and in the absence of an

(Continued on page 298)

BRITISH WHOLESALE PRICES

CEREALS AND MEAT			
Oct. 26, 1938			
GRAIN, etc.—			
Wheat—			
No. 2, N. Man. 496 lb.	27 3	26 6	
Eng. Gaz. av. per cwt.	5 1	4 11	
Liv. Dec., per cental	4 7	4 5	
Flour, per 280 lb.—			
Straights, d/d London	21 6	24 6	
Manitoba, ex store	24 0	23 3	
Barley, Eng. Gaz. av. per cwt.	25 6	24 9	
Oats,	9 0	8 9	
Maize, La Plata, landed, 480 lb.	27 0	26 0	
Rice, No. 2 Burma, per cwt.	7 9	7 6	
MEAT—			
Beef, per 8 lb.—			
English long sides	4 0	4 0	
Argentine chilled hinds	4 8	4 8	
Mutton, per 8 lb.—			
English wethers	4 0	4 0	
N.Z. frozen wethers	2 10	2 10	
Lamb, per 8 lb.—			
N.Z. frozen	4 8	4 8	
Pork, English, per 8 lb.	6 4	6 4	
BACON (per cwt.)—			
English	94 0	92 0	
Danish	95 0	95 0	
Dutch	92 0	92 0	
Irish	84 0	84 0	
HAMS (per cwt.)—			
Canadian	100 0	100 0	
United States	96 0	96 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	110 0	110 0	
New Zealand	114 0	114 0	
Danish	132 0	137 0	
CHEESE (per cwt.)—			
Canadian	73 0	72 0	
New Zealand	70 6	70 6	
English Cheddars	86 0	86 0	
Dutch	60 0	64 0	
COCOA (per cwt.)—			
Accra, g.f.	23 0	22 6	
Trinidad	33 0	33 0	
Grenada	32 6	32 6	
COFFEE (per cwt.)—			
Santos sup. c. & f.	34 0	34 6	
Costa Rica, medium to good	58 0	60 0	
Kenya, medium	60 0	60 0	
EGGS (per 120)—			
English (15-15½ lb.)	22 6	23 6	
Danish (15½ lb.)	16 3	17 0	
FRUIT—			
Oranges, S. African boxes	11 6	13 3	
Brazilian Peras...boxes	15 6	17 6	
Lemons, Naples boxes	20 0	20 0	
Sicilian boxes	12 6	11 6	
Apples, Amer. (var.)...barrels	24 0	21 0	
Canadian: Nova Scotia (var) Barrels	23 6	23 0	
Grapes, Almeria barrels	24 0	25 6	
Grapefruit, S. African	10 0	10 0	
Jamaica, Seeded	15 9	15 9	
Jaffa, Seedless	8 6	6 0	
LARD (per cwt.)—			
Irish, finest bladders	56 0	50 0	
U.S.	47 0	46 0	
PEPPER, per lb.—			
Black Lampong (in Bond)	0 23 4	0 23 4	
White Muntok (in Bond)	0 33 4	0 33 4	
POTATOES (per cwt.)—			
English, King Edward, Siltland	5 0	5 0	
SUGAR (per cwt.)—			
Centrifugals, 96%, prpt. shipm.	5 0	5 6 3	
Refined London—			
Yellow Crystals	18 7½	18 10½	
Cubes	22 10½	23 1½	
* Weeks ended Oct. 20th. and Oct. 27th			

SUGAR (per cwt.)—cont.			
Oct. 26, 1938			
Crushed	21 1½	21 4½	
Granulated	19 0	19 1½	
Home Grown—			
TEA* (Auction Average) (per lb.)—			
N. India	14 5½	14 26	
S. India	13 5½	13 15	
Ceylon	15 12	14 95	
Java	14 99	17 08	
Sumatra	12 19	11 59	
Africa	14 62	14 36	
Total	14 62	14 36	
TOBACCO (per lb.)—			
Virginia stemmed and unstemmed, common to fine	0 8	0 8	
Rhodesian stemmed and unstemmed	1 0	1 0	
Nyasaland stemmed and unstemmed	0 7	0 7	
East Indian—			
Stemmed	0 4	0 4	
Unstemmed	0 5	0 5	
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	5 23	5 12	
" Sakelardis, F.G.F.	8 51	8 42	
Giza, F.G.F.	8 46	8 32	
Yarns, 32's Twist	9 3	9 14	
" 40's Twist	9 3	9 14	
60's Twist (Egyptian)	17 14	17 14	
Cloth, 32 in. Printers, 116 yds.	16 7	16 7	
" 36 in. ditto, 35 yds.	23 4	23 4	
" 38 in. ditto, 35 yds.	9 9	9 9	
" 39 in. ditto, 37½ yds.	8 10	8 10	
FLAX (per ton)—			
Livonian ZK	65 0	65 0	
Pernau HD	66 0	66 0	
Slanetz Medium, 1st sort	93 0	93 0	
HEMP (per ton)—			
Italian PC	70 0	70 0	
Manilla, Nov.-Jan. " J2 "	21 0	21 0	
JUTE (per ton)—			
Native 1st mks., c.i.f. H.A.R.B.	19 12/6	19 7/6	
Daisee 2/3 c.i.f. Dundee	19 10/0	19 5/0	
SISAL (per ton)—			
African, Nov.-Jan.	14 0	14 0	
SILK (per lb.)—			
Canton	7 3	7 3	
Japan	8 0	8 0	
Italian, raw, fr. Milan	7 3	7 3	
WOOL (per lb.)—			
English, Southdown, greasy	13 12	13 12	
" Lincoln hog, washed	13 13	13 13	
Queensland, scd. super comb.	23 23	23 23	
N.S.W. greasy, super comb.	13 13	13 13	
N.Z., greasy, half-bred 50-56	12 12	12 12	
" Crossbred 40-44	10 10	10 10	
Top—			
Merinos 70's average	28 1/2	28	
" 64's	26 1/2	26	
Crossbred 48's	16 1/2	16 1/2	
" 46's	16	16	
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	19 6	19 6	
Durham, best gas, f.o.b. Tyne	19 0	19 0	
Sheffield, best house, at pits	22 0	22 0	
IRON AND STEEL (per ton)—			
Pig Cleveland No. 3, d/d	109 0	109 0	
Bars, Middlesbrough	265 0	265 0	
Steel rails, heavy	202 6	202 6	
Timplates	21 6	21 6	
NON-FERROUS METALS (per ton)—			
Copper—			
Standard cash	46 17/6	45 15/0	
Three months	47 2/6	46 0/0	
Tin—			
Standard cash	212 0/0	211 15/0	
Three months	213 5/0	212 0/0	
Lead, soft foreign—			
Cash	16 2/6	16 0/0	
English, pig	16 15/0	16 1/3	
Spelter, G.O.B.—			
Spot	15 8/9	14 11/3	
Aluminium, ingots and bars	15 11/3	14 12/6	
" rolling billets	94 0/0	94 0/0	
Nickel, home and export	180 0/0	180 0/0	
Antimony, Chinese	60 0/0	60 0/0	
Wolfram, Chinese	62 0	61 0	
Platinum, refined	8 0/0	8 0/0	
Quicksilver	14 10/0	14 10/0	
* These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.			

	Oct. 26, 1938	Nov. 2, 1938
GOLD, per fine ounce	145 9	146 1
SILVER (per ounce)—		
Cash	1 7½	1 7½
MISCELLANEOUS		
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—		
4-ton loads and upwards	42s.	per ton
CHEMICALS—		
Acid, citric, per lb., less 5%	s. d.	s. d.
„ Nitric	1 0½	1 0½
„ Oxalic, net	0 2	0 2
„ Tartaric, English, less 5%	0 3	0 3
„ Oxalic, net	0 5	0 5
„ Tartaric, English, less 5%	0 6	0 6
Alcohol, Plain Ethyl	1 1	1 1
Ammonia, carb. ton	12 12	12 0
„ Sulphate	20/0 0	20/0 0
Arsenic, lump	21/0 0	21/0 0
„ Sulphate	7/6 6	7/8 0
Borax, gran. per cwt.	35/0 0	35/0 0
„ powder	s. d.	s. d.
Nitrate of soda per cwt.	13 6	13 6
Potash, Chlorate, net	15 0	15 0
„ Sulphate	0 4	0 4
Soda Bicarb. per cwt.	0 4½	0 4½
Crystals	10 0	10 0
Sulphate of Copper	11 0	11 0
„ Sulphate	5 0	5 0
Crystals	3 3	3 3
Sulphate of Copper	19 5/0	19 5/0
COPRA (per ton)—		
S.D. Straits, c.i.f.	10/7 6	9/18 9
HIDES (per lb.)—		
Wet salted, Australian	s. d.	s. d.
West Indian	0 4¼	0 4½
Cape	0 5½	0 5½
Dry and Drysalted Cape	0 3	0 3
Market Hides, Manchester—	0 3¼	0 3¼
Best heavy ox and heifer	0 4¼	0 4¼
Best cow	0 5	0 5
Best calf	0 6¼	0 6¼
„ Eng. or WS do.	0 7¼	0 7¼
Bellies from DS do.	0 4½	0 4½
„ Eng. or WS do.	0 5½	0 6
Dressing Hides	0 4½	0 4½
Ro. Eng. Calf, 20/35 lb. per doz.	0 5½	0 5½
„ Eng. or WS do.	0 7	0 7
Dressing Hides	0 5½	0 5½
Ro. Eng. Calf, 20/35 lb. per doz.	0 5½	0 5½
„ Eng. or WS do.	0 7	0 7
Dressing Hides	0 9	0 9
Ro. Eng. Calf, 20/35 lb. per doz.	1 0	1 1
„ Eng. or WS do.	1 8	1 9
Dressing Hides	3 6	3 6
Ro. Eng. Calf, 20/35 lb. per doz.	4 8	4 8
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 15/0	15/15 0
Petroleum, Amer. rid. bri. Lond.	19/10 0	19/0 0
Fuel oil, in bulk, for contracts		
ex instal. Thames—		
Furnace	0 6½	0 6½
Diesel	0 8½	0 8½
„ Eng. or WS do.	0 8½	0 8½
Bellies from DS do.	1 5	1 5
„ Eng. or WS do.	0 5	0 5¼
Dressing Hides	0 6	0 6¼
Ro. Eng. Calf, 20/35 lb. per doz.	0 7	0 7½
„ Eng. or WS do.	0 9	0 9
Dressing Hides	1 0	1 1
Ro. Eng. Calf, 20/35 lb. per doz.	1 8	1 9
„ Eng. or WS do.	3 6	3 6
Ro. Eng. Calf, 20/35 lb. per doz.	4 8	4 8
PETROLEUM PRODUCTS (per gall.)—		
Motor Spirit No. 1, London	1 6	1 6
Petroleum, Amer. rid. bri. Lond.	0 10	0 10
Fuel oil, in bulk, for contracts		
ex instal. Thames—		
Furnace	0 3¼	0 3¼
Diesel	0 4½	0 4½
ROSIN (per ton)—		
American	15/15 0	15/15 0
„ American	19/10 0	19/0 0
RUBBER (per lb.)—		
St. ribbed smoked sheet	s. d.	s. d.
Fine hard Para	0 8¼	0 8¼
„ Fine hard Para	0 8	0 8
SHELLAC (per cwt.)—		
TN Orange	49 0	40 0
„ TN Orange	53 0	43 0
TALLOW (per cwt.)—		
London town	17 6	17 6
TIMBER—		
Swedish u/s 3x8	21/0 0	21/0 0
„ 2½x7	20/10 0	20/10 0
„ 2x4	18/10 0	18/10 0
Canadian Spruce, Dis.	23/0 0	23/0 0
Pitchpine	13/10 0	13/10 0
Rio Deals	35/0 0	35/0 0
Teak	25/0 0	25/0 0
Honduras Mahogany logs c. ft.	0/12 0	0/12 0
English Oak Planks	0/6 0	0/6 0
English Ash Planks	0/7 0	0/7 0
VEGETABLE OILS (per ton net)—		
Linseed, naked	21/15 0	21/15 0
Rape, refined	33/5 0	32/5 0
Cotton-seed, crude	19/10 0	18/0 0
Coconut, crude	14/10 0	14/5 0
Palm	13/5 0	13/7 6
Oil Cakes, Linseed, Eng.	9/2 6	9/2 6
La Plata, Nov.	10/16 3	10/10 0
Calcutta	12/11 3	11/17 6
Turpentine	34 3	33 6

COMMODITY STATISTICS

Coal			
COAL OUTPUT ('000 tons)			
District	Week ended		Jan.-September
	Oct. 15, 1938	Oct. 22, 1938	1937 1938
Northumberland	297 6	291 7	10,663 4 9,927 2
Durham	613 9	650 7	24,807 7 23,685 8
Yorkshire	900 0	907 5	33,385 3 31,463 3
Lancs, Cheshire and N. Wales, Derby, Notts & Leicester	338 8	348 4	13,182 0 12,680 9
Staffs, Worcs, Salop & Warwick	661 6	668 4	24,992 5 23,601 9
South Wales & Monmouth	393 8	399 5	15,032 1 14,509 8
Other English districts*	122 5	122 6	4,090 6 4,063 4
Scotland	630 6	615 2	23,936 4 22,462 8
Total	4,756 7	4,796 5	17,846 7 16,939 1

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton			
RAW COTTON delivered to Spinners ('000 bales)			
Variety	Week ended		Total Deliveries
	Oct. 21, 1938	Oct. 28, 1938	Aug. 1, 1937-1938, Oct. 28, 1937
American	21 2	21 5	294 255
Brazilian	4 7	5 0	95 51
Peruvian, etc.	2 5	2 5	36 18
Egyptian	4 6	7 4	66 65
Sudan Sakel	3 2	3 6	47 46
East Indian	2 8	2 4	56 37
Other countries			
Total	42 9	48 7	672 585

Metals			
SALES ON LONDON METAL EXCHANGE			
	Week ending		From Jan. 1 to Nov. 2, 1938
	Oct. 26, 1938	Nov. 2, 1938	
Copper	9,550	6,400	406,025
Tin	2,715	1,760	76,235
Lead	6,200	6,900	321,200
Spelter	5,400	4,200	259,750

U.K. STOCKS			
	Oct. 22, 1938		Oct. 29, 1938
	1938	1938	
Copper (Br. official w/houses):			
Refined	4,451	4,616	
Rough	25,651	25,450	
Tin (London and Liverpool)	8,519	8,556	

				AM
				Nov.
Oct. 26,				1938
Cents				Cen
GRAINS (per bushel)—				
Wheat, Chicago, Dec.	65½		65½	
Winnipeg, Dec.	59½		57½	
Maize, Chicago, Dec.	46½		44½	
Oats, Chicago, Dec.	25¼		24½	
Rye, Chicago, Dec.	43		44	
Barley, Winnipeg, Dec.	36½		34½	
METALS (per lb.)—				
Copper, N.Y. Domestic spot...	11 17½		10 9½	
Producers' export	11 45		11 2½	

(Continued from page 295)
international export agreement its prospects remain unfavourable. Raw cotton was also marked down in price, partly as a result of the decline in demand. Rubber prices showed little change on the week, but the leading non-ferrous metals were slightly cheaper. Raw sugar, exceptionally, rose in price.

Price movements in the United States were also downwards. Thus, during the week ended last Wednesday Moody's index of the prices of staple commodities (December 31, 1931 = 100) fell from 144.9 to 143.4. A month ago the index stood at 144.4 and a year ago at 160.1.

Metals

Copper.—The price of copper fluctuated considerably this week and closed on Wednesday at £45 15s. per ton, a net loss of £1 2s. 6d. on the week. The demand has declined again in the absence of encouraging reports from the United States. Nevertheless, sales were well absorbed and thus steadied the market at the lower level. The immediate outlook is chiefly dependent on the trend of events in the United States. As, however, production outside the United States will rise quite substantially within the next few weeks, too much optimism is not justified.

Tin.—Tin prices also varied considerably, but closed on Wednesday only 5s. down at £211 15s. per ton. Sales have remained substantial, although the very low quota is now making itself felt in current supplies. The October tin statistics had an encouraging effect on general sentiment. According to Messrs A. Strauss and Company, Limited, the world's total visible supply on October 31st was 30,197 tons, a decline of 809 tons on

the month. This was the first decline in tin stocks since May last and as the visible supply includes the substantial tonnage shipped under the buffer pool quota, the decline in stocks indicates that the present quota would be insufficient even if the pool quota were available to the free market. Contrary to early expectations, the activity of the United States tinplate industry did not improve in October and covered only 25 per cent. of capacity. A rise in production, however, is expected shortly, as stocks of tinplate on the other side of the Atlantic have declined sharply in recent months.

Lead and Spelter.—Markets in these metals followed the general trend. The closing price of lead—£16 per ton—was 12s. 6d. down on the week, while spelter, at £14 11s. 3d. per ton, closed 17s. 6d. lower. Early this week there were reports from Mexico of a lead smelter strike. It was, however, quickly settled and had thus but little influence on the market. There is still no information on the progress of the cartel negotiations, but it is learned on good authority that they are still continuing.

Grains

WORLD shipments during the week ended on Wednesday have been exceptionally heavy and reports of the coming Argentine wheat crop have been increasingly favourable. Consequently, prices have declined, with buyers tending to hold off the market. Further rains have been reported in Australia, but the drought continues in Victoria, where the wheat crop may become a total loss. According to the *Corn Trade News*, European imports of wheat in the first three months of the current season were considerably higher than in

the corresponding period of previous seasons, in spite of record home crops. It is possible that some of the increase is due to purchases made at the time of the crisis. The maize market has also been dull, with large quantities afloat; prices of all varieties have tended downward during the week. Nor has much interest been shown in imported feeding barley, in spite of a scarcity of offers from Russia.

Other Foods

Provisions.—Trade in meat was generally slow, particularly for the fresh killed product. Egg prices registered a further rise: Danish butter rose sharply in price at the end of last week, while prices for Dominion butters were unchanged. The bacon market has been steady, with a small reduction in the price of English bacon.

Colonial Produce.—Sugar prices were advanced by 1½d. per cwt. on Monday and by a similar amount on Wednesday; the futures market has been firm during the week. Accra cocoa was easier before the weekend, but prices recovered early in the current week. With a quiet demand, business at the coffee and tea auctions has shown little change.

Fruit and Vegetables.—Potato prices at the Borough have been unchanged, in spite of large supplies. Trade in other vegetables was slow, nor was there a brisk business in fruit, except for oranges which were in short supply.

Miscellaneous Commodities

Oils and Oilseeds.—Business remains restricted and prices of most of these products have tended to fall. Business in new crop linseed is reported from the Continent at about £10 per ton for January loading; the progress of the crop in the Argentine is reported to be satisfactory. The price of linseed oil is barely steady at somewhat lower levels than last week, while cotton oil is about 10s. per ton cheaper. The demand for oilcakes is moderate at unchanged prices.

Rubber.—Prices have fluctuated within narrow limits; business is marking time pending the meeting of the Regulation Committee on November 15th. Prospects of an increase in the exportable percentage from 45 to 50 are being discussed, but the balance of opinion seems to favour the continuation of the lower figure for at least another three months.

Furs.—The London autumn fur auctions, which opened at the beginning of last week, did not change the general trend of fur prices. Compared with the spring sales in May last, prices of the majority of furs declined by 10 to 20 per cent., and a substantial part of the collections was withdrawn from sale. The auctions were chiefly attended by London merchants; Leipzig and Paris were also well represented, but the number of visitors from the other Continental countries and the United States was small.

COMPANY MEETINGS

IMPERIAL SMELTING CORPORATION, LIMITED

AGREEMENT BETWEEN EMPIRE ZINC PRODUCERS APPLICATION FOR INCREASE IN IMPORT DUTY

The ninth annual general meeting of Imperial Smelting Corporation, Limited, was held, on the 3rd instant, in London.

The Rt. Hon. Viscount Horne (the chairman), in the course of his speech, said:—Gentlemen,—The net profit for the year amounted to £103,327, compared with £257,092 in the preceding twelve months. With a sum of £70,620 brought forward, we had £173,947 available for distribution. As we have already informed you in the directors' report, we decided, owing to the depressed state of the zinc industry and the precipitous fall in the price of metal during the past financial year, to restrict the dividend payment on the 6½ per cent. cumulative preference shares for the half year ended 30th June to 1½ per cent., making the total distribution for the year 4½ per cent.

ZINC SMELTING

The unsatisfactory results of the past financial year were caused by a combination of circumstances which unfortunately affected adversely both sides of our accounts. On the revenue side we suffered a severe fall in the price of zinc, and on the expenditure side we had to meet an increase in wages, as well as rising costs for freights and raw material.

The average price of zinc fell from £22 12s. 7d. in July, 1937, to £12 19s. 11d. in June, 1938. Happily it has not remained at the latter figure. You are aware that zinc-smelting entails both a heavy consumption of coal and the employment of a large labour force, to which must be added the cost of transport. In all these categories costs have risen substantially. On comparing the relative costs of these items for the year ended June 30, 1935, with those for the year ended June 30, 1938, I find our expenditure has been increased by no less a figure than £125,000. Accordingly, it is plain that to the adverse effect on our revenue receipts of the low prices realised for zinc there has been added a considerable burden of rising costs. The incidence of these two factors in combination on our profits is evident from the accounts now before you.

Notwithstanding the high degree of efficiency attained in our plants, we have been denied success largely by factors outside of our control, and it becomes more and more evident that we have been endeavouring to carry on a vital industry with a degree of protection which has been inadequate, and in no way commensurate with the safeguards afforded to other similar British industries.

AN IMPORTANT STEP FORWARD

You will recall that when I last addressed you I informed you that the needs of the zinc-smelting industry in this country were under investigation by a Government Committee. As a result of their Report, the Import Duties Advisory Committee were requested by the Government to assist in promoting agreement between the producers of zinc in the United Kingdom and those in other parts of the Empire. I gladly acknowledge their zealous efforts towards this end, and the care and consideration which they have devoted to their task. As a result of frequent meetings and protracted negotiations, agreement between all the parties has been reached, and a scheme, supported by all the producers of zinc within the British Empire, has been formulated.

As part of this scheme, an application for an increase in the duty on imported foreign zinc, signed by all these producers, has been made to the Import Duties Advisory Committee, who have publicly announced that they have under consideration proposals for the variation of the existing arrangements governing supplies and prices of Empire zinc and the import duty on foreign zinc, and, in particular, for an increase in the present rate of duty.

As the scheme in question is now under consideration by the Tribunal, it would I think be improper for me either to enlarge or to comment upon it. I am, however, entitled to say that I am hopeful that we shall receive their decision at a reasonably early date. If, as I trust, this proves to be favourable, then an important step forward will have been taken, and as we have indicated in our report, a better foundation for the zinc industry in this country will have been laid.

I would remind you, however, that the zinc undertakings in the United Kingdom and in the Empire are part of a world-wide industry, and that reasonable stability within this industry could not be assured unless it were facilitated by a broader measure of co-operation among leading international producers. We are will-

ing, as I have indicated on previous occasions, to make our contribution to such an agreement, and the scheme now before the Import Duties Advisory Committee will, in my opinion, be helpful in providing a basis for more fruitful co-operation to the benefit of all interests both in the United Kingdom and abroad.

I propose now to pass in brief review some of the more important features of our associated activities.

THE NATIONAL SMELTING CO., LTD. IMPROVED METALLURGY LIMITED

Metallurgical practice never stands still and the necessity of enterprise and research are never absent from the minds of our officers. As a result of their zeal and ingenuity, it has become evident that some further improvements can still be made at the cost of furnace alterations. In view of the situation which we have been confronting for some time, it has required courage on the part of your directors to embark on any further capital expenditure, but our claims to protection have always been based upon the fact that our plant was as efficient as any in the world and, if we were not to incorporate the new improvements, we feared that our metallurgical efficiency might start for the first time to lag behind that which other producers might achieve. In view, therefore, of the importance of our industry to the defence of the country and in the expectation that at long last it may receive proper safeguards, we have taken the risk of committing ourselves to proceed with these changes. Moreover, considerable metallurgical progress continues to be made with regard to the vertical retort plant of Improved Metallurgy Limited, and we look forward confidently to increased output and recoveries through improvements in that process which is still comparatively novel.

Certain changes made in the furnace setting of one retort towards the end of the period under review gave an important increase in output and performance. The other fifteen retorts will be altered in a similar manner when they fall due for repair.

As a result of the modifications to which I have just referred and of important improvements devised by the American inventors of the vertical retort process, we expect an increase in furnace production and a gradual decrease in costs in the course of the present year.

SULPHURIC ACID

Production during the first half of the year was at a record level, but was deliberately lowered in the second half to accord with the decline in consumption following the general recession in trade. An increasing demand for acid has been experienced since the opening of our current year and stocks have now been reduced to a reasonable level.

MAZAK ALLOYS

There was only a small decrease in deliveries of our Mazak Alloys during the financial year as compared with those for the previous period. We believe that this comparative stability in a time of falling orders indicates the increasing importance of these alloys in the manufacture of special components.

LITHOPONE

The works of Orr's Zinc White Limited, at Widnes, have operated during the whole year satisfactorily and have been kept thoroughly up to date both as regards plant equipment and processes employed.

THE OUTLOOK

It will be apparent to you from the tenor of my remarks that the exceptional ill-fortune which we have encountered in the past year has been due to factors entirely outside of our control. He would be a rash man under present circumstances who attempted any forecast of the future. But if present political uncertainties were resolved, the prospects of general peace amongst the nations enhanced, and our industry given the safeguards enjoyed by other industries of less importance to the country, I would look with great confidence to the future.

Now that the Empire producers of zinc are in accord, we are encouraged to believe that after many anxious years a scheme on the lines at present under consideration by the Import Duties Advisory Committee will soon receive approval. The recent fall in prices has been arrested and indeed reversed. Signs are gathering which point to some revival of confidence in the United States of America with the prospect of growing industrial activity and an improved demand for raw materials.

We must hope that nothing will occur to check this recovery in the United States for its orderly and progressive development would contribute more than almost anything else to the restoration of commercial and industrial activity throughout the world.

The report and accounts were unanimously adopted.

THE BANKER

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THE CLEARING BANKS IN THE CRISIS
By Paul Bareaux

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SCOTTISH TRADE AND INDUSTRY
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UNITED DAIRIES, LIMITED

INCREASED SALES—EFFICIENCY IN DISTRIBUTION

The twenty-third ordinary general meeting of United Dairies, Limited, was held, on the 28th ultimo, in London.

Mr Joseph H. Maggs (chairman and manager director), in the course of his speech, said: The net profit brought into the balance sheet is £631,654, and it is now proposed to pay a final dividend on the ordinary stock of 7½ per cent., making 12½ per cent. for the year, and to transfer £100,000 to reserve.

I am pleased to be able to report that our sales increased by over £2,000,000 and our milk purchases by upwards of 6,000,000 gallons.

The improvement in retail milk sales which commenced in 1936 continued steadily until October, 1937. With the advent of the higher retail price in November, necessitated by the increased price paid to the Milk Marketing Board, a decline in sales per customer set in at once. This decline was not recovered when the retail price was reduced in the spring, and with the abnormal increase in price this July, a further marked decrease in milk sales took place. For the first three-quarters of our trading year our business was generally good, and on rising markets the demand for dairy products taxed all our factories to the utmost.

FURTHER INCREASE IN WHOLESALE PRICE

Notwithstanding the falling off in sales of retail milk and dairy products, the negotiations with the Milk Marketing Board for the new contract year, commencing October 1st, resulted in a further increase in the wholesale price of milk. Faced with increased production of milk and a falling off in consumption, and assisted with lower prices for cattle feeding stuffs, and the promise of additional financial assistance to the tune of about £1,700,000 by the Government, one might have anticipated that the Milk Marketing Board would at least have been content to accept the same contract terms as last year, but after demanding an increase of twelvence per 12 gallons, they ultimately agreed to accept fourpence, thus consolidating the extra price awarded them in July on account of the drought.

In the light of last year's experience, the distributors were unanimously opposed to any higher retail price than 7d. per quart, and the price has been stabilised at that figure for the whole year. This decision is bound to adversely affect our profits for the current year, as we expect to be retailing milk at a loss for the first six months of the contract, the additional profit on the summer milk coming into our following financial year.

The position of the home producer of processed milk products is far from satisfactory. Voluntary import quotas, which provide almost his sole protection against the world's surplus being dumped here, worked satisfactorily as long as supplies were scarce, but are now threatening to break down entirely.

The principal Continental importing country gave notice in August to terminate the minimum price agreement for milk powder. Since then that particular country has been persuaded to enter again into a minimum price agreement with home manufacturers, but this has had to be on the understanding that the prices fixed from time to time must be at such a level as to be competitive with imports from the Dominions.

LOW DISTRIBUTION COSTS

Much publicity has been given in the Press to a speech made by the Minister of Pensions—Mr Ramsbotham—last week, when he referred to what he termed "remarkable defects in the distribution" of milk, and went on to say "If the distribution of tobacco and cigarettes was organised on similar lines, smokers would need to be much richer or give up smoking altogether."

Well, we shall see what the Government, of which this gentleman is a distinguished member, has to offer to remedy this shocking state of affairs. As things are to-day, that is, with unrestricted competition in distribution, United Dairies has nothing to be ashamed of on the score of efficiency—indeed, I make so bold as to say that no product of the farm, not even tobacco, is distributed with greater economy and absence of waste than milk.

By and large, ours is a transport problem, but added to that is the cost of processing and the risks inherent in dealing with a highly perishable article. Now, from the London terminus, we collect, pasteurise and deliver in exact quantities to the hospitals and other institutions, for an all-in charge of 1¼d. per gallon, or .175d. per lb.; for the domestic consumer we take a can of milk, pasteurise, pack it in 100 glass bottles, and deliver twice daily for a charge of about one penny per lb. Incidentally, I may add, we pay the man who does the job a higher wage than any comparable distributive trade. The report and accounts were unanimously adopted.

LAKE VIEW AND STAR, LIMITED

CONSIDERABLY INCREASED PROFIT

The twenty-eighth ordinary general meeting of Lake View and Star, Limited, was held, on the 2nd instant, in London.

Mr John A. Agnew, the chairman, said that he was pleased to report that a profit of £482,031 had been made during the year under review, being £42,126 higher than that for the previous year. That increase was entirely due to the larger tonnage and higher grade of ore treated and to the improved rate of gold recovery.

Three dividends of 12½ per cent. each, amounting to £210,000, had been paid and declared during the year. After providing for amounts written off, and for British and Australian taxation, there remained a balance of £89,279, from which the directors had decided to recommend the payment of a final dividend of 12½ per cent., making a total distribution for the year of 50 per cent. That would leave £19,279 to be carried forward, an increase of £9,000 over the amount brought in from the previous year.

SATISFACTORY DEVELOPMENT RESULTS

Development work had been attended with excellent results, and, generally speaking, that applied to all the lodes worked throughout the year. The Minor lodes had again responded exceedingly well, and the importance of those lay not only in the tonnage they yielded but also in the improved grade of the ore exposed. They had obtained by cable the following information regarding the company's recent operations:—"In the Chaffers Section on the 2,360 ft. haulage level to Hannans Star 911 ft. south of the shaft, 48 ft. of ore has been opened up, averaging 7 dwts. per ton over a width of 5½ ft. This discovery is important as it is probably the downward extension of the No. 2 lode, which has not been worked below the 1,200 ft. level in this section of the mine.

"On the 3,530 ft. level the No. 4 lode winze, 250 ft. south of the Chaffers shaft, has been advanced 85 ft. in ore averaging 9½ dwts. per ton over a width of 4 ft., the full width not being exposed. In the Hannans Star Section 1,090 ft. south of the Chaffers Shaft, the 800 ft. level main lode was advanced 59 ft. in ore averaging 8 dwts. per ton over a width of 5 ft. No work on this lode has been done below this level.

"In the Associated mine on the 300 ft. level, a diamond drill hole has intersected the Tetley lode which averages 12½ dwts. per ton over a width of 23 ft. Everything at the mine and plant is operating satisfactorily."

STRONG ORE RESERVE POSITION

The ore reserve figures again revealed a very strong position. At June 30, 1938, those reserves stood at 3,589,000 tons of an average grade of 5.67 dwts. per ton, representing an increase of 174,400 tons, notwithstanding the fact that 619,919 tons had been mined during the year, averaging on treatment 6.28 dwts. per ton for a recovery of 171,345 ozs. of fine gold.

In the metallurgical section a new laboratory had been built and a great deal of valuable research work had been carried out. Perhaps the most successful results that had been obtained for many years were those connected with the effect of varying temperatures in the roasting section, and during the year an auxiliary system of flues was completed by means of which a better and closer control of the temperature was made possible. That, with the second Van Tongeren Dust Collector, had resulted in a better recovery from the cyanidation of the calcines and a complete elimination of fumes.

At the Associated retreatment plant 708,996 tons of residues had been treated, of which 113,743 tons came from the North Kalgurli dumps acquired last year. The plant had run smoothly throughout the year and, with increased filtering capacity, the recovery had been higher than during the previous year, in spite of the grade of the material treated being somewhat lower. Total working costs showed a fall of 5.26d. per ton, owing largely to reduction in mining costs of 4.8d. per ton, resulting from increased underground efficiency, especially in transport.

IMPROVED LABOUR SITUATION

It was very satisfactory to record that labour troubles had been comparatively few, with the result that both the company and the employees had gained by the non-interruption of operations throughout the year. The award of the Arbitration Court, whereby a penalty was imposed for all stop-work meetings or strikes which the Court could settle, was perhaps partly, if not entirely, responsible for that, and it was hoped that the large majority of the workers who had experienced the benefits arising from continuous work would in future not be led astray so easily by the small number who were willing to seize any excuse for a stoppage. The report and accounts were unanimously adopted.

BUENOS AYRES AND PACIFIC RAILWAY COMPANY, LIMITED

DIFFICULTIES OF THE ARGENTINE RAILWAYS

The ordinary general meeting of this company was held, on the 1st instant, in London.

Mr J. A. Goudge, C.B.E., the chairman of the company, who presided, said: In the report before you the board have to deplore the decreased results due to the severe damage to two of the most important crops we carry—wheat and maize. The net result of our operations is that we have been able to pay during the past year the interest on our first and second debenture stocks—five in all—and also one year's interest on the two stocks next in rank to these, namely, the Pacific 4½ per cent. consolidated and the Argentine Great Western 5 per cent. debenture stock.

Our great difficulty, of course, continues to be the question of loss realised on remitting home the pesos we earn in Argentina. I can sum up the exchange difficulty in a few words. Since our severe troubles commenced five or six years ago, out of a debit balance of £4,657,000 debenture and guaranteed interest not earned, I find that the loss on exchange amounts to no less than £3,949,000.

It is seven years since we were able to pay a dividend on our preference stocks, and eight years since the ordinary stockholders received a penny on their investment. Your board regretfully lay this statement before you, and before the Argentine public, who have a direct interest in appreciating the facts about their railways. I feel sure this simple recital of our position will come as a surprise to many of our Argentine friends.

It is not surprising, therefore, that we are all looking forward with great interest, if not anxiety, to the steps the Argentine authorities may be able to take to safeguard their own interests in the maintenance of efficient railway working. It is obvious that such a condition as I have outlined cannot continue indefinitely. We here can only manifest our confidence that we shall, as ever before, receive full consideration of our case, and a fair adjustment of our difficult situation.

We know that the Argentine Government have always appreciated the fact that the railways have contributed to the national life and development and are still vitally necessary to it. So we do not look forward without some grounds for hope.

The report and accounts were unanimously adopted.

BUENOS AYRES WESTERN RAILWAY LIMITED

WEATHER AFFECTS RESULTS

The forty-ninth ordinary general meeting of the Buenos Ayres Western Railway, Limited, was held, on the 2nd instant, at River Plate House, London.

Sir Follett Holt, K.B.E., M.Inst.C.E. (the chairman), said that it was distressing to have to give stockholders such a poor account of a year which had proved to be the worst that the railway had experienced in its half-century of existence. Not for forty years had less cereals been carried—as a result of severe frosts—the tonnage only reaching 450,000 against the million of the previous moderate year. The total of general goods carried was the lowest since 1905 when the system was one-half the size it now was.

The shrinkage of revenue, directly through cereals and indirectly through the general impoverishment of the producers whom they served, had been heavy. The management had done all that was possible to restrict working expenses, and although handicapped by the rise in the cost of fuel and materials, had succeeded in obtaining a reduction of £80,000, leaving the balance on operating at £314,000, or 41 per cent., less than in the previous year. In order to cover the debenture and note interest £100,000 had been transferred to net revenue account from the general reserve fund.

They had no doubt heard rumours that the Argentine Government was planning a policy for the future of the privately-owned railways. Although no concrete proposals had been made, the directors' advice were that there was no doubt that the Government, whilst being anxious to find a means to improve the position of the railways, was also desirous of evolving a plan to provide for their ultimate acquisition by the State. Up to a few years ago the beneficial results of all the capital and enterprise was shared alike by Argentine and Briton, but now the lion's share of the profit in the shape of the use and services of the railways was Argentine and the Briton's share had become almost microscopical. The whole position, therefore, had become completely out of balance, and it was to be hoped that it would be adjusted with that goodwill and understanding that had been for many generations the marked feature of the association between Great Britain and Argentina. The report was adopted.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

A SUBSTANTIAL IMPROVEMENT

The annual general meeting of the Birmingham Small Arms Company, Limited, was held, on the 28th ultimo, in Birmingham.

Sir Alexander Roger, the chairman, said that it was with real satisfaction that the directors recommended a dividend of 10 per cent., less tax, on the ordinary stock. Profit on trading and income from investments at £630,000 compared with £555,000 for 1937. H.M. The King had again honoured them by placing an order for another Daimler Straight Eight. H.M. The King and H.M. The Queen also owned and used Lanchester cars. The new Daimler Fifteen and the new Lanchester Roadrider de Luxe had completely justified their introduction.

Daimler buses continued to enjoy popularity and trolley buses were running satisfactorily in Belfast, Newcastle, Hartlepool and Derby. They had increased the export of Daimler and Lanchester passenger car and Daimler bus chassis deliveries overseas by 42 per cent. in value. They had maintained their relative position in new motor-cycle registrations, and the pedal cycle department had maintained its position in the high-quality market.

With regard to steel interests at Sheffield, the most strenuous efforts had been required resulting in a record output in peace time. Their companies had participated in the art of fine steel-making for 165 years, and it was their intention to keep in the van of progress.

Ordinary business had been adversely affected during the last six months, but it was their belief that a healthier position existed in 1938 than it did a year ago. Without doubt the rise in prices of raw material and the burst of prosperity which accompanied it had led to an inflated order book. To-day consumers were not carrying large stocks, and, consequently, fulfil orders which were reaching them to-day were for early consumption and short delivery. They were, of course, fortunate in being able to participate in substantial work under the Defence Programme, which should be continued for some time to come.

In conclusion, he said that so far as their group was concerned they looked with a considerable amount of confidence to another satisfactory year.

The report was unanimously adopted.

CONSOLIDATED AFRICAN SELECTED TRUST LIMITED

CONDITIONS IN DIAMOND MARKET

The fourteenth annual general meeting of Consolidated African Selection Trust, Limited, was held, on the 2nd instant, at 20 Alderbury, London.

Mr A. Chester Beatty (the chairman) said: Gentlemen, the net profit of £374,444 compares with £582,406 for the preceding year. The reduction reflects the decreased profit on our Gold Coast operations and the smaller dividends received from our Sierra Leone subsidiary company and on our shareholding in Cape Coast Exploration, Limited. The profits were lower in all these diamond mining businesses in consequence of smaller diamond sales.

The balance sheet shows that current assets exceed current liabilities by approximately £280,000.

The known diamond reserves on the Gold Coast and in Sierra Leone are sufficient to assure many years of production. In both colonies a great deal of work still remains to be done in prospecting and development of the diamond areas before their full extent can be ascertained.

At recent annual general meetings I have informed you of research which has been going forward with the object of extending the uses of diamonds for industrial purposes. The progress made during the past year has been very encouraging, and will, I believe, lead to a considerably increased use of diamonds in industry.

In regard to the diamond market, sales of uncut diamonds have been at a low level since the beginning of 1938, largely in consequence of the political uncertainty in Europe and the depressed state of business in the United States. I should point out that this period of restricted sales has extended well into our present financial year.

The influence of the demand for diamonds by the United States is an important factor in the prosperity of the diamond trade, and it is satisfactory to observe the marked improvement in business activity which has been taking place recently in that country. This factor, combined with an easing of the tension in European political conditions, is having a beneficial influence.

The report and accounts were unanimously adopted, and the payment of a final dividend of 4½d. per 5s. unit of stock, free of tax, was approved.

CURRENT STATISTICS

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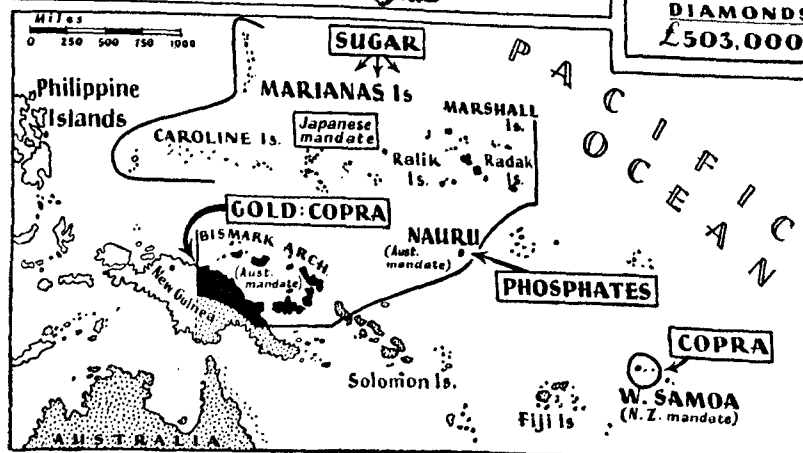
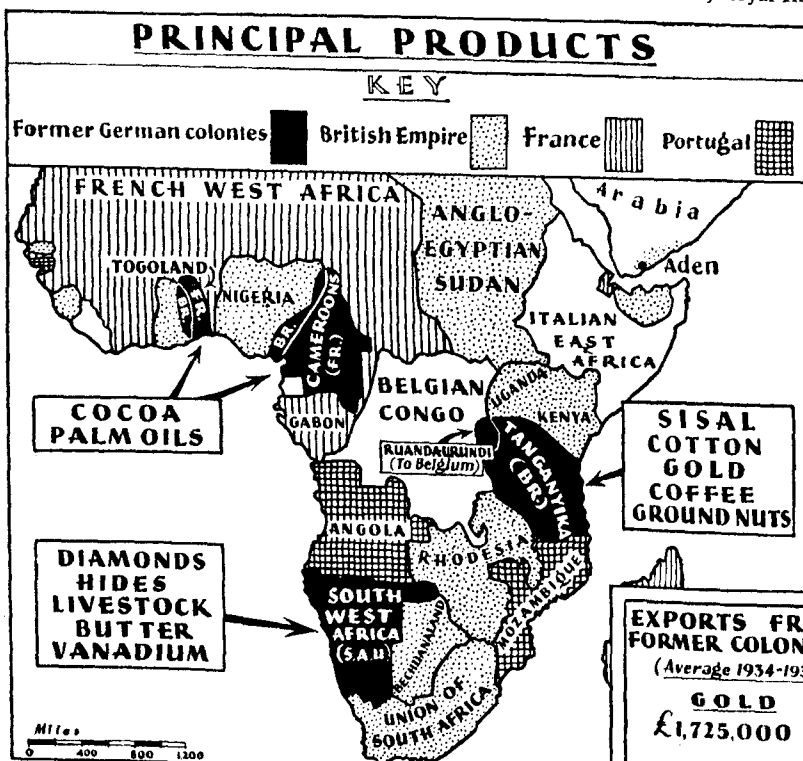
All tables appear regularly except those whose titles are printed in italics, which are special to this issue

The Former German Colonies

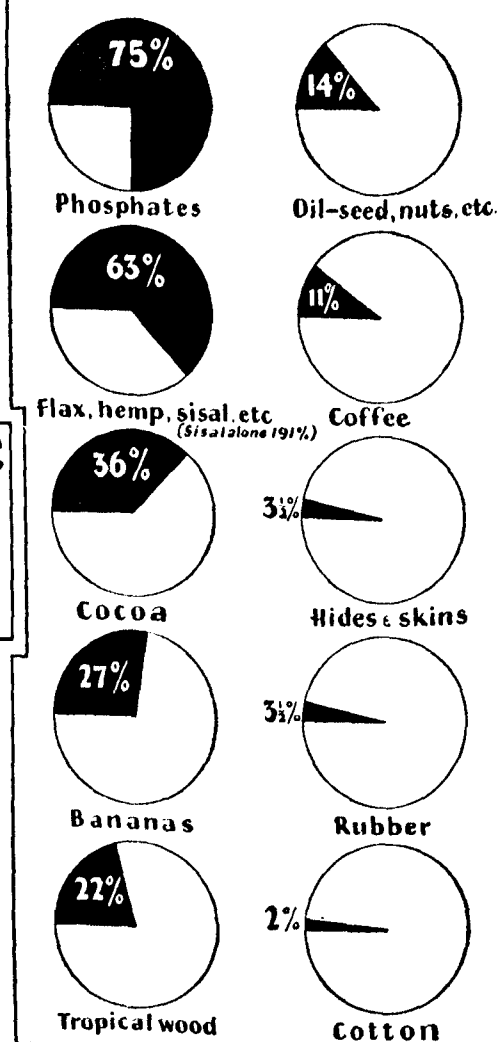
POPULATION AND TRADE

Europeans	Natives	Total Exports	Europeans	Natives	Total Exports
	'000	£ millions		'000	£ millions
East Africa	9,400*	8,500	New Guinea	3,800†	500‡
S.W. Africa	30,700†	300	Nauru	200	2
Cameroons	2,700	3,200	W. Samoa	600	55
Togo	400	1,100	Marianne Is., etc.	100	50

* 30 per cent. German; also 33,000 Asiatics; † 30 per cent. speak German at home; ‡ of which 500 Germans; § areas under Government control only; || also 52,000 Japanese; ¶ 1934.
Principal source for figures and diagrams: *Germany's Claim to Colonies*, Royal Institute of International Affairs. 2s.



TOTAL EXPORTS FROM FORMER COLONIES AS PERCENTAGE OF GERMAN IMPORTS FROM ALL SOURCES — 1934



Finance

GOVERNMENT RETURNS

For the week ended October 29, 1938, total ordinary revenue was £15,418,000, against ordinary expenditure of £20,131,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £181,988,000, against a deficit of £115,304,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 30, 1937	April 1, 1938, to Oct. 29, 1938	Week ended Oct. 30, 1937	Week ended Oct. 29, 1938
ORDINARY REVENUE					
Income Tax	£341,150	70,307	76,510	3,526	4,716
Sur-tax	62,000	7,560	9,340	200	210
Estate, etc.	88,000	53,770	42,890	1,950	1,390
Duties	24,000	11,810	11,530	570	1,300
Stamps	20,000	...	8,940	...	440
N.D.C.	...	...	...	...	...
Other In.	1,250	180	670	30	20
Rev. Duties	536,400	143,627	149,880	6,276	8,076
Total I. Rev.	227,950	130,556	131,600	4,026	4,716
Customs	116,150	66,600	66,935	1,500	1,235
Excise	344,100	197,156	198,535	5,526	5,951
Total Cust. and Excise	36,000	9,922	9,789	573	623
Motor Duties	8,670	8,330	7,590	220	100
P.O. (Net Receipt)	2,400	...	...	...	...
P.O. Fund.	1,330	900	860	260	230
Crown Lands	...	...	...	...	...
Rec. from Sun. Loans	5,250	3,548	4,056	...	...
Misc. Rec.	10,500	8,440	7,247	...	438
Total Ordinary Revenue	944,650	371,923	377,957	12,858	15,418
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	41,270	42,310	2,180	2,500
Total...	1,025,092	413,193	420,267	15,038	17,918

Expenditure	Issues out of the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Oct. 30, 1937	April 1, 1938, to Oct. 29, 1938	Week ended Oct. 30, 1937	Week ended Oct. 29, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dr.	230,000	130,761	132,017	36*	379
Payments to N. Ireland	8,900	4,017	4,342	344	372
Other Cons. Fund Serv.	5,239	1,914	1,663	28	9
Total...	244,139	136,692	138,022	733	760
Supply Serv.	1,702,409	350,535	421,923	19,106	19,371
Total Ord. Expend.	£946,548	487,227	559,945	19,839	20,131
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	41,270	42,310	2,180	2,500
Total...	1,026,990	528,497	602,255	22,019	22,631

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £129,235 to £2,596,615, the other operations for the week (as shown below), raised the gross National Debt by £4,842,000 to about £8,327 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT		NET REPAYMENTS, ETC.	
Treasury Bills	2,872	Net Sav. Certs.	100
Public Dept. Adv.	2,500	P.O. & Teleg.	(Money)
		N. Atl. Shipping	400
			30
			530

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to October 29, 1938, are shown below:—

Ordinary Exp. ... 559,945		Ordinary Rev. ... 377,957	
Increase in bal.	233	Eire receipts*	10,000
Eire issues*	3,758	Gross borr. 181,685	
		Less	
		Sink. Fds. 5,706	
		Net borrowing ...	175,979
	563,936		563,936

* Receipts and issues under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937	612.0	283.2	32.1	—	927.3	315.3
Oct. 30	889.7*	39.4	55.7	—	984.9	...
Dec. 31	...	...	...	...	...	...
1938	...	...	...	...	...	...
July 16	568.0	302.3	40.7	...	911.1	343.0
" 23	568.0	304.1	37.2	...	909.4	341.3
" 30	565.0	309.1	46.6	...	920.7	355.7
Aug. 6	560.0	320.1	44.2	...	924.3	364.3
" 13	555.0	303.4	44.1	...	902.5	347.5
" 20	555.0	296.2	41.9	...	893.1	338.1
" 27	555.0	294.0	45.7	...	894.7	339.7
Sept. 3	550.0	316.9	44.1	...	911.0	361.0
" 10	545.0	324.2	46.0	...	915.1	370.2
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3
" 30	883.4*	49.2	...	...	932.6	...
Oct. 8	521.0	379.1	49.3	4.0	953.4	428.4
" 15	526.0	383.6	45.8	...	955.4	429.0
" 22	526.0	379.3	41.4	...	946.7	420.7
" 29	522.0	386.1	44.0	...	952.1	430.1

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

TREASURY BILLS

Date of Tender	Amount			Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Oct. 29	45.0	84.5	45.0	10 1.55	62
Dec. 31	50.0	80.5	50.0	10 11.59	47
1938					
July 15	45.0	90.7	45.0	10 5.21	37
" 22	45.0	88.3	42.0	10 5.03	32
" 29	40.0	82.4	40.0	10 1.90	58
Aug. 5	35.0	78.6	35.0	10 1.80	40
" 12	30.0	76.8	30.0	10 1.50	30
" 19	35.0	82.2	35.0	10 1.51	32
" 26	40.0	87.6	40.0	10 1.53	36
Sept. 2	45.0	74.6	45.0	10 5.87	37
" 9	45.0	63.1	42.0	11 11.02	60
" 16	40.0	55.8	37.0	18 10.75	66
" 23	40.0	58.2	40.0	19 7.07	62
" 30	45.0	68.8	45.0	25 1.42	48
Oct. 7	50.0	71.6	50.0	14 3.44	60
" 14	50.0	71.6	45.0	15 5.57	69
" 21	40.0	77.3	38.0	13 8.91	44
" 28	35.0	72.5	35.0	10 9.78	48

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On October 28th applications at £99 17s. 3d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 48 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 4d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on November 4th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
41 weeks to:—		
Oct. 16, 1937	25,346,192	19,009,644
Oct. 15, 1938	25,446,489	19,084,866
Week to:—		
Oct. 16, 1937	611,645	458,734
Oct. 8, 1938	631,986	473,990
Oct. 15, 1938*	613,691	460,268

* Net Exchequer receipts, week ended Oct. 15, 1938, £50,000. † After adjustments to June 19.

BANK OF ENGLAND RETURNS

NOVEMBER 2, 1938

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt... £	
In circula.	483,950,844	Other Govt. Securities...	11,015,100
In Bnkg. Department...	42,463,582	Other Secs.	188,862,357
		Others Secs.	62,313
		Silver Coin...	60,230
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,414,426
	526,414,426		526,414,426

BANKING DEPARTMENT

Props. Capital £		Govt. Secs... £	
Rest	14,553,000	Other Secs.	102,386,164
Public Depts.	14,132,887	Discs., etc.	10,449,075
Other Depts.	109,481,764	Securities...	21,144,372
Bankers	109,481,764		31,593,387
Other	30,436,481	Notes	42,463,582
	145,918,245	Gold & Silver Coin	1,308,014
			177,751,147

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

THE WEEK'S CHANGES

Both Departments	Amt. Nov. 2, 1938	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	483,951 +	1,470	1,958
Deposits: Public	14,133 +	10,906	16,152
Bankers	109,482 +	9,080	20,047
Others	36,437 +	935	196
Total outside liabilities	644,002 +	560	1,741
Capital and rest	17,700 +	20	15
COMBINED ASSETS			
Govt. debt and securities	302,264 +	5,170	279
Discounts and advances	10,449 +	6,292	2,629
Other securities	21,207 +	513	401
Silver coin in issue dept.	60 +	24	47
Gold coin and bullion	327,722 +	53	269
RESERVES			
Res. of notes & coin in banking department	43,772 +	1,523	1,689
Proportion of reserve to outside liabilities—			
(a) Bank, dept. only ("proportion")	27.3%	0.8%	0.4%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.9%	Nil	0.2%

COMPARATIVE ANALYSIS

	1938				
	Nov. 3	Oct. 12	Oct. 19	Oct. 26	Nov. 2*
Issue Dept.: Notes in circ.	485.9	496.4	486.4	482.5	484.0
Notes in banking dept.	40.5	30.0	40.0	43.9	42.5
Govt. debt and securities	199.1	199.7	199.8	199.8	199.9
Bankers	0.9	0.3	0.2	0.1	0.1
Other secs.	326.4	326.4	326.4	326.4	326.4
Gold	...	...	...	...	...
Deposits:					
Public	30.3	28.3	33.8	25.0	14.1
Bankers	89.4	94.8	90.9	100.4	109.5
Others	36.6	36.6	35.8	35.5	36.4
Total	156.3	159.7	160.5	160.9	160.0
Bkg. Dept. Secs.: Government	103.4	114.5	104.9	107.6	102.4
Discounts, etc.	7.8	9.5	8.0	4.2	10.5
Other	20.8	21.9	23.9	21.6	21.1
Total	132.0	145.9	136.8	133.4	135.0
Banking dept. reserve	42.1	31.4	41.4	45.3	43.8

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 25th last. The latest return of the Bank of International Settlements appeared in *The Economist* of October 8th; Argentina and Denmark, of October 15th; Iran and Roumania of October 22nd; Reichsbank, Danzig, Egypt, Estonia, Hungary, India, Latvia, Lithuania, Poland and Portugal, of October 29th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Nov. 1937	Oct. 1937	Nov. 1937	Nov. 1937
12 U.S.F.R. BANKS				
Gold certifi. on hand and due from Treas.	1937	1938	1938	1938
Total reserves	9,125	10,967	11,253	11,288
Total cash reserves	9,442	11,344	11,640	11,664
Total bills discounted	308	367	379	368
Bills bt. in open mkt.	24	7	7	8
Total bills on hand	27	8	8	9
Industrial advances	19	15	15	15
Total U.S. Govt. secs.	2,526	2,564	2,564	2,564
Total bills and secs.	2,573	2,587	2,587	2,588
Total resources	12,711	14,679	14,930	14,989
LIABILITIES				
F.R. notes in actual circulation	4,284	4,263	4,284	4,320
Aggregate of excess mt. bank res. over reqts.	1,050	3,020	3,280	3,220
Deposits—Member-bank reserve account	6,889	8,321	8,740	8,686
Govt. deposits	111	770	584	576
Total deposits	7,481	9,437	9,698	9,686
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,711	14,679	14,930	14,989
Ratio of total res. to deposit and F.R. note liab. combined	80.3%	82.8%	83.2%	83.3%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	12,804	13,812	14,051	14,071
Treasury and Nat. Bk. currency	2,608	2,741	2,749	2,752
LIABILITIES				
Money in circulation	6,565	6,640	6,654	6,706
Treasury cash and deposits with F.R. Bks.	3,773	3,579	3,351	3,327

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

Nov. 1937	Oct. 1937	Nov. 1937	Nov. 1937
Total gold reserves	3665	5468	7494
Total bills discounted	2	2	2
Bills bt. in open mkt.	1	0	0
Total U.S. Govt. secs.	725	815	815
Total bills and secs.	740	822	821
Deposits—Member-bank reserve account	3037	3418	3449
Total res. to dep. and Fed. Res. note liab. combined	85.1%	86.4%	87.1%

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Loans, total	9,994	8,335	8,240
Investments	12,004	12,639	12,949
Reserve with Federal Reserve Bank	5,339	6,871	6,797
Due from domestic bks.	1,828	2,499	2,379
LIABILITIES			
Deposits: demand (adjusted)	14,801	15,443	15,396
Time	5,270	5,238	5,175
U.S. Government	595	397	578
Inter-bank	5,683	6,557	6,474

BANK OF FRANCE.—Million francs

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold	55,805	55,808	55,808
Bills: Commercial	11,201	22,172	17,351
Bought abroad	792	726	725
Advances on securities	3,710	4,362	3,848
Thirty-day advances	483	1,311	1,135
Loans to State without interest: (a) general (b) provisional	3,200	3,200	3,200
Negotiable bonds	26,918	50,134	48,134
Sinking Fund Dept.	5,637	5,570	5,570
Other assets	4,037	5,224	4,366
LIABILITIES			
Notes in circulation	91,336	124,428	110,555
Deposits: Public	2,648	2,825	4,006
Private	14,531	18,418	22,478
Other liabilities	3,269	2,831	3,097
Gold reserve to sight liabilities	51.4%	38.3%	40.7%

SOUTH AFRICAN RESERVE BANK

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold coin and bullion	22.94	26.72	26.72
Bills discounted:			
Home	0.03	0.03	0.03
Foreign	6.38	7.19	7.19
Investments	1.72	1.73	1.73
Other assets	10.38	12.56	12.56
LIABILITIES			
Notes in circulation	15.27	0.02	0.02
Deposits: Government	2.49	6.80	7.25
Bankers'	18.68	13.70	12.06
Cash reserves to liabilities to public	57.1%	15.9%	16.62%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

Nov. 1937	Oct. 1937	Nov. 1937	Nov. 1937
ASSETS			
Gold and English stg.	16.01	16.01	16.01
Other coin, bullion, &c.	5.42	5.56	5.21
Money at short call—London loans	35.58	20.62	21.11
Short-term loans	3.65	4.3	4.7
Securities and Treas. bills	78.02	97.31	95.05
Discounts and advances	10.87	14.64	14.53
LIABILITIES			
Notes issued	48.78	49.03	48.03
Res. pm. on gold sold	7.75	7.75	7.75
Deposits, etc.	85.69	87.70	89.50

NATIONAL BANK OF BELGIUM

Sept. 1938	Oct. 1938	Oct. 1938	Oct. 1938
ASSETS			
Gold	1,871	2,003	2,003
Silver and other coins	519	580	744
Foreign exchange, etc.	1,599	1,120	1,188
Bills and securities	3,523	3,468	3,468
Advances	179	51	58
LIABILITIES			
Notes in circulation	5,100	4,700	4,571
Deposits: Govt.	6	35	229
Other	165	449	369

NATIONAL BANK OF BULGARIA

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold holdings	1,871	2,003	2,003
Balances abroad and foreign currencies	519	580	744
Discounts and advances	1,599	1,120	1,188
Advances to Treasury	3,523	3,468	3,468
LIABILITIES			
Reserves in circulation	1,205	1,191	1,191
Notes in circulation	3,004	2,954	3,207
Sight liab. and deposits	3,140	3,286	3,140

BANK OF CANADA

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Reserve, of which:			
Gold coin and bullion	179.5	183.5	181.6
Securities	185.3	194.9	213.1
LIABILITIES			
Note circulation	160.7	174.1	181.5
Deposits: Dom. Govt.	31.2	25.3	29.8
Chartered banks	191.6	205.6	220.0
Reserves to notes and deposit liabilities	54.2%	52.8%	50.7%

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. kr.

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold	2,569	2,653	2,673
Balance abroad and foreign currencies	443	124	101
Discounts and advances	2,169	5,709	5,332
State notes debt	2,017	...	...
LIABILITIES			
Bank notes in circulatn.	5,876	7,301	7,415
Deposits	690	1,027	892
† Of which Kc. 335,550,000 transferred to the item "gold to cover gold liabilities."			

BANK OF FINLAND

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold reserve	602.7	620.5	620.5
Gold abroad not in gold reserve	32.0	...	...
Foreign correspondents	202.9	206.3	209.9
Foreign bills, etc.	84.1	101.0	102.9
Int. bills and home loans	101.2	6.152	6.146
Finnish & foreign bonds	504.2	397.0	389.2
LIABILITIES			
Notes in circulation	194.6	201.7	210.0
Sight deposits: Govt.	92.0	170.2	198.5
Other	976.9	1229.8	1119.3
Ordinary cover to sight liabilities	80.6%	75.1%	76.1%

BANK OF GREECE.—Million drachmae

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold and gold exchange	3,508	3,302	3,338
State gold bonds	521	522	521
Bills discounted	607	684	739
Advances	4,567	7,507	7,811
State debt	3,955	3,783	3,783
LIABILITIES			
Notes in circulation	6,820	6,960	...
Dep. and current accts.	5,519	...	...
Foreign exch. & bills	...	...	...

BANK OF JAPAN.—Million yen

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Coin & bullion: Gold	801.0	501.3	501.3
Other	50.9	46.5	49.4
Spec. fd. for exch.	669.6	300.0	300.0
Discounts and advances	532.0	136.5	136.5
Government bonds	116.0	134.6	122.0
LIABILITIES			
Notes issued	1573.0	1905.6	2066.3
Deposits: Government	273.8	629.5	602.1
Other	66.9	121.7	98.8

BANK OF JAVA.—Million florins

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold and silver	133.07	138.21	137.66
Discounts, advances & other investments	89.83	75.06	73.26
Foreign bills	4.76	2.05	2.80
Other assets	73.60	60.94	72.29
LIABILITIES			
Notes in circulation	191.73	188.43	191.89
Deposits and bills	95.50	71.80	79.28

NATIONAL BANK OF JUGOSLAVIA

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Cash reserve:			
Gold at home and abroad	1,738	1,849	1,892
Other foreign exchange	614	423	476
Discounts and advances	1,595	1,695	1,922
Government advances	2,252	2,243	2,243
LIABILITIES			
Notes in circulation	5,660	6,452	7,065
Sight liabilities	2,640	2,245	2,001

NETHERLANDS BANK

Nov. 1937	Oct. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold	185.6	148.1	148.1
Silver	17.8	12.2	18.6
Home bills, etc.	9.7	18.5	16.7
Foreign bills	5.1	4.1	4.1
Loans and advances in current account	196.6	297.8	302.4
LIABILITIES			
Notes in circulation	911.1	1141.2	1014.2
Deposits: (a) Govt.	17.9	109.8	151.6
(b) Other	670.8	580.8	673.6

BANK OF NORWAY

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Coin and bullion (gold reserve)	118.8	134.0	147.7
Bal. abroad & for. bills	171.9	180.2	197.4
Funds provisionally in gold, not in gold res.	70.3	87.7	62.8
Norwegian and foreign Govt. securities	92.4	121.8	128.8
Discounts and loans	121.4	106.0	105.5
LIABILITIES			
Notes in circulation	418.5	443.5	454.0
Deposits at sight	98.5	149.2	149.1

BANK OF SWEDEN.—Million kronor

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold reserve	23.1	23.1	23.1
Govt. secs.: Swedish	1937	1938	1938
Foreign	468.3	558.2	574.8
Govt. secs.: Swedish	2.0	72.0	82.0
Foreign	43.7	32.8	31.6
Gold abroad not in gold reserve	68.4	96.6	130.8
Balances with foreign banks	277.3	425.7	395.3
Bills payable in Sweden	13.2	12.2	13.2
Bills payable abroad	705.4	411.6	414.5
Advances	23.6	24.1	27.4
LIABILITIES			
Notes in circulation	849.1	939.9	983.7
Deposits: Government	134.1	246.4	254.6
Com. banks	781.8	704.3	722.6
Other	8.7	2.7	4.2

SWISS NATIONAL BANK

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold	2672.5	2850.8	2873.2
Foreign exchange	482.6	306.4	304.1
Discounts, etc.	10.5	13.3	90.3
Advances	26.6	31.5	21.1
Securities	15.9	94.7	94.7
LIABILITIES			
Notes in circulation	1450.0	1933.0	1701.7
Deposits	1737.4	1465.1	1656.7

RESERVE BANK OF NEW ZEALAND

Oct. 1937	Sept. 1937	Oct. 1937	Oct. 1937
ASSETS			
Gold	1937	1938	1938
Foreign exchange	2.40	2.80	2.80
Discounts, etc.	17.59	11.45	9.44
Advances to State	4.27	7.66	7.73
Investments	2.60	2.73	2.73
LIABILITIES			
Notes in circulation	11.27	13.73	13.91
Deposits: Govt.	4.80	3.91	3.72
Other	7.73	5.77	5.77
Reserves to sight liab.	74.9%	60.8%	...

BANK CLEARINGS

LONDON

(£ thousands)

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EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch.	Oct. 27, 1938	Oct. 28, 1938	Oct. 29, 1938	Oct. 31, 1938	Nov. 1, 1938	Nov. 2, 1938
London:—	Old Par	4-76 1/2	4-75 1/2	4-75 1/2	4-74 1/2	4-74 1/2	4-74 1/2
60 days	1-85 1/2	4-76 1/2	4-75 1/2	4-75 1/2	4-74 1/2	4-74 1/2	4-74 1/2
Cables	1-85 1/2	4-76 1/2	4-75 1/2	4-75 1/2	4-74 1/2	4-74 1/2	4-74 1/2
Demand	1-85 1/2	4-76 1/2	4-75 1/2	4-75 1/2	4-74 1/2	4-74 1/2	4-74 1/2
Paris, Fr.	6-93	2-66 1/2	2-66 1/2	2-66 1/2	2-65 1/2	2-65 1/2	2-65 1/2
Brussels, Bel.	23-53	16-91 1/2	16-91	16-91	16-91	16-91	16-91
Switz. P. L.	32-97	22-70 1/2	22-70	22-70	22-69 1/2	22-69 1/2	22-69 1/2
Italy, Lira	8-91	5-26 1/2	5-26 1/2	5-26 1/2	5-26 1/2	5-26 1/2	5-26 1/2
Berlin, Mk.	40-33	40-07	40-07	40-07	40-07	40-07	40-07
Vienna, Sch.	32-67	...	...	...	...	...	...
Madrid, Pt.	68-05	54-11	54-11	54-11	54-11	54-11	54-11
Amst. d'm Glde	145-37	21-27 1/2	21-24	21-24	21-24	21-24	21-24
Cop'n, Kr.	...	23-95	23-95	23-95	23-95	23-95	23-95
St'm, Kr.	...	24-55	24-55	24-55	24-55	24-55	24-55
Athens, Dr.	1-29	0-87 1/2	0-87 1/2	0-87 1/2	0-87 1/2	0-87 1/2	0-87 1/2
M'treal, Can.	160-31	99-150	99-225	99-310	99-310	99-310	99-310
Yokohama, Yen	84-40	27-81	27-81	27-81	27-81	27-81	27-81
Shanghai, S.	...	16-35	16-35	16-35	16-35	16-35	16-35
B. Aires, Peso	...	29-56	29-56	29-56	29-56	29-56	29-56
Rio, Ms. P.	11-95	5-90	5-90	5-90	5-90	5-90	5-90

Source: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended November 2, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD			GOLD		
British S. Africa ...	213,004	...	Canada	41,108	...
British E. Africa ...	21,137	...	Netherlands	25,797	371,095
British India	299,714	128,366	Belgium	615,183	...
New Zealand	18,200	...	France	57,305	...
Germany	424,100	...	Switzerland	103,053	4,539
Belgium	263,395	...	Morocco	2,753	...
Switzerland	27,681	1,595	United States	3,901,799	...
Total*	1,312,844	138,366	Total*	4,695,399	410,067
SILVER			SILVER		
Channel Islands	...	5,090	Fire	...	490
British W. Africa	...	3,340	Canada	915	144
British S. Africa	463	613	Switzerland	227	...
Belgium	2,861	1,183	Italy	1,116	...
France	7,800	200	United States	349,127	1,371,098
Switzerland	...	489	Other countries	1,676	105
Other countries	...	...			
Total	11,121	10,925	Total	393,461	1,371,837

* Including other countries.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Rhodesia	100 5 0	100 10 3	100 18 6	101 9	101 15 0
S. Africa	100 17 6	101 2 9	101 11 0	101 19 3	102 7 6

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:	£ s. d.	£ s. d.
Rhodesia	99 15 0	100 15 0
South Africa	100 2 6	100 2 6

AUSTRALIA AND NEW ZEALAND

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

* All rates (Australian and New Zealand) now based on £100—London.
† Intermediate rates will be calculated on the basis of 2s. 6d. for every seven days.

THE ECONOMIST INDEX OF BUSINESS ACTIVITY

(1935 = 100)

We give below a complete record of our monthly index of business activity. Details of the method employed in its calculation were given in the *Trade Supplement* to *The Economist* of July 25, 1936.

	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
January	83 1/2	89 1/2	91	95	92	96 1/2	97	85 1/2	85	83 1/2	96	102	107 1/2	111 1/2	111 1/2
February	86 1/2	89 1/2	92 1/2	95 1/2	94	94	97 1/2	86	86 1/2	85 1/2	95	97	102 1/2	109 1/2	110
March	85	88 1/2	91	96	94 1/2	96	96	86	86 1/2	84 1/2	95	96	102 1/2	111	107 1/2
April	85 1/2	88 1/2	92 1/2	95 1/2	94 1/2	97 1/2	94 1/2	86	86 1/2	84 1/2	95	98	105	109 1/2	107 1/2
May	89	87	71 1/2	96 1/2	93 1/2	92 1/2	93 1/2	86	86 1/2	84 1/2	95	99	104 1/2	112 1/2	103 1/2
June	87 1/2	87 1/2	67	95 1/2	92 1/2	97 1/2	92 1/2	84	84 1/2	82 1/2	94	99	106	113	102 1/2
July	89	88	55 1/2	95	93 1/2	99	92 1/2	87	87 1/2	85 1/2	94 1/2	99	106	113	102 1/2
August	88 1/2	86 1/2	64	94 1/2	94	99 1/2	91	86	86 1/2	84 1/2	94 1/2	99	106	113	102 1/2
September	88	88	69 1/2	96	94 1/2	99	90	84 1/2	84 1/2	82 1/2	94 1/2	99	106	113	102 1/2
October	89	88 1/2	75	94 1/2	94 1/2	99	90	85	85 1/2	83 1/2	94 1/2	99	106	113	102 1/2
November	88 1/2	88 1/2	79	92	94	99	89	87 1/2	87 1/2	84 1/2	94 1/2	99	106	113	102 1/2
December	88 1/2	91 1/2	89 1/2	92	95	97 1/2	88	87	87 1/2	84 1/2	94 1/2	99	106	113	102 1/2
Monthly average	88	89	80 1/2	95 1/2	94	98 1/2	93	87 1/2	84	89	96	100	106	112	103 1/2

p = Provisional.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Oct. 30 (£'000)					Aggregate Gross Receipts 43 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
L. M. & S.—	460	540	289	809	1,269	22,843	21,321	10,922	32,243	55,886
1937	461	444	261	705	1,116	22,852	19,337	10,688	30,025	52,877
1938	461	444	261	705	1,116	22,852	19,337	10,688	30,025	52,877
L. & N. E. (a)—	287	406	283	689	976	14,854	14,658	10,641	25,299	40,153
1937	295	324	251	575	870	14,772	13,545	10,109	23,654	38,426
1938	295	324	251	575	870	14,772	13,545	10,109	23,654	38,426
Great Western—	192	219	120	339	531	9,681	8,634	4,793	13,427	23,108
1937	186	197	115	312	498	9,606	7,987	4,608	12,595	22,201
1938	186	197	115	312	498	9,606	7,987	4,608	12,595	22,201
Southern—	283	77	36	113	396	14,343	2,748	1,309	4,057	18,400
1937	280	69	35	104	384	14,295	2,624	1,303	3,927	18,222
1938	280	69	35	104	384	14,295	2,624	1,303	3,927	18,222
Total—	1,222	1,242	708	1,950	3,172	61,721	47,361	27,655	75,026	136,747
1937	1,222	1,034	662	1,696	2,918	61,525	43,493	26,708	70,201	131,726
1938	1,222	1,034	662	1,696	2,918	61,525	43,493	26,708	70,201	131,726

(a) Week ended Oct. 29.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures	£	£	£	£
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,429	- 1,089	- 589	- 73
Weekly Figures	£	£	£	£
Av. weekly decrease, 2nd half 1938, latest week compared with 1937	- 84.06	- 64.06	- 34.65	- 4.29
Latest week compared with average 1927-30	- 172	- 157	- 33	- 12

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Oct. 28 (£'000)			Aggregate Gross Receipts 43 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1-8	0-4	2-2	114-1	21-0	135-1
1937	1-7	0-4	2-1	110-4	18-7	129-1
1938	1-7	0-4	2-1	110-4	18-7	129-1
Great Northern—	9-5	10-1	19-6	491-0	409-3	900-3
1937	9-8	11-4	21-2	486-5	391-3	877-8
1938	9-8	11-4	21-2	486-5	391-3	877-8
Great Southern—	29-0	51-3	80-3	1,611-3	1,775-9	3,387-2
1937	32-9	45-5	78-4	1,614-2	1,728-5	3,342-7
1938	32-9	45-5	78-4	1,614-2	1,728-5	3,342-7

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year	Company	*Int. or Final	Total	Pay- able	Prev. Year
BANKS	%	%		%	Brown Bayley's Steel	10 1/2	15	...	10	St. Martins-le-Gd. Pr.	3 1/2	...	Jan. 2	3 1/2
Eng., Scot. & Austrln.	3 1/2	7	Dec. 25	7	Burntisland Shipping	2 1/2	...	...	2 1/2	Scot. Tea & Rbr. Tst.	2 1/2	...	...	2 1/2
Royal Bank of Scotland	17 1/2	17			Burton (Montague)...	(a) 3 1/2	...	...	3 1/2	Sec. Trust of Scotland	4 1/2	7	Dec. 1	7
INSURANCE	%	%		%	Cedar Investment	...	5 1/2	Nov. 22	5 1/2	Shireoaks Colliery	1 1/2	...	Nov. 9	2 1/2
Legal & General Ins.	15 1/2	...	Jan. 2	15 1/2	Charrington & Co.	(a) 3 1/2	...	Nov. 30	3 1/2	S. Areas Electric	2 1/2	...	Nov. 15	2 1/2
Phoenix Assurance	30	...	Dec. 15	30	Colvilles, Ltd.	5 1/2	...	Nov. 19	5 1/2	Stephany Furniture	3 1/2	...	Dec. 1	5 1/2
Licenses and General	6	...	Nov. 30	90s	Compton (J.) & Webb	5 1/2	...	Nov. 19	5 1/2	Stroud Brewery	10 1/2	17 1/2	Dec. 1	17 1/2
Scot. Union & Natl A	6 1/2	24 1/2	...	Dec. 1	Coventry Gauge, etc.	(a) 15	...	...	15	Sudan Plantations	...	10	Nov. 18	12 1/2
Do.	B	24 1/2	...	Dec. 1	Daily Mail, etc., Tst.	6 1/2	83 1/2	...	11 1/4	Telephone Manfg.	2 1/2	...	Nov. 22	2 1/2
Sun Insurance	25 1/2	...	Jan. 2	25 1/2	Dunswart Iron, etc.	8 1/4	14	...	14	Thornycroft (John L.)	...	8	...	Nil
Thames & Mersey	6 1/2	...	Nov. 15	6 1/2	E. of Scotland Trust	5 1/2	7	Nov. 15	8 1/2	Wallpaper Mfrs. Def.	7 1/2	10 1/2	Dec. 10	12 1/2
TEA & RUBBER					Enfield Cycle	3 1/2	7	Nov. 15	8 1/2	W. Do. Ord.	3 1/2	...	Dec. 1	3 1/2
Bandar Sumatra Rbr.	...	2 1/2	Nov. 18	5	First Re-Invest.	12 1/2	15	...	15	Warner Estate	...	20	...	15
Bukit Kajang Rbr.	...	8	...	11	Fortnum & Mason	13 1/2	...	Oct. 31	10 1/2	Yarrow & Co.	...	20	...	15
Consolidated Estates	12 1/2	15	Dec. 7	14	Goodyear Tyre, etc.	1 1/2	...	Dec. 1	1 1/2	Yorkshire Amal. Colls.	2 1/2	...	...	12 1/2
Kollo Tea (Ceylon)...	...	12	Dec. 8	12	Grand Junction Co.	3 1/2	...	Dec. 1	3 1/2					
Scot. Tea & Lands...	...	5	...	Nil	Hatherly Works	(a) 7 1/2	(a) 12 1/2	Nov. 17	10					
Seroweway Rubber	2 1/2	5	Dec. 3	7 1/2	Heenan and Froude	5 1/2	...	Nov. 7	5 1/2					
United Temiang Rbr.	...	5	...	10	House Property, etc.	5 1/2	...	Nov. 7	5 1/2					
MINING					Hoyle (Joshua)	...	5	...	5 1/2					
Beralit Tin, etc.	5 1/2	...	Nov. 17	10 1/2	Jacobs (John L.)	5 1/2	...	Nov. 24	5 1/2					
Broken Hill South	10 1/2	...	Dec. 15	25 1/2	Kasson and Phillips	...	10	Nov. 9	5 1/2					
London Nigerian Tin	...	7 1/2	Nov. 24	15	Kellcott Cotton	6 1/2	9 1/2	...	10 1/2					
Maroc	12 1/2	20	...	25 1/2	Kernward & Court	2 1/2	...	Dec. 1	2 1/2					
North Broken Hill	10 1/2	...	Dec. 8	10	Lake View Investment	2 1/2	...	...	2 1/2					
Wardale Lead	...	Nil	...	10	London County Propts.	2 1/2	...	...	2 1/2					
INDUSTRIALS					Maden and Ireland	...	12 1/2	...	12 1/2					
Adelaide Electric	15 1/2	10	Dec. 1	10 1/2	Mansfield Brewery	8 1/2	...	Dec. 13	8 1/2					
Aircrow Co.	10 1/2	...	Dec. 1	10 1/2	Meters, Ltd.	2 1/2	...	Nov. 14	2 1/2					
Anti-Attrition Metal	7 1/2	15	...	30	Met. Indus. Dwellings	3 1/2	6	...	6					
Associated Clay	3 1/2	...	Dec. 1	3 1/2	Mutual Finance	...	5	...	5 1/2					
Bellamey (Joseph)	7 1/2	...	Dec. 1	10 1/2	Newnes (Geo.)	5 1/2	...	Nov. 25	5 1/2					
Braby (F.) and Co.	3 1/2	...	Dec. 1	3 1/2	Radio Con. of America	20 cts.	...	Nov. 10	20 cts.					
Brit. Electric Traction	(a) 2 1/2	...	Dec. 15	2 1/2	Red & White Transp.	5 1/2	...	Nov. 1	5 1/2					
Brit. Industries Fined	...	...	Nov. 9	55 s. d	R. Plate Electric	...	2 1/2	...	3 1/2					
TRUSTS					Rochdale, &c., Brwy.	...	5 1/2	Dec. 1	5 1/2					

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Dividend Interest	Amount Available for Distribution	Appropriation			Carried to Reserve, Depreciation, etc.	Balance Forward	Corresponding Period Last Year	
					Pref. Amount	Ordinary Amount	Rate			Net Profit	Dividend
Breweries											
Brown (Matthew) & Co.	Sept. 30	27,678	107,200	134,878	56,000	25,774	9	15,000	38,104	104,108	7 1/2
Cairnes, Ltd.	Aug. 31	8,544	7,353	15,897	4,185	2,631	4	1,000	8,081	9,942	4
Rochdale & Manor Brewery	Sept. 30	13,320	3,128	16,448	2,436	1,903	2 1/2	...	12,109	5,326	3 1/2
Financial Land, etc.											
Anglo-Scott. Amalgamated	Sept. 30	30,826	13,770	44,596	...	12,322	6	...	32,274	67,569	14
C.N.A. Investments	Sept. 30	5,944	90,846	96,790	25,000	62,075	12 1/2	1,450	8,265	(a)	(a)
Inter-Union Finance	June 30	4,384	30,399	34,783	11,000	8,906	5	9,369	5,508	(a)	(a)
Met. Industrial Dwellings...	Sept. 29	27,741	21,091	48,832	2,900	12,000	6 1/2	5,777	28,155	23,253	4
N. Zealand & Aust. Land...	Mar. 31	10,071	56,523	66,594	32,500	24,375	1 1/2	Dr. 5,000	14,719	127,039	14
Iron, Coal and Steel											
Dunswart Iron Steel	June 30	17,120	46,302	63,422	5,500	24,500	14	9,275	24,147	39,748	14
Fairfield Shipbuilding, etc.	June 30	23,668	241,570	265,238	30,000	...	...	215,000	20,238	201,729	Nil
Horden Collieries	Sept. 30	76,694	293,112	369,806	...	150,000	10	142,306	77,500	291,535	10
Osborn (Samuel) and Co.	July 31	41,339	80,994	122,333	7,183	31,957	15	15,000	68,193	60,153	15
Yarrow & Co.	June 30	26,525	45,867	72,392	...	30,000	20	15,000	27,392	30,511	15
Rubber											
Bandar Sumatra	July 31	946	4,744	5,690	...	2,496	2 1/2	2,000	1,191	8,908	5
Batak Rabi	June 30	5,727	4,345	10,072	...	3,750	5	...	6,322	7,365	9
Broome	June 30	1,796	18,207	20,003	...	11,305	8	4,000	4,698	29,717	11
Bukit Kajang	June 30	3,421	18,755	22,176	...	14,000	8	3,500	4,670	25,604	15
Bukit Lintang	June 30	10,377	3,093	13,470	...	2,225	7 1/2	700	10,545	4,767	10
Bukit Tambun	June 30	2,594	4,336	6,930	899	922	3	1,598	3,521	1,683	Nil
Glen	June 30	847	824	1,671	...	378	2 1/2	...	1,293	10,741	10
Jong Landor	June 30	4,337	6,444	10,781	...	4,475	5	2,477	3,829	35,509	7 1/2
Ledang Bahru	July 31	4,618	28,969	33,587	...	18,600	6	7,800	7,187	19,082	16
Lenggeng	July 31	1,344	12,153	13,497	...	9,537	10	1,500	2,460	6,935	12 1/2
Mergui Crown	June 30	1,457	7,301	8,758	...	4,848	7 1/2	1,500	2,410	15,650	7
New Hayoepp	June 30	1,231	407	1,638	...	...	...	...	1,638	25,094	7 1/2
Rubana	June 30	18,722	15,985	34,707	...	13,200	4	5,500	16,007	24,959	15
Tali Ayer	June 30	17,718	19,221	36,939	...	15,000	5	5,700	16,239	23,446	5
Textiles											
Derby & Midland Mills	June 30	5,939	21,763	27,702	6,000	5,625	7 1/2	5,000	11,077	23,446	15
Wilson, Smith and Sutcliffe	Sept. 30	2,136	Dr. 6,895	Dr. 4,759	3,000	...	...	...	Dr. 7,759	8,995	5
Trusts											
Aberdeen Trust	Sept. 30	7,784	15,892	23,676	6,950	6,178	6	...	10,548	15,043	5
Clydesdale Investment	Sept. 30	45,757	46,689	92,446	19,800	17,600	6	...	45,040	51,521	(a)
First Re-investment	Oct. 15	...	15,123	15,123	...	13,485	7 1/2	10,000	1,638	(a)	(a)
London & Colonial Invest.	Sept. 30	15,053	17,618	32,671	5,351	7,738	5 1/2	...	15,582	17,799	4
London Maritime Invest. ...	Sept. 30	12,103	33,542	45,645	18,438	14,500	4	4,000	12,707	37,093	2
Phoenix Investment Trust ...	Sept. 30	13,911	13,916	27,827	10,141	3,625	2	...	14,061	15,096	7
Second Scottish Investment	Oct. 5	12,521	103,920	116,441	71,958	15,544	7	...	28,939	120,019	5 1/2
Second Scottish Mortgage	Sept. 30	7,349	35,361	42,710	17,153	12,066	5 1/2	5,000	8,491	36,032	7
Securities Trust of Scotland	Sept. 30	26,066	28,487	54,553	12,870	12,051	7	...	29,632	31,474	4
Southern Stkldrs. Invest.	Sept. 30	10,450	50,338	60,788	40,000	1,467	1	10,000	10,788	56,551	2
Third Caledonian	Sept. 30	12,919	15,996	28,915	11,000	...	...	...	16,448	18,717	(a)
Other Companies											
Aberdeen Stadium	June 30	...	(b) 2,863	2,863	662	254	2 1/2	1,000	947	(a)	(a)
Callender (George M.)	June 30	2,537	8,113	10,650	4,179	1,917	38	2,500	2,054	7,275	(a)
Central News Agency	June 30	335,278	105,178	440,456	...	98,734	95	58,126	283,596	(a)	Nil
Eastern Chemical	Mar. 31	Dr. 52,143	317	Dr. 51,826	...	...	...	...	Dr. 51,826	Dr. 1,760	20 1/2
Financial News	June 30	90,228	18,647	108,875	10,528	5,252	5	...	93,085	56,930	15
Fortnum and Mason	Aug. 31	43,518	58,967	102,485	9,034	40,782	15	...	52,669	86,916	10
Nth. of Scotland Milling ...	Sept. 30	1,394	848	2,242	725	1,511	10	Dr. 1,000	1,006	2,144	Nil
Santa Cruz Coffee	Dec. 31	Dr. 10,440	2,383	Dr. 8,057	...	...	...	...	Dr. 8,057	Dr. 1,819	(a)
South African Clothing ...	June 30	1,344	23,757	25,101	8,250	12,600	4 1/2	...	4,251	(a)	(a)
Total Profits, 1938, in £ 000s:											
To October 29	No. of Cos.	1,994	74,833	259,622	334,455	42,431	135,310	...	74,974	81,740	236,794
To November 5		2,037	75,459	261,150	336,609	42,780	135,912	...	75,459	82,459	238,510

(a) No comparable figure.

(b) 15 months.

(c) From August 14, 1937, to October 15, 1938.

TRANSVAAL GOLD OUTPUT

Statistics for October 1938 (on basis of £7 5s. Od. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton	Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Ton
Anglo-American Corporation							Goldfields						
Brakpan Mines	140,000	...	236,055	147,317	108,738	s. d.	Simmer and Jack	115,000	24,559	178,056	...	58,988	20 1/2
Daggafontein Mines	145,500	...	290,722	149,210	141,512	...	Robinson Deep	127,000	28,599	207,145	...	86,237	19 1/2
Spring Mines	147,000	...	296,941	149,916	147,025	...	Sub Nigel	60,300	41,924	303,914	...	204,923	32 1/2
West Springs	88,500	...	131,623	84,567	47,056	...	Vogelstruisbult	70,000	16,805	121,833	...	34,041	13 1/2
S. African Land and Exploration	49,700	...	104,392	67,459	36,933	...	Rietfontein Cons.	29,000	4,140	29,974	...	11,002	17 1/2
Central Mining—Rand Mines							Lupatards Vlei	53,000	11,896	86,491	...	26,392	22 1/2
City Deep	110,000	21,863	158,650	...	24,276	24 5/2	Johnnies Group						
Cons. Main Reef	174,000	30,010	217,736	...	52,522	18 11/9	East Champ D'or	30,000	...	51,455	...	20,548	20 1/2
Crown Mines	355,000	86,118	625,015	...	264,718	20 3/6	Government Areas	195,000	...	349,201	...	170,243	18 1/2
Durban Road Prop. Deep	132,000	25,462	185,022	...	46,335	21 0/2	Langlaagte Estate	106,000	...	110,216	...	10,160	17 1/2
East Rand Prop.	223,000	48,051	348,385	...	105,516	21 0/2	New State Areas	124,000	...	217,939	...	140,161	17 1/2
May's Deep	70,000	10,222	74,196	...	19,061	15 9/0	Randfontein Estates	400,000	...	438,822	...	110,351	16 1/2
June	92,000	15,284	111,190	...	47,536	13 10/0	Van Ryn Deep	105,000	...	118,743	...	30,024	17 0/0
July	123,000	22,652	164,155	...	57,052	17 5/0	Witwatersrand	89,000	...	98,113	...	12,665	17 0/0
August	198,000	34,859	233,021	...	108,656	14 7/0	Johnnies Group Total	1,049,000	...	1,414,489	...	494,152	17 9/0
September	84,000	16,756	121,600	...	24,111	23 2/0	Union Corporation						
October	89	12,890	93,567	...	17,762	18 5/9	East Geduld	147,500	42,458	310,338	116,180	194,158	...
November	88 1/2	91	...	...	...	...	Geduld Prop.	116,500	27,966	205,106	84,382	120,724	...
December	88 1/2	91	...	...	...	...	Grootvlei Prop.	60,500	9,695	70,836	67,595	3,241	...
Monthly average	88	89	75,870	...	5,547	16 5	Modder Deep	49,500	6,756	49,109	40,516	8,593	...
				...	104,418	16 11	Van Dyk Cons.	66,000	15,238	111,095	74,554	36,541	...
							Other Mines						
							Glyn's Lydenburg	9,000	2,701	19,601	5,395	31 6/0	...
							New Kleinfontein	75,500	14,350	103,993	71,773	32,220	19 0/2
							Transvaal Gold	27,400	4,233	30,728	4,558	...	...
							Witwatersrand Deep	45,000	7,600	54,944	46,255	8,729	...

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FINANCE AND BANKING

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opposition save perhaps on the score of not going far enough. This is particularly true of Sir Samuel Hoare's Bill to amend the treatment of young offenders and habitual criminals and of the new (and previously unheralded) cancer campaign. Little objection is also likely to be taken, at least by the English members, to the batch of Scottish Bills, of which one is intended to centralise the administration of Scotland in Edinburgh and another to amend those peculiarities of Scots marriage law which have brought fame to Gretna Green.

The remaining Bills promised in the Speech are all of a more or less directly economic character. Agriculture has its usual batch of Bills, to deal, this time, with milk, poultry and wheat. The share-pushing Bill is promised, and though the Bill as a whole will be welcomed, the financial community will scrutinise carefully the amendments that have been made in the crucial but ill-drafted Clause 9. There are two other Bills whose purpose is to carry out recommendations made in Committee reports: one following the conclusions of the Cassel Committee on compulsory insurance and the other amending the Unemployment Insurance Acts in accordance with the advice of the Statutory Committee. The Miners' Welfare Levy is to be raised, to provide for additional pithead baths. And, finally, legislation would be required if the

Government were to approve the proposals for the re-organisation of the cotton industry that have been put before them.

A list such as this derives far more interest from its omissions than from its contents. One of the most notable omissions is the long-promised and hotly-debated Bill for the reform of the distribution of electricity. The failure to push on with it—taken together with the passive attitude with which the Government, in the matter of cotton re-organisation, are apparently prepared to consider, and to approve or reject, proposals, but not to initiate them—serves once more to illustrate the policy of giving industries just as much or as little legislation as they want. The present Government, in fact, seem to be anxious to avoid including anything in their legislative programme that would stir political passions. It says something for the condition of the country that such a policy of marking legislative time is possible. But there would be agreement between the Government and all the Oppositions that legislative dullness can only be justified if it is accompanied by incisive action in the sphere of administration. Whether or not this proves to be the last session of this Parliament, the General Election, when it comes, will be decided by the people's verdict not on the Government's Acts but on their actions.

Back to the Start in Palestine

IT would be barren, as well as captious, criticism to minimise the difficulty of the unenviable task with which the British Government are saddled in Palestine; yet, knowing, as we do know (and this is one of the few unquestionable facts), that time is of the essence of the Palestinian problem, we are struck with a chill of dismay on reading the Government's statement covering the findings of the Woodhead Partition Commission's report. It is truthfully headed "Statement" *sans phrase*, not "Statement of Policy"; for the most important admission in it is that His Majesty's Government are still without any policy of their own for Palestine. Once again the decision has been put off; and, as it would hardly be possible to appoint still another Commission, the stop-gap this time is a round-table conference in London, at which the Jews and some of the Arabs are to be invited to meet one another under British auspices. It seems a slender hope to expect that the parties which have proved irreconcilable for twenty years on Palestinian ground will be miraculously reconciled now by the geographical expedient of shifting the conference table from Palestine to London; and in the act of convening the London conference the Government have found themselves compelled to envisage the possibility of its failure. "If the London discussions should not produce agreement within a reasonable period of time, they will take their own decision in the light of their examination of the problem and of the discussions in London, and announce the policy which they propose to pursue." In other words, we are right back at the beginning again.

This is the more disturbing because the Government, in their new statement, explicitly accept the Peel Commission's major finding that procrastination can produce no result except to make the situation worse. On this major premise, the Peel Commission argued that an imperfect, rough-and-ready settlement executed immediately would prove less disastrous than a further investigation into what might be the best that could be done in a situation where this "best" was a rapidly wasting asset. They therefore urged the Government to cut the Gordian knot, without pretending that Partition could leave the cord intact. The Royal Commission's major premise was not within the

scope of the Partition Commission's terms of reference; and what they have done—with an expenditure of precious time which was undoubtedly required for a conscientious execution of their task—has been to demonstrate that their predecessors' knot-cutting proposal is impracticable. They have proved this exhaustively against the original proposal and two possible variations on it; and the result at which they have arrived—as it is summarised in the Government's statement—reads like a caricature both of parliamentary democracy and of academic scepticism.

One member prefers Plan B. Two other members, including the Chairman, consider that Plan C is the best scheme of partition which, under the terms of reference, can be devised. A fourth member, while agreeing that Plan C is the best that can be devised under the terms of reference, regards both plans as impracticable.

This reads like Fabius Cunctator's notes of a lecture by Arcesilaus!

"His Majesty's Government will therefore continue their responsibility for the government of the whole of Palestine"; and, as "it is clear that the surest foundation for peace and progress in Palestine would be an understanding between the Arabs and the Jews," they are prepared "in the first instance to make a determined effort"—(has it never been a determined one before?)—"to promote such an understanding." This leads up to the proposal for a London Conference, at which the Jews will be represented by the Jewish Agency and the Arabs by (a) representatives of the Palestinian Arabs acceptable to His Majesty's Government, and (b) representatives of neighbouring [Arab] States. The agenda is to include the question of immigration into Palestine, and there is a gleam of hope in that, since this question is the crux of the Jewish-Arab conflict. But can an effective London Conference be assembled on these, or on any, terms? Both the Woodhead Report and the Whitehall statement have been very ill-received in Palestine by Arabs and Jews alike. The Woodhead Report has already been rejected by the Jewish Agency as a basis of discussion. The Jews are also upset by the proposal to bring in the neighbouring Arab States, and are demanding that, if these are represented,

then the Jews of Poland and the United States ought to be represented too. On the Arab side, grave exception is taken to the Government's caveat that, "as regards the representation of the Palestinian Arabs, His Majesty's Government must reserve the right to refuse to receive those leaders whom they regard as responsible for the campaign of assassination and violence."

This caveat is manifestly aimed at the Mufti of Jerusalem; and if the Government's next step had been, not to call a peace conference, but to stamp out Palestinian Arab resistance by force of arms, it would have been reasonable to boycott a leader who is hostile and hitherto intransigent. But, in setting out to negotiate for peace, the relevant question is not "Do I like the man facing me across the table?" but "Am I dealing with the man who can effectively sign, seal and deliver peace terms on behalf of his people?" One must make sure of negotiating, not with nonentities, but with the real principals; and the right procedure is surely that which we followed in the Anglo-Irish negotiations of 1921. The opposing party must be left to choose their own representatives; and if anybody is to be excluded because he is unwilling to do business, his exclusion must come as the result of a difference of opinion between the extremist and his own colleagues, and not as the result of a British fiat. If, in 1921, Mr Lloyd George had excluded Mr de Valera *a priori*, he would never have been able to come to terms with Griffith and Collins. And what a mistake it was on Dr. Benes's part (as is now evident in retrospect) to insist on doing business with the Sudeten German "Activists" only, and to refuse, down to the last moment, to have anything to do with the Mufti of Asch. The Mufti of Jerusalem's position is comparable to Herr Henlein's, and perhaps he, too, already has Herr Hitler behind him. If the Government's policy is "realism," these are facts which it dare not ignore. Unfortunately, Mr MacDonald's statement in Parliament on Thursday seems to commit the Government to the exclusion of the Mufti.

With an eye to the future, we may touch upon some points in the very able Woodhead Report which are, and

will be, pertinent, even if the Report itself is rejected. The Partition Commission have done well in throwing cold water on the prospects of economically developing the Negeb and the Jordan Valley and of effecting transfers of land and population between the Jews and the Arabs; in grasping the nettle of Jewish immigration and land purchase; in pronouncing against the inclusion of Galilee in a Jewish state; and in pointing out the irreconcilability of the Permanent Mandates Commission's recommendation that "the Arabs should be deprived of as little as possible" with its simultaneous recommendation that "the Jews should be allotted areas capable of dense and rapid settlement and enjoying numerous economic advantages." The Report gives devastating expositions of the economic impracticability of Partition schemes A, B and C alike. But the cogency of these economic arguments does not mean that, in regard to Palestine, they are the last word of statesmanship. Our fundamental error all along, in dealing with the Palestinian Arab, has been to assume that he would behave like "the economic man" of the classical nineteenth-century English economists. But this *homo economicus* has never been more than an abstraction in England itself. Even a Scotsman does not behave like that up to one hundred per cent. Nor does the Zionist—brilliant man of business though he has shown himself to be. For the essence of Zionism, as its very name proclaims, has been to put sentiment above economics. The Zionists (and this is their glory) have rejected the flesh-pots of East Africa for the thorns and bullets of their historic Erez Israel. But to-day this Erez Israel is also the Palestinian Arab's national home; and you will not prevent him from fighting for it, though you may demonstrate to him till you are blue in the face that a business deal with the Jews is his only chance of achieving material well-being. Whatever happens in Palestine, one may be sure that economic facts and calculations will be overridden by political feelings. And if we cannot find room for two raging tearing nationalities in one small country, there is a terrible and imminent danger that one will expel the other by brute force.

Parliamentary Government

WITH tragic speed democracy has become Europe's greatest losing cause. In England parliamentary government still stands unshaken, but many voices are murmuring about its alleged inability to deal efficiently and with dispatch with the heavy burdens of defence and social service now laid upon it.

Englishmen have always been sceptical about the competence of governments. Burke said that "to provide for us in our necessities is not in the power of governments," and Bagehot himself, who first laid down the postulates of English parliamentary practice, was convinced that to extend the right to vote to the "lower orders" would be disastrous. They would demand with all the weight of their numbers concessions which it would be economically and administratively impossible to concede.

Professor Laski, the latest commentator on our constitution,* hastens to demonstrate the errors of these earlier sceptics. It has been found possible to concede far more working-class claims than Bagehot ever contemplated, in the form of shorter hours, higher wages, more education, better houses and social services, simply because of a very considerable increase in the national income; and the State has shown itself more and more competent in the provision

of precisely those "necessities" which aroused Burke's doubts.

Indeed, Professor Laski has scarcely any doubts about the competence of English parliamentary government to perform its tasks. To those who criticise the clash of parties as dissipating useful time and energy he replies in the vein of Bagehot himself. The root principle of parliamentary practice is the organisation of electoral opinion in broad party groups in support of programmes of proposed measures. After election the party with a majority of seats supports its leaders, who now constitute the Cabinet, in making their measures law. Only in this way could the King's government be carried on, when the calls made upon the State are so numerous and so technical; and the process would be paralysed by the introduction of proportional representation with its multi-party consequences. Talk of Cabinet dictatorship and members' servility is beside the point; the Government's supporters simply back the leaders they have chosen in the execution of a policy to which they have previously agreed, at least in general, as party adherents; and, if the Cabinet should depart seriously from its announced intentions, its followers will prove recalcitrant even to-day, as the incidents of the Hoare-Laval pact and of the first edition of N.D.C. have only recently shown. The chief rôle of private members,

* "Parliamentary Government in England." By Harold J. Laski. Allen and Unwin. 453 pages. 12s. 6d.

Government and Opposition alike, is to elicit a constant stream of information from Ministers about the policy and activities of their departments; to make sure by questions and in debates on the adjournment that government is conducted in the light of day.

Not that Professor Laski is wholly satisfied either with members or Ministers. As individuals, M.P.s play too little part in government; they might well constitute advisory committees attached to the various administrative departments, to keep Parliament in touch with their work rather than to criticise, and to examine the rules, regulations and orders issued by departments under statutory authority. In the Cabinet itself, now that the Secretariat has become permanent and an inner council of only a few Ministers has become customary, Professor Laski would ask for little change; and he disagrees emphatically with the view that the Cabinet has too much work to do. The crux comes when Ministers meet the permanent officials of their respective departments; unless they are possessed beforehand of a clear-cut policy, substantiated by persuasive detail, they must rely for both sides of every case on the civil servants, who, if they are worth their salt, have a definite point of view. If Ministers know what they want and possess those qualities of judgment and character commonly characteristic of Parliament's own selected leaders, this absence of expert knowledge need not matter at all, but it would never be wasteful, in Professor Laski's view, for Ministers to follow Mr Arthur Henderson's example, when he took to the Foreign Office a team of detached experts to advise and inform the Ministerial viewpoint.

It was the Civil Service which falsified the forebodings of Burke and Bagehot; and in a very real sense the permanent official is the core of democracy. Whitehall exists to serve the people—except perhaps the Treasury which exists to save money—and once more Professor Laski is reasonably well pleased. He is in no way worried by the problem of delegated legislation; delegation to officials is necessary in modern administration; and parliamentary watch and ward over rules and orders is quite feasible. The standard of efficiency, hard work and devotion to duty is high; but because the various grades are recruited from different strata of society, there is a stereotyping of attitudes towards society at large, and there is a lack of unusual ideas and heterodox ability. The crystallisation of methods and procedure, reinforced and in part occasioned by Treasury control, may be an awkward deterrent in new tasks, such as dealing with unemployment and Special Areas or speeding-up re-armament.

Professor Laski's conspectus is kind, just as warders are kind to prisoners condemned to die, for at the end he agrees with Bagehot—that democratic government cannot

proceed indefinitely, because the point will come when the workers will want more than the capitalists will or can concede. That point, says the Professor, is upon us, because the official Opposition has an overtly Socialist programme.

Here the Professor is probably as much of an alarmist as Bagehot was seventy years ago about the franchise. All parties, Conservative, Liberal or Socialist, are in the same boat in the democratic scheme; if they cannot reduce unemployment, improve health, foster nutrition or expand education, they lose the electors' confidence; and if the community cannot afford these things, all parties are still in the same boat. True, the Labour Party advocates nationalisation, but both Bagehot and Gladstone wanted to nationalise the railways. Even modern Conservatives have taken steps to socialise economic enterprise, and Labour's immediate programme is scarcely more sweeping, apart from its rhetorical flourishes, than, say, the plans of the "Next Five Years" Group. As long as Labour pins its faith to the practice of tolerance and liberty, the limit of its programmes, as Bagehot saw (though he misdated it), will simply be set by the rate of the nation's productivity.

Democracy has two fronts: one satisfying the wants and needs of the poor; the other increasing the national income to satisfy those wants and needs. In France the Popular Front saw only one side of their task; and there is always alarm in financial and business circles about the economic policies of Socialist administrations. Professor Laski, however, may rest assured; his arguments suggest that the Labour Party, with the City and the Lords against it, will have difficulty at the polls or in office; but Socialism rather than parliamentary government is in danger. As he himself says, "the only alternative to the talking shop is the concentration camp." His own survey has ably shown that, with goodwill and a touch here and a touch there, with regional reorganisation of local government, but no devolution which would be wasteful, and with more committees and institutions to keep members in touch with facts, fresh ideas and research, the talking shop can perform whatever task it is called to set its hand to; it can square the political circle by being at once popular and efficient. From the party to Parliament, from Parliament to Whitehall, and back to the citizens, representative government is a response to popular demand—it is government by consent. Much is heard nowadays about the driving-force of the enthusiasm and loyalty seen in totalitarian countries. But if we seek a faith that may move mountains we have it here at home. In the words of *The Times*, eighty-six years ago,

For to what, after all, are the statesmen of England to look for strength and national power, if injuries and offences rise against us, but to the enlightened resolution of the people of England to uphold the principles on which our own polity and independence are founded?

Africa's Needs

THE harsh overtones of European tumult have been heard in Africa. Germany's claim to colonies has sounded a warning note, and events in Danubia have created concern far away on the banks of the Congo, the Zambesi and the Orange River. Defence and strategy have once more become the watchwords of those who control the African continent, while debate continues fast and furious about the economic worth of African territories.

Europe has in any case a special responsibility for Africa's destinies. Virtually the whole of the continent is, directly or indirectly, under the governance of Europeans or men of European stock. European commerce and capital have radically reshaped the physical and economic environment of some 140 millions of native people. European systems of law and education, together with European

methods of transport and business procedure, have broken up the isolated tribal existence of African communities.

It is not simply as pieces in the pattern of diplomatic appeasement that the African colonies now merit special scrutiny. The notion that Africa is Eldorado to be divided among European nations to the profit of the successful claimants is illusory. The territories south of the Sahara supply less than a twentieth of both the world's exports and imports. The development of roads and railways and the exploitation of the region's special products, gold, diamonds, chrome ore, palm oil, groundnuts, cocoa and sisal, have cost over £1,222 millions of overseas capital. Further development will involve a large outlay, while the various territories are already weighed down by a heavy fixed-interest burden. The South African Union, the

Rhodesias and the Belgian Congo are dependent upon mines; in British West and East Africa mining is of growing importance. Mining attracts investment and industry and provides revenue. Let the demand for gold and other minerals appreciably diminish and African wealth is gravely precarious.

Nor is there any great opening in sub-Saharan Africa for the surplus populations of crowded Europe. The scattered peoples of the area live no more than 13 to the square mile. But the land is relatively under-populated because it is so largely tropical in climate and character. Less than 2 per cent. of its inhabitants, and these on favoured upland or southern sites, are of European stock.

Much current controversy about colonies is thus clearly beside the mark. Colonial territories are a weighty responsibility to their rulers rather than a rake-off in the Imperial racket. Three quotations from Lord Hailey's remarkable Survey of Africa South of the Sahara,* published this week, point this inescapable moral. "It is possible (the Survey says) that history . . . will be more concerned with the nature of the contribution which the European occupation will have made to the future of the African peoples than with the profit or loss which the African connection may have brought to Europe." Moreover, apart from those places where the predominance of mining enterprises renders the native necessarily dependent upon the white man's ways, the future of these countries "probably depends more on the general development of native economic activity than on the results of European enterprise." And, finally, "if the pace of internal development is to be quickened, it can only be as the result of assistance in the form of free grants from the Imperial Powers."

It was not the purpose of this Survey, which was begun five years ago, to point morals or to plan policy. In origin it was a response to General Smuts's appeal in 1929 for more knowledge about the problems of government and livelihood in Africa, and its object of lightening our darkness about the darkest of continents has been notably achieved. Language and population, topography, agriculture and husbandry, industry and mining, transport, education and public health: all these are comprehensively passed in review, together with the administrative problems to which they have given rise in the possessions of Britain, France, Belgium, Portugal and the South African Union.

The Survey's prime intention is to inform, but the moral nevertheless emerges. Life in Africa has been reduced to "flux and ferment" by the impact of European interests, incentives and ideas upon simple and self-contained communities. Many Africans now work for wages in industrial concerns. Others grow goods for the fluctuating markets of the world. Almost all have become acquainted in greater or less degree with the habits and satisfactions of so-called civilised existence. And the continent's future depends upon the skill and success with which adjustment to this completely new environment is achieved. The time when the only tasks of European Governments in Africa were to keep the peace and dispense justice has gone. The African may still benefit greatly from the rapid and radical changes now taking place; he may gain a higher standard of living and fresh social and cultural opportunities. But only a positive policy on the part of the European administrations which stand *in loco parentis* can pave the way to the achievement of these goals.

This is no new doctrine, for trusteeship is a slogan decades old, and the welfare of native populations was the fundament of the mandatory system whereby the former colonies of Germany in Africa were redistributed. But it has taken the stirring of Mediterranean Arabs, the rising of West Indian natives and the heart-searchings evoked by Germany's colonial claims to stimulate Imperial stock-

taking. Lord Hailey's Survey comes opportunely to provide the basis for understanding, and so solving, urgent problems of law and administration, taxation, land and labour, education and social services in the African colonies.

Everywhere the key question is the compromise to be sought between native and European ways. Present practice varies very widely. South Africa, Southern Rhodesia and the French possessions are governed directly by Europeans according to European models, though native advisory councils are employed. British West and East Africa, on the other hand, are administered indirectly, at least for local purposes, through the natives' own traditional tribal authorities, according to the plan of the late Lord Lugard. The ostensible aim of British rule—outside the sphere of the South African Union where industrialisation, urbanisation and racial prejudice seem to doom the native to dependence and segregation—is representative self-government under the guiding hand of European administrators. The French colonies, on the contrary, are designed to be ultimate parts of France itself, ruled by colonists with an infiltration of a trained élite of natives educated European-wise for their special rôle. Belgium has scarcely ceased to regard her colonies as State business undertakings, while Portugal aims to replace the legacy of past mismanagement in Africa by the gradual building-up of a corporate State in the colonial style.

Clearly the form of administration adopted will depend appreciably upon the place envisaged for the native in the colony's economy. In South Africa, where the native is primarily cheap labour, he is politically dependent; in West Africa, where he is farmer, producer, trader and sometimes clerk or even lawyer, in great part he governs himself. But the administrative problem is more than one simply of ordering different types of economy. Malnutrition is a chief characteristic of African communities; serious soil deficiencies have been enhanced by the settlement of groups previously accustomed to shifting their area of cultivation to rest the land; the overstocking of cattle has destroyed pasture; and the soil is gravely eroded. Standards of hygiene are low, and the breakdown of local isolation has spread malaria, sleeping sickness and venereal disease far and wide. There is need for new methods of mixed farming, irrigation and rotational grazing, for individual in place of communal titles to land, for "a scientific approach to the problems of health and material well-being," for social services on the widest scale. No native assembly or tribal chief, nor even a local council of Europeans, can marshal the knowledge and financial resources needed to execute the foundations of broad programmes like these.

This is the responsibility of Imperial powers themselves. The man on the spot must do the job, the European administrator, the European assembly, the native council or the tribal chief; but the Imperial Power must collate researches and information, through some such institution as the African Bureau proposed by Lord Hailey; must keep in constant touch with colonial problems by means akin to the African Council the Survey suggests; must above all furnish generous funds for development and evolve a centrally directed colonial policy. In the British possessions too much has been left to the devoted labours of the man on the spot; and too little has been known or done in London. Troubles in the West Indies have disclosed the dangers of this negligence, and they are implicit in the details of the African Survey. The future of Africa depends, as the Survey shows, upon the natives' own enterprise and social development. It is for the Imperial powers to provide the conditions and resources; to see to social welfare and agricultural regeneration; to furnish knowledge, guidance and financial aid. These are Britain's tasks to-day; and the tasks before, say, a Germany colonising afresh or an International Colonial Commission, such as many open-minded people have proposed, would be precisely similar. Europe must be prepared to pay heavily and with wisdom for its place in Africa.

* "An African Survey." Directed by Lord Hailey, under the auspices of the Royal Institute of International Affairs. Oxford University Press. 1,800 pages. 21s.

Topics of the Week

Overseas Journeys.—The most welcome item in the King's Speech on Tuesday was the announcement that their Majesties, on the invitation of President Roosevelt, would couple a brief visit to the United States with their proposed Canadian tour early next summer. No reigning British Sovereign has ever set foot on the North American Continent, and the Royal journey to Canada, which comes appropriately now that the Commonwealth's oldest Dominion has been enabled by the Statute of Westminster to sever the last formal links of its legal subordination to the British Parliament, would have been incomplete had the Royal party not consented to cross the only important frontier in the world never likely to have a Maginot line of its own. King George is Canada's King no less than Britain's, and it will be as symbolic head of the whole British Commonwealth, with which the United States has so many ideals and interests in common nowadays, that he will go to Washington. The days of dynastic diplomacy are long dead, and politically the visit of Mr Chamberlain to Paris next week may be more immediately significant than next summer's historic occasion. There are doubts in Paris about the implications of the British Prime Minister's new attitude to the dictators, and fears about the future of France's colonies in the face of German claims. It is more important than ever, as Mr Chamberlain himself asserted at the Guildhall on Wednesday, that the two great democracies of Western Europe should march together. Yet, even in a programme of appeasement which recognises Germany's predominance in Danubia, the shaping of policy in South-Eastern Europe cannot be entirely ignored, and the King of Roumania, who comes to London next week, has the qualities of shrewdness, determination and capacity which are likely to render his personal influence of decisive importance in the diplomatic destinies of that troubled region. In all these journeys goodwill and hospitality are closely intertwined with politics, and their outcome may be significant for the peace of the world.

Political Portents.—The interpretation of isolated election results is an art akin to astrology, and it would be a rash pundit who based a confident judgment about the state of public opinion upon the contests concluded at Oxford and Dartford. At Oxford, three weeks ago, the city was less excited than the University about the belated and ill-organised challenge of the Master of Balliol to the Conservative candidate; and the Labour candidate who, with a Liberal, stood down in favour of Mr Lindsay openly shared Transport House's disapproval of the united platform he had made possible. Conservative by prescription, Oxford remained so. Dartford was different. The Socialist candidate this week turned a deficit of 2,646 votes in 1935 into a majority of 4,238, in a contest in which both sides appreciably increased their poll. In both elections foreign policy was the key issue: at Oxford, Mr Chamberlain sailed home with a reduced majority; at Dartford he was defeated. Yet, foreign policy apart, the Dartford result was not surprising. The division had been Labour three times before; Mrs Adamson was confronted by a weak candidate who allowed her to get away with the accusation that conscription was the Government's policy; and an ambiguous social services provided Labour with ammunition. The political tide is still slack. Both sides are waiting for the Prime Minister to prove, or fail to prove, that appeasement is practicable. While they wait, defence deficiencies and Herr Hitler's minatory speeches are causing disquiet, and if the policy of appeasement does fail abroad the eagles will be gathered in great numbers round the carcass.

The New Deal in Retreat.—The result of Tuesday's elections in the United States is that the party of which President Roosevelt is the chief will have a majority of about 260 to 170 in the House of Representatives and of about 68 to 28 in the Senate. Nevertheless the election results are a definite setback for the President. For the first time since 1928 the Republicans have gained ground, and the turning of the tide is more important than the distance travelled by the first wave. Actually, the Republicans' gains have been larger than was expected. A gain for them of 50 Congressional seats would have been on the margin between a disappointing and a satisfactory result; in the event they have gained about 75 seats. Their most striking gains, however, have been in the contests for some of the State Governorships. Pennsylvania, Massachusetts and Michigan have lost their Democratic Governors, and the Senatorial contest in Ohio resulted in another Republican victory, while in the all-important State of New York, the racket-busting District Attorney, Mr Dewey, came within an ace of turning out the popular Democratic Governor Lehman, who in the past has received more votes in New York than Mr Roosevelt himself. Against all this, the Democrats can put only the capture of the Governorship of California. The reaction of this election on the President's position remains to be seen. It is as definite a rebuff to him as his failure to "purge" his opponents from the Democratic party. But the revival of an Opposition may have the effect of improving the coherence of the Democrats. And the closer the Presidential contest looks like being two years hence, the more impelled he may feel to be a candidate himself. Who his Republican opponent would be cannot yet be guessed. But the two Republicans who got the biggest share of the headlines were Mr Dewey in New York and Mr Robert Taft in Ohio.

Herr Hitler and the British Opposition.—There was a common theme in Herr Hitler's speech of Weimar last Sunday and in Herr von Ribbentrop's speech at Berlin on Monday, and since the same theme has been taken up simultaneously in the Italian Press, we may assume that it has been carefully thought out and that the proclamation of it has been preconcerted. The theme is that a totalitarian State can never know where it is, in dealing with a democracy. Totalitarian policy is "without change or shadow of turning"; democratic policy may be reversed almost at any moment by a general election. Therefore the goodwill of Mr Chamberlain and M. Daladier must be discounted in view of the always imminent possibility of their dropping out of office; while conversely the words of the present Opposition in Great Britain and France must be taken seriously in Germany and Italy because there is no knowing that Messrs Churchill, Eden, Duff Cooper, Greenwood and their French opposite numbers will not be as good as their word if and when they come into power. *Mutatis mutandis*, Herr von Ribbentrop applied the same argument to the deliberate misrepresentations of Germany with which he charged large sections of the foreign Press. The significant feature of Herr Hitler's speech was that he brought his denunciation of "the war-party" in the West in general, and in Great Britain in particular, into relation with the question of disarmament. "If the rest of the world speaks of disarmament, we are gladly ready, but under one condition: that first there is a disarmament of the war agitation." When the Fuehrer says that "in the authoritarian States it is taken for granted that there is no abuse and slandering of other nations, and no war agitation," we may gasp as we remember this year's German Press campaign against Czechoslovakia, and the similar campaign which is kept up, year in and year out, against Russia. But to catch

Herr Hitler out is much less important than to discern what he is after. And his latest attack upon the Opposition in this country—an attack in which Mr Arthur Greenwood's name has been added to that of the three other front bench members of Parliament whom he had previously named—looks like a hint, addressed to Mr Chamberlain, of the elements of a bargain. "If you want me to contemplate anything like an agreement for the limitation of armaments, then, as a preliminary condition, you must muzzle your Opposition." If Herr Hitler does want—and this would not be illegitimate in itself—to act in a way that will influence the course of British politics in the direction he desires, he would be wise to take Mr Chamberlain's advice as to how best to set about it.

Atatürk.—The great Turkish statesman who died this Thursday will go down to history as a genius of the same type and stature as Peter the Great. Like his Russian peer, President Mustafa Kemal Atatürk has achieved the superhuman task of converting a whole world to the Western way of life in the span of a single generation. Peter "Westernised" all the Russias; Kemal, in "Westernising" Turkey, has determined the destinies of the whole of the Islamic world; for what the Turks do to-day will be done by other Muslim peoples to-morrow. Atatürk was born and brought up in Macedonia as the subject of an Ottoman Empire which was a cosmopolitan State based on a dynasty and a religion; he leaves behind him a Turkish Republic which is a progressive national State on the modern Western pattern. He has been eminent alike as a statesman and as a soldier, in war and in peace. He had the courage to put himself at the head of a movement of national regeneration at the darkest moment in the Ottoman Turkish nation's history. In 1919 Turkey and the Turks were virtually under sentence of death. Turkey had fought and lost three wars since 1911. The Dardanelles, Bosphorus and Constantinople were commanded by the British Navy; the Arab provinces were shorn away; the Turkish nation's own homeland in Anatolia was being invaded by the Greeks with the blessing of the victorious, and apparently omnipotent, Allied and Associated Powers. In these circumstances, in 1919, Kemal Pasha (as he then was), dared the act of defiance which Herr Hitler dared seventeen years later. He challenged the verdict of the war of 1914-18 and extorted a revision of it from the victors. Unlike Herr Hitler, however, Atatürk announced his terms (in the so-called Turkish National Pact) at the beginning of his struggle and made a permanent peace on the basis of these terms as soon as he had attained them.

Military success did not tempt this great Turkish professional soldier into further military adventures. Having won the war, he addressed himself to the still bigger task of winning the peace; and in this, again, he carried the nation with him. The work of national reconstruction was started, in the old-fashioned heart of Anatolia, when "the Kemalist Movement" still looked a forlorn hope. Since 1923 this task of peace has been carried forward by the undivided energies of the nation and its leader. Under Atatürk's inspiration, and with his tremendous will power co-operating with the whole nation's will to live under the strenuous conditions of the modern world, Turkey has put herself through a social revolution in all spheres at once. A nation of peasants, soldiers and officials has taken on all the newfangled economic activities which, in Turkey, had previously been performed by the minorities and the foreigners. The Turkish woman has been emancipated; the peasant has been educated; the Latin alphabet has been substituted for the Arabic, and the Western for the Oriental dress; while the face of the land has been transformed by intensive road and railway building and the introduction of agricultural machinery. Who will step into the dead dictator's shoes and complete this work? That is a question which concerns others besides Atatürk's own countrymen.

The Rivals.—On Wednesday M. François-Poncet presented his credentials to the King of Italy and Emperor of Abyssinia, and next week should see the beginning of talks preliminary to a Franco-Italian settlement of the kind expected last April by the French and British Governments. Since then a number of events have combined to embitter Franco-Italian relations, of which Rome's support of Berlin and General Franco's slow advance are two outstanding examples. France, in fact, has had to woo an Italy who is steadily putting up the price of her goodwill. Last spring's thoughts of reconciliation were repelled by Signor Mussolini's remark at Genoa that "France is on the other side of the barricade"; and only four days ago the *Giornale d'Italia* saw fit grossly to abuse Italy's rival in writing that the French political atmosphere was responsible for the shooting in Paris of a German diplomat. From time to time French newspapers answer in kind, and such exchanges need not cause serious concern, for they would probably occur under any circumstances. What is really important now are the terms which the Duce will require of M. Daladier. A writer in *Relazioni Internazionali*, which has connections with the Italian Foreign Office, mentions reform of the Suez Canal regime (it is worth noting that this was not brought up by the Italians last April), the transfer to Italy of the Djibuti to Addis Ababa railway, and a settlement of the Tunis question, which is "more immediate than ever." In any case, the terms will be far stiffer than in 1935, and temperamental difficulties apart, there is likely to be a good deal of haggling behind the scenes. It will be interesting to see if Mr Chamberlain and Lord Halifax, when they go to Paris on November 23rd, can help matters along—for it is manifestly in their interest to do so. By that time the Quai d'Orsay should have in its possession Signor Mussolini's views, and the Quirinal in its possession Lord Perth's new credentials. A Three-Power peace in the Mediterranean would be something worth having for all concerned—provided it is not, in practice, a one-Power licence to do what it wants.

A.R.P. Reorganisation.—*Experientia docet*, and the Government have seemingly learned now that the criticism directed against their policy for providing protection against air raids, a policy tenaciously maintained for two years, was justified. The personification of their conversion is Sir John Anderson, now Lord Privy Seal and *de facto* Minister of Civilian Defence, whose committee's report convinced the Government on the eve of the September crisis, against their earlier stout denials, that the large-scale evacuation of industrial and urban populations would be imperative in the event of air attack. Hasty jerry-built trenches, too, were then pressed upon the public.

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authorities for hasty improvisation; and Sir John's plans for energetic action now include, not only detailed evacuation arrangements and trenches, probably steel-lined, but also blast-proof shelters in the form of reinforced basements and cellars, though not, presumably, on the score of cost, bomb-proof accommodation on the Spanish model. It has not merely been learned that household precautions against gas and fire are not enough. The critics' long-standing condemnation of the utter inadequacy of the existing central control and supervision has been conceded; and Sir Thomas Gardiner has been called from the Post Office apparently to evolve a fully staffed organisation, not only in Whitehall, but also regionally for London and important provincial centres, to provide, say, Tyneside and Merseyside with properly focused schemes. A framework within which the local authorities can perform their essential services efficiently is seemingly being devised. Meanwhile, now as at the outset of A.R.P., finance and supplies remain bugbears which still threaten to undo the good work which is planned.

Protection of Essential Services.—When A.R.P. first became an issue much time was wasted by haggling between the Treasury and local authorities over their respective shares of the cost. The same process still continues as between the Treasury, utility and public services and essential industries. The principle laid down is that the undertakings should pay wholly for work which any "good employer" might be expected to undertake for the protection of his staff and property. In the case, however, of railways, gas, electricity supply, and other essential services whose vulnerable points might be the object of deliberate attack, provision of even partial protection is an expensive business. The Government is understood to have offered to pay 50 per cent. of the cost of necessary protection of a passive nature for such vital points, but the services concerned are not unnaturally standing out for more. In the case, for instance, of the railway companies it is impossible, with the best will in the world, to find out of current resources even half the cost of protecting their many vulnerable spots. Unfortunately, while the haggling goes on, work is held up. Apart from the provision of sandbags and so forth, the question arises of rapidly repairing essential plant in case of damage by enemy action or otherwise. Not only repair gangs but also stores of spare equipment adequate in peace conditions are likely to be quite inadequate in war. Much of the duplicate equipment required, for instance, in the case of electricity generation and transmission, is extremely expensive but takes a long time to make. Have the necessary reserve supplies been found; have they even been ordered? If such essential precautions should be expected while time passes in argument about the cost, the Government will have even more to answer for in the illm of home defence than is yet apparent. When we turn from passive defence to the "dungaree army" scheme for protecting vulnerable points by anti-aircraft guns manned by specially trained workers, the question again rises, what is actually being done to prevent a sudden knock-out blow to vital industrial plants and public services. The scheme might be intended for a remote contingency rather than a real and immediate danger, judging by the methods of execution proposed for it. It is sometimes difficult to believe that the authorities are taking the problem of defence against air attack seriously even now.

Cardinals and Dictators.—While the strife between the temporal Great Powers in the international arena holds our attention and fills our ears with its din, the deeper conflict between totalitarianism and the religions continues unabated. On November 5th *The Manchester Guardian* published an account of a secret speech on the technique of religious warfare which Herr Rosenberg is said to have made at the Nuremberg Party Rally in September; and the report has an authentic ring, for it is in harmony with what we know already of the Rosenbergian strategy. The Christian Churches are not to be directly

attacked and exterminated like Marxism, and this for three good reasons: they still have a hold on the German people; they still have a hold on the rest of the world; and direct attacks make the martyrs whose blood is seed. So they are to be enveloped and sapped by scientific siegecraft. The rising generation is to be absorbed into the Hitler Youth; the clergy is to have its financial sinews cut; and there is to be a "Fifth Column" of crypto-Nazi priests and pastors. This is the way to do it in the Old Reich; in Austria we may have to be more drastic! In Munich, at any rate, Herr Rosenberg will need all his skill; for here he has to reckon with Cardinal Faulhaber. In a sermon preached last Sunday the Cardinal reminded his congregation that, in its teaching on the relations between the individual and the State, the Church holds steadily to a middle way. At the acme of the Liberal era the Pope had had to vindicate the just claims of the community against the individual; to-day, when the pendulum had swung to the opposite extreme, the championship of the rights of the individual had become the Church's duty. The day before this sermon was preached by Cardinal Faulhaber at Munich, Cardinal Mundelein, of Chicago, was landing at Naples en route for the Vatican City. Cardinal Mundelein's plain speaking about Herr Hitler has not been forgotten in the Reich, and his arrival in Europe was the signal for a fresh attack upon him in Dr Goebbels' *Angriff*. In Italy, however, all parties co-operated in doing him honour, and the Italian dictatorship is apparently far more sensitive than its German partner to the goodwill of the Church and the respect of the outer world.

Just how insensitive to such feelings the Nazis have become is proved by the outbreak on Thursday of a new pogrom against the wretched German Jews. The occasion was the death of a German diplomat in Paris from a bullet wound inflicted by a Polish Jew. The assailant, a boy of 17, declared that he wanted to revenge the cruelties inflicted on the Polish Jews recently expelled from Germany who, it appears, included his father and mother. His motive is understandable even though it is inexcusable. What is both incomprehensible and unforgivable is that the Nazis should wreak their revenge on thousands of Jews who have doubtless been praying that none of their number should be rash enough to lift a finger against a Nazi. The attacks by uniformed Nazis are, of course, said to have been spontaneous. The German authorities can take the choice of being convicted of having instigated the pogrom or else of being incapable of maintaining elementary public order. In either case, the spectacle is disgusting.

Ozon Wins in Poland.—Sunday's election in Poland brought to the polls the surprisingly large number of 11,667,000 persons, or 67 per cent. of the electorate. This compares with 46 per cent. in 1935, and throws doubt either on the efficiency of the Opposition's boycott or on the actual strength of the Opposition parties. A number of factors, known and unknown, make it hazardous to draw the obvious conclusion that 67 per cent. of all the people in Poland support the Government: the known antagonism over foreign policy, the peasant unrest (serious only a few months ago), the fact that a number of the votes were polled for Ukrainian or Jewish candidates and are therefore beyond purely Polish consideration, the arbitrary method of nominating candidates from above without the presumptive electors having any say in the nomination or any real choice in the voting—these are some of the complications which obscure the true state of Polish popular feeling. As it is, the National Unity Camp (O.Z.N., or colloquially *Ozon*) received 162 seats out of 208 in the Sejm, Colonel Slawek, the apostle of reaction, was defeated in his constituency, and nothing need now prevent President Moscicki from altering the electoral laws in a more liberal direction. In September that was his declared intention, the aim being to bring back into political life the great Opposition parties and perhaps to pave the way for a return of M. Witos, the Peasants' leader;

but since Sunday's success (for at least on the face of things it was a notable success) he may change his mind and decide, after all, to dissolve all political parties and re-constitute the method of representation on an entirely new system. *Ozon's* victory is in part due to its patriotic appeal at a moment when the clouds are gathering in on Poland's horizon; and the military leaders will not be slow to press this advantage in any way which seems to them best.

Changes at Canberra.—The Commonwealth Government of Australia, reconstructed this week by Mr Lyons, appears to be safely united again. Just as defence expenditure unbalanced Mr Casey's budget, the issue of conscription or voluntary service threatened to upset Mr Lyons' Cabinet, for at the time of last week's censure debate a small but influential group of Cabinet Ministers, mentioned among whom were Mr Menzies, the Attorney-General, and Mr Hughes, the Minister for External Affairs, were reported to be on the point of resigning if their wishes were not granted. Chief among those wishes was the establishment of compulsory military service, from which Mr Lyons and others dissent, and Mr Menzies was reported to have designs on the Defence portfolio. But in the event the Prime Minister came out very much on top. Mr Menzies publicly denied that he had sent "a virtual ultimatum" to Mr Lyons; Senator MacLaghlan resigned from the Postmaster-Generalship as a protest, fully endorsed by the Prime Minister, against the suggestion that his chairmanship of the Hume Pipe Company, Ltd., was connected with the contracts between that company and the Post Office, and thus opened a way for Cabinet reconstruction; the motion of censure was defeated by 40 to 28, with no loss of Government votes; and on Monday Mr Lyons was able to announce the new Cabinet appointments. Few of them were unforetold. Brigadier Street goes to the Defence Ministry, and Mr Thorby goes to Civil Aviation and Works, thus placating the United Australia Party, which disliked his administration of Defence, without alienating the Country Party, of which Mr Thorby is a member. To make the reconstruction still more effective, and thus convince the critics of his earnest intentions, Mr Lyons has formed an "Inner Cabinet" of himself, Sir Earle Page, Mr Menzies, Mr Hughes, Mr Casey, Mr Thorby, and, on second thoughts, Brigadier Street: this is accepted by everyone in the Cabinet except Mr White, who has resigned, apparently because he was not included in it, but certain ambitions have clearly been swallowed. The censure debate showed that Mr Lyons does not lack his critics. In reply to them he has announced that the voluntary Militia ("a suicide club," was one Parliamentary comment) will be increased to 70,000 men, and that a number of new aeroplanes will be ordered. The Commonwealth Government is meanwhile engaged in the work of voluntary enrolment and preparation. In discussing the criticisms of incompetence over matters of defence, voiced loudly in last week's debate, it is worth noting that nearly £60 millions have been earmarked for defence purposes in Federal budgets since 1930-31—a considerable sum relatively to the number of Australians who have to find it, whether or not it is large enough in relation to the size of the territory they have to defend.

The New Czechoslovak Economy.—The citizens of straitened Czechoslovakia are settling down to the business of life with their usual fortitude: estimates of losses and plans for the future are already appearing in Prague. The Presidency is still vacant, and candidates are being tipped off by the half-dozen, but when the final choice is made Czechoslovakia's relations with the Reich will be fully restored. Relations with Poland are gradually returning to normal, the railways are working again, and an agreement of November 1st defined the new frontier. A joint commission is now working out the details of the Vienna "award." Taking the Slovakian concessions into account, reliable estimates put the Republic's total loss in tax receipts at between 56 and 58 per cent., over and above which there are the enormous liabilities incurred on forti-

fication and on mobilisation during the crisis. The cost of the mobilisation, up to October 27th, is unofficially put at not less than 500 million crowns (about £3,500,000), a good deal less than other private calculations had foreseen. According to these the mobilisation would not cost less than £500,000 per day, or about £15 millions for one month. In any case, it is clear that an immense bill must be footed before real reconstruction of the new Republic may begin. Meanwhile the Czechs are showing surprising zeal in cutting their new economy to its attenuated cloth: two projects mooted in Prague are the exploration of Slovakian mineral deposits and the building of a motor-road—of obvious value to the Reich—between Pilsen and Jasina in the Far East. Shipping on the Vltava and the Bohemian Elbe, which in 1936 amounted to 2,246,659 tons, including 703,878 tons of exported goods, is free of the temporary restrictions applied in September; and it appears that the "Adriatic tariff"—the preferential rates initiated under Francis-Joseph to help Trieste in its competition with Hamburg for Central European freights—still holds, at least in theory, although in fact scarcely any traffic is passing. Annual Czechoslovak freights handled by Trieste in recent years have averaged 450,000 tons, but a good deal of this is now in German hands and will either be retained in the Reich or sent via Hamburg. Much improved communications will also accrue to Germany; and it is anticipated that arrangements will be made for preferential freight rates between Silesia and Vienna, which under General Goering's Four Year Plan is to become a Danube port of first-class importance. If this works out, then Bratislava, which in 1936 had a share in Danube traffic of 703,878 tons, including 418,349 tons of foreign-produced goods, is likely to lose its place as a forwarding centre for trade between Northern Europe, the Danube basin, and the Balkans.

Cancer Campaign.—Seventeen per cent. of all deaths in this country between the ages of 17 and 65 are certified as due to cancer, which is the second most destructive of our fatal diseases. Last year more than 66,000 deaths were stated to be due to cancer, and just over half of these were of men and women over 65. The death rate from this malignant disease has almost doubled in a generation and, while this apparent increase is in part due to greater accuracy in certifying causes of death and in part to the population's rising age, there can be no doubt that the incidence of cancer, which causes untold suffering as well as death, is spreading. Prevention is still impossible but, although cures are not yet certain, much can be done by diagnosis and treatment; and not the least welcome item in the King's speech was the intimation that a National Cancer Service was to be instituted to end the present disgraceful state of affairs in which, by the confession of the Minister of Health himself, only one in every four of cancer's victims has a chance of proper care.

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Early legislation will pool existing facilities for observation, treatment and after-care, and the intention is ultimately to provide a service of clinics, treatment centres and specialist hospitals sufficient to serve the whole population. This was done for tuberculosis under an Act of seventeen years ago, and cancer co-ordination is not the end of endeavour. Prevention in the case of this scourge is more than ever better than uncertain cure, and large sums of money might well be devoted from public funds to the researches into cancer's origins, still largely supported by voluntary contributions and private finance.

British Bicycles.—Cyclists and motor-cyclists scarcely figure so largely as motor-car owners and drivers in current road and traffic controversies. It is the motor-car which taxes our roads beyond their limit; and it is motor roads of some kind which are needed to solve our pressing problems of congestion and danger. Yet, both among the quick and the dead on our roads, the cyclists and motor-cyclists, whose latest steeds are now on show at Earls Court, outnumber the motorists. Last year there were probably between 10 and 12 million cycles in use in this country, and nearly half a million motor-cycles; private cars numbered 1,834,248. Of 6,633 persons killed, 1,416 were pedal cyclists and 981 motor-cyclists; only 315 were in other motor vehicles. Safety requires that the cyclist should, in present circumstances, submit to some regulation: rear lights and reflectors, cycle tracks and even registration to keep the infantile, senile and incompetent out of harm's way. But, in the long run, it would be more logical to take the motor-cars off our present inadequate roads than to remove the cyclists from the path of the cars. Pedestrians, over 3,000 of whom were slain last year, would agree, and it is with these, the most numerous users of the road, that the cyclists' closest sympathy really lies. It is true that at Earls Court cycles and motor-cycles are cheek by jowl, but the motor-cyclist is deserting to the motor-car class in thousands every year. There are

now fewer motor-cycles in use than thirteen years ago and at the peak in numbers in 1929 there were nearly 50 per cent. more in use than now. Pedal cycles, on the other hand, have increased in number until only Germany uses more.

Unemployment and Holidays.—The latest report of the Unemployment Insurance Statutory Committee recommends that it should be made impossible for insured persons on holiday to draw unemployment benefit. This step would effect a saving of some £400,000 a year, and the Committee propose that the Minister of Labour should be empowered to define holidays by regulation to facilitate the reform. The bar would be applied equally to paid and unpaid holidays, and, since it is hoped that paid holidays will increasingly come to be regarded as a normal incident of employment, insured persons taking holidays with payment would continue to pay insurance contributions in respect of their weeks away from work. It is clearly undesirable that insurance funds should be used to finance holidays taken by persons in work, but, although the necessary exceptions in favour of workers whose holidays are actually taken in the course of unemployment will be made, there will be hard cases if these recommendations are not applied carefully. The term "holidays" frequently serves as a euphemism for periods of involuntary idleness, and it is all important that holidays for the purpose of these regulations, in themselves quite logical, should be genuine.

"Germany's Trade Offensive."—We wish to draw our readers' attention to a letter to the Editor on page 322 of this issue of *The Economist*, which corrects an important error of fact in our last week's survey of the German trade drive in South-Eastern Europe.

Overseas Correspondence

From Our Special Correspondents

United States

Railroad Wages Uncut

NEW YORK, October 31.—The report of the Railway Emergency Board, appointed to consider the application for a 15 per cent. reduction in wages, recommended that the proposal should be withdrawn. It was argued that railway wages were not unusually high compared with other wages; that the immediate distress of the railroads was cyclical, and, in view of current trends, unlikely to last; and that a general

reduction would not specifically meet the needs of the poorest concerns. This report disappointed hopes but not expectations; few had imagined that the Board would recommend the reduction; but many had hoped that it would go beyond its terms of reference and present a programme of reconstruction. As it was, the report contained only general comments that would be useful in formulating such a programme.

But, in what the community believes to be a period of revival, hope dies hard. No sooner did the prospects of salvation by wage reduction fade than a new crop of rumours sprang up, to the effect that the railroads were to be rescued as part of an armament programme. Last week there were despatches (in no great detail) to the effect that utility expansion would be facilitated as part of a defence plan, and the conjecture that the railroads might be included was quite plausible. Indeed, the rehabilitation of the transport system is vital to national defence, just as, for that matter, it is vital to the peace-time economy generally under total pacifism.

Meanwhile, the motor industry dominates the scene, and it is expected to operate practically at capacity for the remainder of the year—and longer. The labour disputes that plagued the industry in September and early October have quietened down, apparently as a result of disciplinary action within the unions themselves.

Improvement Slower in September

The business indices of the Federal Reserve Board for September showed, as was expected, general increases compared with August, though not so large as the August increases over July or as those expected in October over September. This apparent slight check to momentum is partly attributable to the "war scare," partly to labour troubles,

and partly (purely statistically) to "seasonal adjustments."

	FEDERAL RESERVE BOARD BUSINESS INDICES		
	Sept. 1937	Aug. 1938	Sept. 1938*
Industrial production (total)	111	88	90
Manufactures	110	87	89
Minerals	116	95	97
Construction contracts (total)	56	66	76
Residential	37	53	55
All other	71	77	93
Factory employment	107.2	84.9	87.0
Durable goods	107.6	72.1	75.8
Non-durable goods	106.8	97.1	97.6
Factory pay-rolls	104.4	76.8	80.7
Durable goods	105.8	63.5	68.3
Non-durable goods	102.9	91.6	94.6
Freight car loadings	78	62	64
Department store sales	94	83	86
Department store stocks	77	67	67

* Preliminary.

Both types of building are now well above the levels of September, 1937, and non-residential contracts show an especially large jump in the month—presumably reflecting the spending programme. While residential building has been climbing steadily since the early spring, heavy or non-residential building showed only an uncertain movement before September. Building contracts let in September have now become steel operations, the current rate of steel activity being about 55 per cent. of capacity.

The upturn in business has been promptly reflected in employment and pay-rolls. The following table shows that unemployment was far more severe in durable goods industries than in non-durable goods industries, and that the durable goods were still lagging behind in September.

	FACTORY EMPLOYMENT	
	Durable Goods	Non-Durable Goods
July, 1937	108.6	109.9
August	108.3	108.9
September	107.6	106.8
October	105.4	104.7
November	99.8	101.3
December	91.9	98.1
January, 1938	83.7	96.0
February	81.0	96.4
March	79.0	95.4
April	76.2	94.1
May	74.1	92.9
June	71.9	92.4
July	70.7	94.5
August	72.1	97.5
September	75.8	97.6

The Role of the Share Market

So far none of the indicators of recovery, with the possible exception of residential building, shows so strong a rebound as the share market, though the earnings statements for the third quarter which are now appearing are not materially different from those of the first and second quarters. The index of manufacturing activity averaged 76 in the first quarter of 1938, 75 in the second quarter, and 85 in the third quarter—the same as in the final quarter of 1937. But the share market has followed the index of production only in the loosest way, evidently rating the period of lowest production as merely temporary, and being quick to discount the upturn the moment it appeared. The result is that share prices are only slightly higher now than they were at the end of June, although the entire recovery in production has occurred since then.

During the past summer the share market has appeared not so much as a mirror of improving business, but as an actual source of business improvement. On the whole, it appears that certain economic forces acting directly on, or manifesting themselves in, the security markets are capable of exerting a great influence on business activity itself. In the second quarter of 1938 there were two special factors which directly affected the security markets. The Inactive Gold Fund was monetised in April, and a large part of the proceeds was used for the retirement of maturing Treasury bills. In the absence of new issues, this manoeuvre created a kind of vacuum in the security market. At the same time, the modification of the tax on capital gains made investment in shares attractive to certain capitalists who had formerly been constrained, either to hold their capital idle, or to keep it in tax-exempt securities of the type which the Treasury was just then retiring.

Not only was the first clear manifestation of recovery seen in the share market, but the share market has been willing to

discount or envisage a degree of recovery beyond what has yet appeared in industry itself. It is likely that at any given time Wall Street is characteristically more bullish or more bearish than industry in general. A year ago it was far more pessimistic toward the business outlook than were business men or industrialists; at the present time it is far more optimistic.

France

M. Reynaud's Plans

PARIS, November 10.—The franc has been steady for six months. So has the Budget deficit. Accordingly, M. Reynaud declares that the problem has no monetary solution and is primarily economic. The deflation of M. Laval failed because a revival of business was hampered by the gold franc. The inflation of M. Blum failed because a revival of business was hampered by the forty-hour week. The solution, now that French prices are in line with world prices, lies in the abrogation of the forty-hour week. This will be facilitated by reflation; and the revival of business will remove financial and social difficulties. The drive to effect budgetary economies and increase taxation is thus a secondary feature, designed mainly as an earnest of goodwill to facilitate an expansion of credit. Such is M. Reynaud's scheme.

Experts like Professor Rist admit that the Budget cannot be balanced until one or two years have passed. Moreover, the annual deficit of 50,000 million francs includes 20,000 millions for military expenditure, which can be covered by loans, in the same way as in other countries.

In France the citizens have money; the great pauper is the State. There is plenty of money in the country; there is considerable internal purchasing power; and there is also a certain foreign demand for French goods due to the fact that French prices have been lowered by the devaluation of the franc. And moreover, there is a huge mass of expatriated capital, a great part of which is anxious to return home and to find there a moderate but stable return.

The real problem is to stimulate trade and to produce more efficiently. The object of the Government is then to increase transactions by purchasing and selling more both at home and abroad; and to increase and improve output, so that costs can be lowered.

The scheme has several important colonial implications. M. Mandel has announced that the production of cotton in the colonies will be tripled before 1943—an annual saving of 250 millions in trade with foreign countries. In five years enough coffee will be grown to cover the whole national needs—a similar saving of 15,000 millions a year. At present France imports fruit to the annual value of 600 millions and paper-pulp valued at 1,000 millions yearly. The production of fruit and wood for pulp is also to be developed; and, after four or five years, colonial products, the Minister of Colonies declares, should permit an annual saving of some 4 or 5 million francs.

The State of Opinion

M. Reynaud's scheme will have a good chance of success if politics are kept in the background. At the last Socialist conference M. Blum declared that he was not in favour of any exclusion of the Communists (as M. Daladier was at Marseilles before M. Reynaud went to the Ministry of Finance), but that he did not advocate a Socialist-Communist bloc, or any declaration of war against M. Daladier. Somewhat ambiguously, he called for a union of the vital forces of the nation. The forthcoming congress of M. Flandin's party, from which many members have resigned, will show the same confusion.

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In the factories the militants have lost much of their influence by inspiring too many strikes, the objectives of which were not very clear. Finally, the Stock Exchange, forewarned of the new schemes, has shown its approval by a strong rise in the public funds, in the expectation of conversion and in industrial share prices, in the hope of a revival in business. Now is the time for speedy technical rather than political steps, backed by M. Bonnet's peace efforts.

The decrees will be published on Sunday, and Parliament will not reassemble until the middle of December. Thus prolonged discussion of the Budget will be avoided, for the Government will be able to demand its speedy passage before the end of the year.

Wholesale prices are still steady, as the following table shows:—

	Oct. 1st	Oct. 8th	Oct. 15th	Oct. 22nd	Oct. 29th	Nov. 5th
General index	646	652	657	653	654	652
Domestic products	664	671	673	670	670	670
Imported products	615	619	627	623	626	619
Foodstuffs	628	634	637	635	635	635
Raw materials	663	668	674	670	672	667

In the week ended October 29th the number of persons out of work was 361,724, against 360,490 in the preceding week and 319,223 a year ago.

Finland

Slackening Activity

HELSINGFORS, November 7.—The decline in world prices has had a marked influence on undertakings mainly engaged in the export trade. There has been a severe fall in timber prices in spite of the principal exporting countries' joint decision to curtail production. Timber felling is likely to be appreciably reduced this winter, which will diminish the income of the rural population from the sale of timber and from lumber work. The sales and manufacture of mechanical and chemical pulp, cardboard, paper and similar goods have also decreased considerably, partly in accordance with international agreements; and, as sales are made on contracts with long terms of delivery, the fall in prices has not yet hit these industries with full force.

The falling off in general activity is clearly visible in the indices of exporting industries. The index of the volume of output of export trades was 146 for the third quarter of this year (1926 = 100), compared with 185 at the same time last year. The fall in the value of production was much greater: the index of value for the third quarter was only 117, as against 227 at the same time last year.

On the other hand, activity in the branches of industry supplying the home market has not yet been affected by the recession. The index of the value of output in these industries was 193 in the third quarter, the same as last year, while the volume index even rose a few points. Should the export decline continue, however, decreasing purchasing power will reduce home sales too.

A factor that has hitherto counteracted the effects of slackened overseas business is the building trade, which is still lively, both in the towns and in rural districts. The consumption of cement in the autumn was still rather larger than last year, when it was of record dimensions. Plans approved in the capital, which were below last year's level for a few months, were again higher in September than twelve months ago. The harvest, which is a very significant factor in Finland owing to its influence on the important purchasing power of the rural population, was in general satisfactory—although the autumn sowings, potatoes and root vegetables, yielded a worse crop than last year.

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Changed Terms of Trade

Foreign trade shows a more and more pronounced tendency to fall away. The volume of exports, for instance, was 18 per cent. lower in September than last year, and the volume of imports 4 per cent. lower. The value of exports was 793.8 million marks, a drop of 24 per cent. compared with September, 1937. The value of imports, at 758.4 million marks, was about 10 per cent. lower than last year. Thus there was an export surplus of only 35.4 million marks compared with 213.7 millions in September, 1937, and 111.4 millions in 1936. In the whole period from January to September an import surplus amounting to 308.6 million marks has been recorded, whereas last year the import surplus in nine months was only 16.0 millions, and in three quarters of 1936 there was actually an export surplus of 649.2 millions.

The worsening of business is also visible in the smaller accumulation of capital. In the summer months the increase in deposits was considerably smaller than last year, and in August deposits made by the public were fairly generally reduced. This tendency continued in September—obviously influenced by a chance factor, the fear of an outbreak of war. Total deposits in the joint stock banks fell off during the month by 347.0 million marks compared with an increase of 25.6 millions in September last year. Deposits in savings banks and savings funds also fell; and the credits granted by the joint stock banks were reduced by 7.7 million marks, against an increase last year of 140.3 millions. The position of the joint stock banks thus displayed a tendency to become tighter, but it was still very easy, the surplus of deposits over credits at the end of September being no less than 1,611.7 million marks and total cash amounting to 1,314 millions.

The threat of war was reflected in the Bank of Finland principally by an increase in the note circulation. During the last week in September the notes in circulation increased by 148.8 million marks, compared with an increase of 80-100 millions in former years. At the beginning of October the notes in circulation fell off considerably, and are below the figures for the corresponding months of last year. As usual in the autumn, when seasonal credits are paid off, the credits granted by the Bank of Finland also fell. The note reserve increased from 205 million marks at the end of August to 318.7 millions at the end of September and 400.8 millions on October 31st.

Argentina

Legislation Outstanding

BUENOS AIRES, October 29.—The ordinary sessions of Congress closed on September 30th with a number of important Bills still pending, including the anti-dumping project. The Bills for the rebuilding and purchase by the State of the Argentine Transandine Railway and for the State purchase of the Córdoba Central Railway have passed the Deputies but not the Senate. On September 26th, the Upper Chamber voted the Bill reforming the railway law which was presented several years ago, and permitting greater co-ordination of railway services, but it has still to be considered by the Chamber of Deputies. It is expected that the Government will call extraordinary sessions during November.

How little Argentine internal business has been affected by trade recession is illustrated by the returns of the Clearing House in the city of Buenos Aires. Cheques cleared in the first nine months of the current year amounted to 28,449 million pesos, compared with 31,409 million pesos in the same period of 1937, 25,287 million pesos in 1936, and 23,442 million pesos in 1935. Even in September, the figures were higher than in the corresponding month of any of the last five years, except the boom year 1937.

Foreign trade in September followed the same course as in preceding months. Although exports have recovered from the lowest levels in volume, prices are now lower than earlier in the year, and there is scarcely any improvement in value. In September the value of exports was only 109,127,934 pesos, compared with 158,309,032 pesos in September, 1937. Imports were again high, being valued at 118,420,971 pesos, against 157,385,758 pesos in September last year. There was thus another import surplus of 9,293,037 pesos, bringing the total surplus for nine months to 61,736,536 pesos, compared with an export surplus of 751,137,942 pesos in the first nine months of 1937.

Farmers Want Guaranteed Prices

Prospects for the coming crops are still quite favourable. Frost occurred on one night in the middle of October in the Southern part of the cereal belt, but the crop was insufficiently advanced to suffer serious damage. There was a heavy frost in the Mendoza grape region on the night of October 27th, and great damage is reported to have been done to the vineyards; but, as it has been customary in recent times to destroy surplus wine stocks to prevent over-production, it is doubtful whether this should be regarded as a misfortune or a blessing.

On October 21st, the Ministry of Agriculture published its second estimate of the area sown with cereals and linseed. This is given below, together with the corresponding figure for last year and the average areas during the last 10 years:—

	(In hectares)		Average
	1937-38	1938-39	last 10 years
Wheat	7,778,000	8,350,000	7,730,690
Linseed	2,842,000	2,690,000	2,977,516
Oats	1,317,000	1,350,000	1,413,427
Barley	786,100	830,000	680,328
Rye	884,000	890,000	685,134
Birdseed	45,500	50,000	40,177

Despite the heavy and continued fall in the world's wheat prices Argentine farmers are sowing a greater area than usual with wheat. In defence of this it may be argued that in case of early misfortunes the land can be ploughed and sown with maize, as the season for maize is about four months later than that for wheat. Owing to the large world surplus of wheat, the price of maize in Argentina is actually higher than that of wheat.

One of the consequences of the fall in wheat prices is an agitation among farmers here for the restoration of basic prices for cereals which were abolished at the end of 1936. The price of 9 pesos per 100 kilos has been mentioned for wheat, while the present price is less than 6 pesos. The last time that the Government guaranteed the price of the country's chief source of wealth, the arrangement turned out satisfactorily and the State made a profit instead of a loss. This happy result might not be repeated and, with so many financial problems ahead, the Government is likely to be cautious before assuming fresh liabilities. The campaign for renewal of basic prices is an apt illustration of the danger of establishing a precedent and of how easily vested interests grow.

Hongkong

A Smashing Blow

HONGKONG, October 27.—With the news of the Japanese advance, the Chinese community here was dumbfounded when it learned that the Provincial Government had fled from Canton after arranging for the demolition of all Government buildings and public utility plants.

The Scorched Earth policy had been carried out with a vengeance. Canton, whose population was in normal times about 2 millions, is now a ruin and its inhabitants mainly coolies and beggars. On the Shameen, the foreign community is in a state of siege and, except for wireless, is cut off from all communication with Hongkong and the outer world. A similar situation now obtains in Hankow, where foreigners and destitute Chinese are the only living beings left. After the magnificent resistance offered by Chinese troops for over a year, the Chinese in Hongkong were confident that neither Canton nor Hankow would be captured without tremendous loss to the enemy.

The astounding collapse on the part of the defending forces has given rise to persistent rumours that a price has been offered and accepted, but although such rumours were often substantiated in the days of civil war, they can scarcely be credited to-day. It can only be assumed that Marshal Chiang Kai-shek has decided to consolidate his forces before incurring further losses and has taken the desperate course of destroying the two prize cities which he can no longer defend. The shock to Chinese morale in this colony is profound and, although hatred of the Japanese burns as intensely as ever, there is a general feeling that further resistance is futile. There is now talk of negotiating for peace, but until Marshal Chiang Kai-shek agrees to follow the example of Dr Benes, Japan is hardly likely to discuss terms.

Outlook for British Trade

The probable effect of the events of the past week on British trade in South China is difficult to assess. In the first place, no estimate can yet be made of the losses incurred

in Canton. The wholesale evacuation of the population before the arrival of the Japanese has no doubt saved a vast amount of personal possessions. The extent of damage to private property and to stocks awaiting shipment cannot be ascertained, but the destruction of a huge metropolis like Canton is bound to entail enormous losses, although not to the same extent as in the case of an accidental city.

Canton is, however, not the only centre to which Hongkong looks for its trade, and as long as the river is reopened and shipping communications restored, produce which would have normally reached Canton will probably find its way to Hongkong by other routes. Much, of course, depends upon the attitude of the Japanese authorities. Reports from Canton suggest that there is an air of sweet reasonableness about the Japanese officials in charge and, so far, there have been no atrocities such as occurred at the capture of Nanking. It is possible that foreign rights in South China will be respected in contrast to what has happened in the North.

But, whatever the future has in store, British opinion here is not tinged with the pessimism which prevails at home, and there is still ample faith in the recuperative powers of the Chinese, as well as in the commercial and economic advantages afforded by this colony. It is, perhaps, significant that, while the British border is within easy access of the country through which the invaders passed during the early stages of their advance on Canton, the number of Chinese refugees who sought the shelter provided by the Hongkong Government was never more than a few thousand, the majority of whom have now returned to resume their normal occupation. While these refugees were almost entirely peasants from the farms, there is no reason to suppose that a similar return will not obtain with the city dwellers evacuated from Canton. The Chinese cannot be idle, and no power on earth will stop them from carrying on trade even with the minimum of resources.

Social Services

The Budget of the Hongkong Government was introduced on the day after the Japanese had landed at Bias Bay. With the revenue for the current year at the highest level in the history of the colony and an estimated surplus of \$13½ millions, the Government had prepared the estimates for 1939 "on the assumption that the economic activity of the colony will be maintained at not far short of its present level." The policy of the present administration is to develop essential social services and to embark on a five-year plan of public works. The Governor warned the Council that increased revenue would be necessary to support and expand this policy and hinted that the community was quite able to stand additional taxation.

There would be little opposition to a progressive policy if it were not for the ominous growth in Civil Service pensions, which form an ever-increasing burden. The amount of revenue earmarked for pensions has increased 30 per cent. in the last two years, and, measured in sterling, has more than doubled since 1930. Increased efficiency in Government departments and the expansion of social services means more officials required from home, with increased expenditure in salaries and provision for pensions. Fortunately, the indebtedness of the colony is on a very modest scale, and out of a Public Works Loan of \$25 millions authorised in 1934 only \$14 millions has been issued, much capital expenditure having been financed from the colony's cash surplus.

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Letters to the Editor

Economic Conditions in Palestine

TO THE EDITOR OF THE ECONOMIST

SIR,—From time to time there appear in the foreign Press statements on economic conditions in Palestine, which are obviously not based on facts but on assumptions and guess-work. It is to be regretted that an example of this occurs in your issue of September 24th, where the economic situation in Palestine is depicted as being far worse than is justified by the facts.

The major part of your correspondent's report discusses the number of unemployed in Palestine, starting with the rather curious assertion that

apart from matters which are entirely under the control or observation of the Government, such as the figures of imports and exports, it is impossible to get reliable statistics in Palestine.

The absence of reliable statistics would, of course, justify any description of the present depression; fortunately, however, since the foundation of the Government Office of Statistics, statistical information on Palestine has increased enormously; and these statistics (on banking, prices, road and rail traffic, consumption, building, tourism, production, etc.), which are, without doubt, reliable, enable us to judge the present economic position on more solid data than mere impressions.

True, the picture presented by the Palestine economy today cannot be very inspiring. But there are, even in Government circles, other views than those of your correspondent regarding the state of the Palestine economy, especially of its Jewish sector, during the crisis. Permit us to refer to a speech delivered by the Government representative, Mr J. L. Fletcher, Assistant Director of Customs, Excise and Trade, at the annual meeting of the Manufacturers' Association, on October 26th, as reported in *The Palestine Post*:—

He stressed that instead of becoming discouraged during the long period of unrest industry had been reorganised, new articles produced and new markets sought. He expressed confidence that when order would be restored in the near future the manufacturers would be able to reap their harvest.

With regard to the principal point raised by your correspondent—the number of Jews unemployed—he points out that

at the end of December, the height of the orange-picking season, when some thousands of Jews were temporarily employed, the Government estimate of unemployed Jews was 12,000.

In the first place, it should be said that orange-picking is not a temporary employment—but a seasonal one, i.e. the pickers have stable employment during the winter, just as plantation workers during the harvest season throughout the world. A portion of them is employed even during the summer. On the assumption that since the close of the orange season the number of Jewish unemployed must have increased, your correspondent states that there must be

some 24,000 Jews in need of stable employment in Palestine to-day. The probable number of Jewish working men and women in Palestine is about 100,000, which gives a percentage of twenty-four, in need of employment.

It is difficult to understand what this estimate represents and what it refers to. In the first half of the sentence the words "in need of stable employment" are used, and in the second half "in need of employment." If stable employment is meant, it is difficult to argue, since "stable employment" in a market economy cannot easily be defined. Migration of workers is a well-established feature of an uncontrolled economy, and even in a planned economy it probably cannot be totally suppressed, as the amount of employment in various areas is influenced by bad harvests and other natural forces.

But should the estimate refer to unemployment as ordinarily defined, an unemployment among Jews of 24 per cent. of the total number of Jewish labour force is extremely unlikely.

The workers who were set free by the contraction in the building trades (the only branch of the Jewish economy which has contracted substantially during the crisis) have been absorbed in transport (Tel Aviv and Haifa ports), in villages (increase in area of fruit-bearing citrus groves), in Government employment, etc. It is true that, from necessity, a part of these workers is also engaged in defence and security measures, yet this does not reflect any extraordinary instability, as there is reason to believe that employment will be found in other trades when the present disturbances come to an end.

Indeed, according to all information available, the number of Jewish unemployed has considerably decreased of late, and is reckoned at present to be below the figure of 12,000, given by your correspondent as the Government estimate for December, 1937.

Yours faithfully,
ECONOMIC RESEARCH INSTITUTE OF THE
JEWISH AGENCY FOR PALESTINE.

Jerusalem.

Germany's Trade Offensive

TO THE EDITOR OF THE ECONOMIST

SIR,—The interesting article on "Germany and South-Eastern Europe" in your issue of November 5th states that:

"Germany's requirements of oil amount to 30-40 million metric quintals per annum," but that "Roumania is not in a position to export more than about 7-8 millions."

It omits, however, to point out that the second figure is given in tons—i.e. that Roumania's export capacity is about 70-80 million quintals. In fact, Roumania can supply not one-quarter but more than twice as much oil as Germany at present imports.

On the other hand, it is worth noting that in time of war the oil requirements of a Great Power might, according to the estimates of two German authorities, rise to between 120 and 200 million quintals. Such figures are, of course, well above Roumania's present output.

London, W.C.1.

Yours faithfully,

B. S. KEELING.

[We are greatly indebted to Mr Keeling for pointing out a quite indefensible and very important slip.—Ed.]

Counting the Cost

TO THE EDITOR OF THE ECONOMIST

SIR,—I thank M. Josef Hrase for his letter from Prague published in your issue of November 5th. He states that 2,800,000 Germans and 700,000 Czechs have been transferred to Germany, and points out that this means a gain to Germany of 3.5 per cent. of her population and a loss to Czechoslovakia of 10 per cent. of her Czech population. As the German gain is based upon a large population and the Czech loss upon a comparatively small population, there does not appear to be much in this point. The point as to whether the occupation is "just" depends on the fact that these 2,800,000 Germans have been transferred to Germany, where they desire to be, without war.

Regarding the former German colonies question, it will be difficult; but there need not be "further demands upon feelings and susceptibilities" if it is approached in the spirit of Article V of the late President Wilson's Fourteen Points (Germany's case), e.g.

A free open-minded and absolutely impartial adjustment of all colonial claims based upon a strict observance of the principle that in determining all such questions of sovereignty the interests of the population concerned must have equal weight with the equitable claims of the Government whose title is to be determined.

Would not the appointment of an International Commission be the best way of ascertaining all these claims?

I am, Sir, your obedient servant,

London, S.W.7.

D. M. MASON.

Books and Publications

The Irish Problem

THE confusion into which Irish politics were plunged by the Parnell split and the turgid course which they ran during and after the War have tended to obscure for the younger generation the great constitutional struggles of the 'eighties on the Irish question, in which Gladstone and Parnell were the protagonists. Mr J. L. Hammond has performed the pious task of rehabilitating the reputation of the former of these two outstanding parliamentarians, and has performed it with complete success,* throwing, incidentally, much new light on the history of the long period covered by Mr Gladstone's life. When Morley was writing his famous biography many of the leading actors in the Home Rule controversy, for example Harcourt, Hartington and Chamberlain, were still alive, and a certain reticence was necessary. In the last thirty years many valuable biographies of these and other figures of the 'eighties have appeared, as well as a number of books on Gladstone and Parnell. Mr Hammond has made full use of this new material, and, in addition, he has had access to all the Gladstone papers and diaries and many other unprinted sources. The resulting study is a very valuable addition to the political history of the nineteenth century and forms an indispensable supplement to Morley's "Life."

Gladstone's interest in Ireland was first aroused when he visited the Continent in 1845 and had conversations with Guizot and other foreign statesmen. It was in that year that he wrote to his wife the remarkable letter about "that cloud in the West, that coming storm, the minister of God's retribution upon cruel and inveterate and but half-atoned injustice." And yet, curiously enough, he took practically no further notice of Irish affairs for twenty years, after which he made the solution of the Irish problem the main task of his life. Mr Hammond explains this indifference by the fact that Gladstone was fully engaged with finance and foreign politics, and that he believed that the Irish agrarian question had been solved by the famine. When, in the 'sixties, he realised that Irish agrarian grievances were still real, he decided that they must be remedied at whatever cost. In 1868, when he received the summons from Windsor to form his first Government, he paused in the tree-felling in which he was engaged, "looked up, and with deep earnestness in his voice and with great intensity in his face, exclaimed 'My mission is to pacify Ireland.'" From that moment he never looked back.

What would Gladstone's position have been among the statesmen of the nineteenth century if he had died in 1880? And what would have been the parliamentary history of the 'eighties if the Home Rule issue had not been raised? These questions are unanswerable, but it is safe to assert that the whole course of English and Irish history has been deeply influenced ever since by the titanic battles waged over Home Rule. Mr Hammond tells fully for the first time much of the personal relations behind the scenes of the actors in that great tragedy. The transactions between Gladstone and Mrs O'Shea are described in detail with abundant documents, and it is argued that Gladstone disbelieved the

rumours of the liaison between Mrs O'Shea and Parnell until shortly before the divorce proceedings.

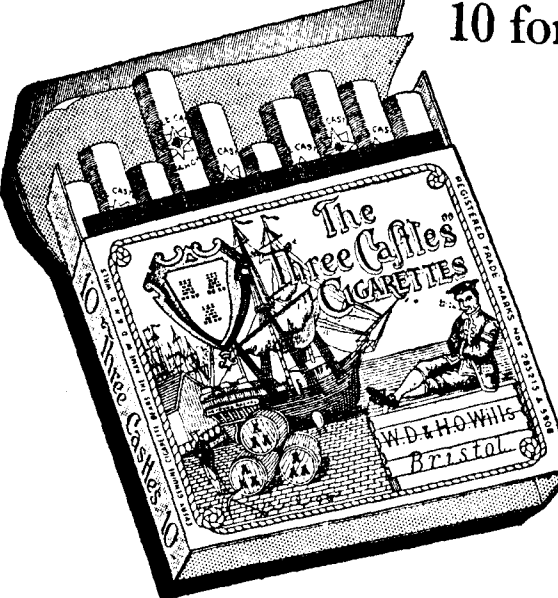
Mr Hammond claims that the new documents now available prove three important things: first, that as early as the 'seventies Gladstone's chief colleagues knew that his mind was moving to Home Rule; secondly, that the suspicion that his actions in the autumn and winter of 1885 were ruled or influenced by the desire for office was absolutely without basis; and, thirdly, that Parnell went to surprising lengths in 1882 and 1883 in the hope of obtaining large Irish reforms without violence. Gladstone's relations with Chamberlain and Parnell are fully discussed, and his failure to avoid a breach with them is partly explained by the fact that in general he was far inferior in his handling of persons than in his handling of problems. "Almost all his failures in politics came from his want of skill and judgment for such purposes."

We have described the political drama of the 'eighties as a tragedy. What made it a tragedy was the nobility of the protagonists. Parnell was a revolutionary patriot with something almost inhuman in his contempt for his friends and enemies alike. Gladstone's Irish policy was animated by a high moral purpose. The problem, as he saw it, was to satisfy the self-respect of the smaller nation without endangering the security of the larger. He wanted Home Rule, not for what it did, but for what it was. He was a great democrat who believed that free discussion and self-government are essential to man's dignity and self-respect. He knew far less about the concrete problems of Irish economic life than J. S. Mill, Chamberlain or the Balfours, but his large imaginative understanding of the emotions of Irish nationalism gave him a confidence in action which all his contemporaries lacked. To do what he conceived to be justice to Ireland he set himself to break down the prejudices of English people and politicians, and he used the democratic machinery created by the second and third Reform Bills to introduce legislation which appeared revolutionary even to many Liberals. It is to the credit of the British electorate that they supported in such numbers a policy that involved, in appearance at least, the voluntary cession of a substantial portion of Imperial power.

It is impossible to resist the temptation to speculate on what would have happened if the 1886 Home Rule Bill had been passed and put into operation. Would Ireland have remained satisfied with the subordinate status which the Bill conceded, or would extremist movements have developed within the framework of Home Rule? It is important to understand, as Mr Hammond rightly emphasises, that Parnell and Davitt were moderates, and that the new Irish Parliament would have started under Conservative leadership. The cultural resurgence associated with the language revival and the literary movement might never have taken place if the pangs of unsatisfied nationalism had not remained unrequited, and the revolutionary activities of the Irish Republican Brotherhood, which awoke in 1916, would probably have failed to secure the opportunity for which that body never ceased to hope and which was so generously provided by the arming of the Ulster Volunteers. It is interesting to note, in view of recent events, that Gladstone was apparently prepared in 1886 to accord some special treatment

* "Gladstone and the Irish Nation." By J. L. Hammond. Longmans. 768 pages. 36s.

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to the Northern Province, and that, even then, a united Ireland would have been very difficult to secure.

Some of the liveliest pages in Mr Hammond's book are those describing the failure of the Unionist policy of "killing Home Rule by kindness," which was adopted in the 'nineties as the alternative to Home Rule. In all justice, however, it must be said that much of what was done, especially the Wyndham Land Act of 1903, was of lasting benefit to Ireland, and made the task of the Irish legislature, when it was at last created, much simpler than it would have been if Home Rule had been conferred in 1886. Possibly the best time for Home Rule to have come would have been immediately after the Wyndham Act, and it will ever remain a matter of regret that the Dunraven proposal for devolution in 1904 was rejected by vain and disgruntled politicians in every party. When Home Rule did come, it came too late, and it came in the way that Gladstone, mindful of the Fenians and Invincibles, always endeavoured to avoid, as a concession to force and not to justice. It is at least arguable that if it had come in 1886 it would have come too early, in the sense that Ireland's economic problems would have been beyond the capacity of a native government. If Clío be impartial she must point to the pedestrian material reforms of the Unionist Government in the 'nineties as well as to the aquiline flights of the heroic figures of the 'eighties. But there can be no doubt in which decade was the greater nobility and in which the truer understanding of the nature of the Irish question.

The Future of British Farming

IN 1932, the National Government decided that something must be done for British agriculture. The result was a medley of subsidies and tariffs, of import quotas and producers' monopolies (miscalled marketing boards), designed to restore to individual branches of agriculture the level of profits enjoyed in pre-slump years. No attention was paid to the total effects of these makeshifts on the structure of British agriculture as a whole, and economists and farmers

looked in vain for a co-ordinated policy. A long-term plan of the lines along which British agriculture should, in the interests of the nation, be encouraged to develop is urgently needed; and this book* provides, in effect, a blue-print of such a plan.

The policy suggested follows naturally from a close and comprehensive description of the changes in our agriculture since the war. These changes have intensified the shift, begun in the nineteenth century, from the production of cereals and of meat fed on arable products to the production of milk for the liquid market, of eggs, fruit and vegetables. It is the consumption of these latter commodities which should, in the interests of health, be largely increased; and, further, it is in these commodities that the British farmer still has the greatest advantage over his competitors, who can supply us most cheaply, on the other hand, with staple foods, such as wheat, sugar and beef.

The conclusion of the argument is, therefore, that the Government should, in the main, encourage British agriculture to produce more and cleaner milk, and that assistance to cereal growers and graziers should be limited to price insurance schemes, on the lines of the barley and oats subsidy, in order to mitigate the worst effects of a severe fall in world prices. Those who think that such a policy would mean national suicide in time of war are directed to the second chapter of the book, where the opposite view is most effectively maintained.

The potential and desired increase in the consumption of milk can only be realised by a reduction in its retail price, aided by State subsidies for its consumption by infants and children. It is a pity that the authors of this book have ignored the problem of rationalising milk distribution (except for a brief statement on the need for setting up an independent Milk Commission), but presumably they considered these matters outside the scope of a book on agriculture. Further, their statement that two million cows could be added to our dairy herds without an increase in the marginal costs of milk production seems rather optimistic, in view of the steadily rising trend in agricultural wages and in the standard of cleanliness and equipment.

Yet it would be captious to quarrel with Viscount Astor and Mr Rowntree about these minor points, when they have given us such a readable and informative guide-book to the present state and future prospects of British farming. One can only hope that the British Government will take for their own the policy here suggested and carry it out with courage and imagination.

* "British Agriculture: the Principles of Future Policy." A Report of an Enquiry organised by Viscount Astor and B. Seeborn Rowntree. Longmans, Green and Co. 469 pages. 15s.

Books Received

- Business Investigations.* By David Finnie and S. S. Berlanny. Pitman. 205 pages. 12s. 6d.
Two accountants set out simply and conveniently the ways of determining the efficiency, costs and financial position of all sorts of businesses. Accountants, managers and economists will find the definitions and illustrations instructive and useful.
- Higher Control—A Manual for Company Directors, Secretaries and Accountants.* By S. G. Rose. (London) Pitman. 277 pages. 12s. 6d. net.
- The Voluntary Citizen.* By C. Braithwaite. (London) Methuen. 342 pages. 7s. 6d. net.
- Investments and Investment Policy.* By F. F. Burtchett. (London) Longmans, Green and Company. 821 pages. 18s. net.
- La Réglementation des Banques: Economie Libérale ou Economie Dirigée.* By M. Cluseau. (Paris) Recueil Sirey. 541 pages. 80 frs.
- City of Manchester. Abstract of Accounts, 1937-38.* 710 + xli pages. *Financial Abstract, 1926-1938.* 75 pages. (Manchester) The City Treasurer, Town Hall. No price stated.
- The Oilseed Trade of India.* By J. C. Bahl. (Bombay) New Book Company. 314 pages. Rs. 20, or 30s.
- The Evolution of Man and His Culture.* By H. C. Bibby. (London) Gollancz. 92 pages. 1s. 6d. cloth, 1s. paper.
- Le Rôle International des Grands Marchés Financiers.* By R. Nathan. (Paris) Recueil Sirey. 177 pages. 25 frs.
- The National Income of Hungary, 1924-25—1936-37.* By M. Matolcsy and S. Varga. (London) P. S. King. 116 pages. No price stated.

THE BUSINESS WORLD

The Fiduciary Issue

IN British currency theory, the Bank of England's fiduciary issue has always had a place of particular reverence, and tradition is rightly opposed to any capricious manipulation of its amount. In point of fact, however, the amount of the fiduciary issue has been altered many times since the Bank Act of 1844. When the Currency and Bank Notes Act of 1928 was in the Commons, a declaration was made on behalf of the Government of the day that the clause permitting variations from the figure of £260 millions was intended for use and not for ornament. There have been a number of changes since. For example, it was raised to £275 millions in August, 1931, and remained there until March, 1933. In December, 1936, it was reduced from £260 to £200 millions, to make room for £65 millions of gold taken over by the Bank from the Exchange Equalisation Account, which by then had become glutted with gold. It was noticeable that the Bank then kept in hand a margin of £5 millions. Finally, between November, 1937, and January, 1938, there was a temporary increase to £220 millions made with the avowed purpose of taking care of the Christmas expansion in the note circulation.

We have now once more reached November, and the general position of the Bank of England, including its gold stocks, note circulation, Reserve and Proportion, are much the same as a year ago. It is therefore natural to expect another increase in the fiduciary issue within the next week or two. Yet if the Bank of England's balance sheet is much the same as last year, in other respects our position has become drastically altered. For example, there have been the Exchange Equalisation Account's gold losses, incurred both last May at the time of the French repatriation and more recently during the crisis. And as a backcloth to all monetary discussions, there is the growing cost of rearmament.

The Economist of October 22nd estimated the Exchange Equalisation Account's gold losses for the six months to September 30th at £165 millions, and hazarded the guess that the Account was then left with £130 millions of gold. So long as no serious new pressure develops, that is an amount more than adequate to enable the Account to deal with short-term fluctuations in the foreign exchange market. But it is extremely doubtful if it would be enough to see the Account through another period like that of the crisis weeks. The question is, therefore, whether the authorities ought to await the onset of another such period of pressure, or alternatively to replenish the Exchange Account's gold during a period of relative quiescence and freedom from strain. Such a question practically answers itself. Pressure upon sterling arises mainly from a lack of confidence. If during a time of strain the authorities had to take special and obvious steps to replenish the Exchange Account's gold, the probability is that they would be taken as a sign of weakness and that the pressure on sterling would be intensified.

There is thus already a strong case for reversing the procedure adopted at the end of 1936, when the Bank took over part of the Exchange Account's gold. Then the Account had too much gold. To-day it holds enough, but no more than enough. And if it is the case that the authorities are contemplating an immediate seasonal increase in the fiduciary note issue according to the precedent

of a year ago, it might cause less disturbance to people's minds if the two operations were combined.

It might be suggested, therefore, that the fiduciary note issue be restored to its "normal" level of £260 millions. There is no very good reason to regard this particular figure as more appropriate than any other neighbouring figure, save that it happens to be the sum named in the Act of 1928, and a return to the *status quo* of as recently as ten years ago could hardly be regarded by even the most rigidly orthodox as an inflationary move. Of the £60 millions of gold thus set free, £40 millions might be transferred to the Exchange Equalisation Account—and since the £40 millions would be valued at the statutory price of gold, its market value would be about £66 millions. This would bring the Account's gold stocks to about £200 millions, which should be adequate for its foreseeable requirements.

The remaining £20 millions would, of course, be available to reinforce the reserve of the Banking Department during the period of high circulation over Christmas. If last year's precedent were strictly followed this £20 millions would be removed in January. But there would be a strong case for leaving this sum of gold as a permanent addition to the Banking Department's Reserve. This case arises out of the necessities of re-armament finance. The Treasury is financing more than £100 millions of expenditure out of borrowings this year, and the sum is likely to be larger rather than smaller next year. It must be one of the major objectives of credit policy to see that this programme of borrowing goes through smoothly. The banking system can be a powerful direct agent in absorbing the new loans. It is even more important that steps should be taken to see that armament borrowing does not raise the general rate of interest and further disturb the already precariously-balanced state of the British economy.

The mechanics of the matter are easily explained. On November 2nd the Banking Department had a reserve of £43.8 millions against deposits of £160 millions (including £109.5 millions of bankers' deposits). The Proportion was thus 27.3 per cent. The figure has been lower than this on many occasions in the Bank's history, but it is not an unduly large figure, and there might be ground for apprehension lest the Bank should be unable to initiate such further expansion as might be required.

The addition of £20 millions to the reserve would obviate this difficulty. If the Proportion were kept at about 27 per cent., the addition of £20 millions to the reserve would seem, at first sight, to permit an expansion in deposits at the Bank of about £74 millions. If this increase were, as it probably would be, mainly in bankers' deposits, which serve the joint-stock banks as cash, it might seem, again in theory, to make possible an expansion in joint-stock deposits of something of the order of £700 millions. In point of fact, the increases would not be nearly as large as these, since the joint-stock banks keep about half their cash in actual currency. If the Bank of England wishes the joint-stock banks to use an increase in their "cash at the Bank of England" as the basis for a credit expansion, it must also put an approximately equal amount of notes at their disposal, which would of course withdraw an equal sum from the Banking Department's reserve. The exact result emerges from an algebraic equation which the reader can

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easily devise for himself. In round figures, the addition of £20 millions in the first place to the reserve would enable the Bank of England to expand the joint-stock banks' cash by £30 millions—or about 15 per cent.—without lowering its own Proportion.

The bearing of this figure on re-armament finance may also be worked out. Such an expansion in the joint-stock banks' cash could only be brought about by a purchase by the Bank itself of £10 millions of securities (i.e. the increase in the banks' cash less the increase in the fiduciary issue). The joint-stock banks themselves have in recent months been holding, for every £100 of deposits, approximately £10 of cash, £19 of call and short loans and discounts combined, £28 of investments and £43 of advances. If these ratios were adhered to, an increase of £30 millions in their cash would enable them to purchase £84 millions of securities, provided that there were a simultaneous increase of £57 millions in the supply of Treasury Bills, either those held directly by the banks or those held by the market and borrowed against from the banks. The final result of the whole process, on paper, is that an addition of £20 millions to the reserve of the Banking Department of the Bank of England would enable the banking system as a whole to absorb about £150 millions of additional Government securities. The total might be larger if the total of advances continued to contract; and, on the other hand, it would be smaller if reviving business created a reviving demand for bank credit. The task of the Treasury would be

facilitated not only by the direct purchases of the banking system but also by the heartening effect these purchases would have upon the gilt-edged market. In practice, of course, the intervention of disturbing factors is to be expected and the actual result would almost certainly diverge from that calculated here. But the figures are sufficient to illustrate the dimensions of the suggestion that is being made and of the opportunity it would present for maintaining cheap money for another year or more.

The chief objection to the proposal is that it might be interpreted in some Continental circles as the herald of inflation. To some extent, inflationary phenomena are unavoidable if we are to finance a large part of the armament programme by borrowing. But inflation, in the sense in which it strikes terror into Continental minds, is a long way removed from a country where unemployment is considerable and, at best, not falling. Indeed, there would seem to be a greater risk of slipping back into deflation if the requirements of the defence programme are allowed to encroach upon monetary ease. A procedure such as has been here suggested—a restoration of the fiduciary issue to its 1928 figure of £260 millions, £40 millions of the increase going to the Exchange Equalisation Account and the remainder going to enlarge the basis of the credit system—would be the surest way of demonstrating that the policy of the authorities is unchanged, that they possess the resources to carry it out and the determination to use them.

Milling Shares

FOR the general investor, the milling industry means two names—Ranks and Spillers. These are the Imperial Tobacco and Carreras, the Bass and Ind Coope of their trade, but they have hardly achieved the same investment distinction. This may seem something of a defect for our staple food industry, but it has never sought—or needed—the publicity which those who cater for the direct needs of consumers must exploit. Indeed, its affairs have usually been modestly hidden from the public gaze, and even to-day the industry retains strong dynastic characteristics, most striking in the case of the Ranks group.

But recent events have shown that large-scale changes in the organisation of the milling industry are in progress. In August over 90 per cent. of the ordinary shareholders of John Greenwood Millers accepted an offer from Ranks, Ltd., for an exchange of shares. And last week the directors of Hosegood Industries recommended their shareholders to accept a similar offer from Spillers, Ltd. These offers are discussed in greater detail below, and they clearly enhance the leadership of Spillers and Ranks in the milling industry. Meanwhile, public interest in the latter group has been stimulated by this week's offer for sale of 2,800,000 5s. shares, at 17s. 6d. per share, which have hitherto been in private family hands.

It would be misleading, however, to assume that the milling industry consists wholly of a few large individual units. When the Wheat Commission was set up in 1932, there were 487 millers operating 557 mills. At the end of July last year, 481 millers operated 562 mills. Thus, there has been no dramatic change in the general structure of the industry. But already in 1930, the importance of the large-scale mill was obvious. Of the 404 establishments which made returns for the 1930 Census of Production, as many as 276 employed less than 50 workpeople. But 57 employed 100 or more, and these mills were responsible for as much as two-thirds of the industry's gross output of £66,695,000. To take another test, of the 260 mills handling wheat, 93 were port mills, and 167 inland mills. But the port mills reported a gross output of £43,086,000, compared with £17,182,000 for the inland mills; they employed 155 workpeople on the average, against 42 for the inland mills; and their higher operating efficiency was reflected in a net output per head of £384, compared with £348 for the latter. Between 1924 and 1935, the average numbers employed in the milling

industry rose only slightly, from 29,102 to 29,897. But its increasing efficiency is reflected in a jump in net output per head from £357 to £391 over these eleven years.

To-day, it is the silo at the river estuary which characterises the industry, and not the water wheel. To take an example from this week's prospectus, Joseph Rank, Ltd., owns "six of the largest up-to-date flour mills in the United Kingdom," situated at Hull, London, Southampton, Barry Dock, Birkenhead, and Belfast, and each of them is adjacent to a waterway and to a railway. In recent years, Spillers has built new mills at Cardiff, Avonmouth, Newcastle, and made improvements at Birkenhead and London. Such establishments call for capital on a large scale. Since Ranks, Ltd., was incorporated in 1933, more than £4 millions has been employed for extensions and for financing increased stocks, and of this sum as much as £2½ millions has been provided from the resources of the operating companies. As a result, the group can now claim a normal yearly output of about 18 million bags of flour of 140 lbs.—say, 22½ million cwt., or nearly one-third of the net supply of home-milled flour for 1936–37. Again, the industry employs its fixed capital to high advantage. To quote once more from the Ranks prospectus (which is as informative technically as it is reticent financially), the group has an hourly capacity of 3,100 bags, and an annual output capacity of 18 million bags. These estimates imply that the mills run for 5,800 hours annually, or, on the assumption of 300 working days, over 19 hours out of the 24. In fact, the demand for flour is one of the most dependable of economic statistics. In the following table, the quantities of flour supply, computed in accordance with the Wheat Act of 1932, are set out in detail:—

FLOUR SUPPLY—UNITED KINGDOM
(In cwt.)

Cereal years (to July 31st)	Home-milled Flour	Imported Flour	Total Supply
1932–3	75,699,923	8,471,515	84,171,438
1933–4	74,242,993	10,655,279	84,898,272
1934–5	74,665,904	8,058,878	82,724,782
1935–6	76,090,025	8,461,813	84,551,838
1936–7	74,600,781*	8,334,439	82,935,220*

* Subject to slight revision.

A maximum variation of 2½ per cent. in the output of British flour mills in this quinquennium, which covered

the trough of depression and the pinnacle of recovery, provides striking proof of the stability of operations which the milling industry enjoys. It has extended its direct trading activities in the quest for economies, so that the grain trading organisations, like the Stock Exchange, have reason to complain that business is being by-passed. And while buying policy has become increasingly important as stocks under the control of the large millers have grown, it appears to have coped successfully with the gyrations in wheat prices during the past few years. Price fluctuations, coupled with keen competition in the provender and animal food trades, had some influence on the level of milling profits last year. But the leading concerns appear to have avoided serious price "squeezes" and inventory losses alike.

What does this industrial background mean in terms of profits, past and potential? The following table, which sets out the recent profits of Ranks, Ltd., and Spillers, Ltd., together with those of McDougalls, Ltd. (which specialises in self-raising flour) provides the basis for an answer:—

MILLING PROFITS AND SHARE VALUES

	1932	1933	1934	1935	1936	1937	1938
Ranks, Ltd. (years to end June):—							
Dividends received from Joseph Rank, Ltd.	...	...	...	748,852	781,950	892,275	892,275
Total profits ...	...	...	...	749,951	782,892	893,347	918,243
Earnings for ord. shs. £	...	...	...	379,643	402,958	476,983	478,956
Ord. div. ... %	...	...	...	15.9	17.1	20.6	19.4
Ord. shares:—				15	15	18	17
High	...	...	21/6	19/9	21/-	20/10½	18.3†
Low	...	...	15/4½	16/-	16/3	17/9	16/-†
Spillers, Ltd. (years to Jan. 31st):—							
Total profits ...	549,185	353,446	405,408	458,070	437,629	655,638	605,224
Earnings for ord. and def. shs. £	300,641	260,149	312,322	229,408	315,311	399,345	359,645
Ord. div. ... %	15.2	(c)	15.1	(b)	15.2	19.5	17.4
Ord. & def. divs. %	(c)	(c)	15	15	15	15	15
Def. shares:—							
High	34/7½	39/4½	53/6	54/6	54/-	54/3	49/3†
Low	13/9	25/-	36/-	42/-	45/-	44/3	39/3†
McDougalls, Ltd. (years to March 31st):—							
Total profits, before working exps. £	...	...	345,658	376,087	370,769	429,425	412,038
Income ...	...	...	...	209,629	204,391	205,210	205,200
Ord. shares:—				10.5	10.1	10.1	10.2
Earnings ... %	...	...	...	5	7½	10	10
Ord. shares:—				21/3	29/3	34/1½	29/6†
High	...	...	...	30/-	40/-	40/-	35/6†
Low	...	...	...	21/3	29/3	34/1½	29/6†

* Results not shown for broken periods. † To end October.
(a) Ordinary, 15.0 per cent.; deferred, 8.6 per cent. (b) After charging additional obsolescence provision, ordinary, 15.0 per cent.; deferred, 2.2 per cent. (c) Ordinary, 15 per cent.; deferred, 10 per cent.

Progressive earnings and a satisfactory "ceiling" for milling equity shares are apparent in this table, at least between 1935 and 1937. The latest results have been affected by factors which may well prove of a transient nature. For instance, the fear of a breach in the Millers' Mutual Association explains the decision last September to reduce the Ranks dividend for 1937–38 from 18 per cent. to 17 per cent. Perhaps the same uncertainty was reflected in the comparatively stiff terms which were accepted a month earlier by the majority of shareholders of John Greenwood Millers. Already that company had suffered severely from competition in the North-Western area, and the chairman, speaking early in August, saw "no immediate prospect" that earnings would be restored to the favourable level of previous years. These fears of unregulated competition, however, have proved groundless. The Millers' Mutual has closed its ranks, and the need for precautionary dividend cuts appears to have been removed. Indeed, the directors of Ranks, Ltd. (whose conservative financial policy, though not directly disclosed in the somewhat uninformative accounts which the parent company continues to publish, may be inferred from recent reports) now envisage the possibility of more generous distributions in future. Without any indication of the real profit-earning capacity of the group, it is difficult to translate such possibilities into percentage terms. Unfortunately, this week's prospectus does not

bring up to date the detailed information regarding Joseph Rank, Ltd., which was provided when Ranks, Ltd. was formed five years ago. This is a factor which must be put on the debit side in assessing the value of the shares, though reticence has its uses in concealing plums from shareholders, as well as useful information from trading competitors.

The business of Joseph Rank, Ltd., was founded in 1875. Spillers, however, traces its inception to 1837, and it has a long public history. The group suffered severely in the depression, and actually incurred a loss of £221,511 in the year to January, 1930. But there has been no cause for complaint during the past five years, in each of which 15 per cent. dividends have been paid on the ordinary and deferred stocks.

Two special factors may well affect their prospects in future. In July last the company disposed of its controlling holding in British Oak Insurance, which, it would seem, experienced certain special losses during 1937. These, in effect, were provided for in the Spillers' accounts. Secondly, the milling interests will be extended if (as their directors recommend) the shareholders of Hosegood Industries accept the offer made by Spillers, Ltd., last week. Hosegood Industries (which has an issued share capital of £1,013,291, compared with £700,000 for John Greenwood Millers) experienced a fall in profits from £106,972 to £82,318 for the year to June last, but maintained its ordinary dividend at 7½ per cent. out of earnings equivalent to 9.6 per cent. Ordinary shareholders (among them the directors, who with their connections, own upwards of two-thirds of the 2,425,295 5s. shares in issue) are invited to accept 8s. per share for one-half of their holdings, and, for the other half, one ordinary and one deferred share in Spillers in respect of every fourteen shares. On the basis of current prices (without allowance for accrued dividends) these terms imply that 28 Hosegood Industries shares, now quoted at 7s. 6d., and worth £10 10s. in all, would receive cash and shares in exchange valued at £10 16s. 3d. But, like the Ranks offer for

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John Greenwood shares, the proposed exchange comes at an opportune time for the absorbing company. Last year's Hosegood Industries results were affected by the fall in cereal prices, and also by the locking-up of £175,024 of capital in the new mills at Avonmouth, which should be finally completed next year. Hence, the advantage which is represented by the Spillers' offer might be less impressive at some future date, if Hosegood Industries' earnings position improves.

The general prospect for the industry, whose efficiency has been improved by new installations, and whose structure now consists of three dominant organisations—Ranks, Spillers, and the Co-operative Wholesale Society

—thus appears to be assured, provided that it avoids the perils of extreme fluctuations in cereal prices, as it has done in recent years. In fact, to-day's share prices appear to be in line. Ranks ordinary shares, at 17s. 6d., yield £4 17s. per cent., and carry the expectation of higher future dividends. Spillers ordinary, which have received 15 per cent. for the past seven years, stand at 58s., to yield £5 3s. 3d. per cent., while the deferred, at 46s. 3d., yield £6 9s. 9d. per cent. Some allowance may have to be made in current yields to cover the risk of war, and—on a longer view—a potential fall in population. But these are risks which equity shares as a whole must also face in some degree.

Finance and Banking

Argentine Peso Depreciation.—The Argentine Government announced last Tuesday that it had raised its official selling rate from 16 to 17 pesos to the £. The new rate has become immediately effective except for those who had already obtained import permits. These existing permits must be liquidated by the end of this year. A further decree published last Tuesday makes it obligatory to obtain permits for all imports into Argentina after December next. Both the depreciation of the official peso rate and the tightening up of the existing machinery of exchange control are indications of the serious deterioration which has occurred this year in the Argentine foreign trade and exchange position. The foreign trade figures for the first nine months of the year show an excess of imports amounting to 61½ million pesos as against an excess of exports of 751 million pesos in the corresponding period of 1937. Admittedly, there was a somewhat abnormal element in last year's exceptionally good figures, but it was not of sufficient magnitude to account wholly for the deterioration which has since occurred in the returns. The depreciation of the peso must thus be regarded as a conscious attempt to remedy the accumulating deficit of the trade balance. The change in the official selling rate has not been accompanied by a corresponding movement in the official buying rate, which remains at 15 pesos to the £. The margin of profit made by the Argentine Exchange Institute on its exchange operations has thus been doubled. That profit serves to feed the fund for stabilising and subsidising wheat prices in the Argentine, and if one may judge from the present trend of the wheat market, the fund is likely to require additional resources in the coming year.

The depreciation of the official selling rate has been accompanied by a steep fall in the free peso rate. This has declined during the week from 19.02 to 20 pesos to the £. Such a movement is a natural corollary of the alteration in the official rate, and an even steeper decline would have occasioned little surprise, given the narrowness and sensitiveness of the market in free pesos. It has not yet been finally decided whether the official depreciated selling rate will apply to the railway companies in the Argentine. During 1936, when the official rate was at 17, the railway companies were given a special concession by which they were able to effect their transfers in respect of dividends and purchases of materials at a rate of 15.75 to the £. That special concession lapsed when the official selling rate was brought back to 16. There is some ground for anticipating that the 1936 precedent will be followed now that the official selling rate has returned to 17 pesos to the £ and that the railway companies will be able to continue making their remittances to this country at the rate of 16 pesos to the £.

The Coming Insurance Bill.—The Insurance Bill forecast in the King's Speech will no doubt follow the lines of the Report of the Committee on Insurance pub-

lished in July, 1937. The Bill would probably have been produced in an earlier session but for the Sharepushing Bill, also in the charge of the Board of Trade, which was given precedence over insurance. Although the Committee was considering only compulsory insurance, the Bill is certain to affect forms of insurance other than motor car and workmen's compensation in mines, which are at present the only compulsory forms. The reason is that it is not possible to deal with the credit of insurers department by department, and it was made abundantly clear to the Departmental Committee that the third party and the workmen could only be guaranteed payment of their claims by revising the whole scheme of insurance security. If the Committee's advice is closely followed, as it probably will be, a scheme of licensing will be introduced based on a margin of solvency, and any insurer who is unable to get his solvency certified will not be allowed to transact compulsory business. This in effect will mean that all insurance companies and underwriters will have to produce a certificate of solvency. It will probably be found, too, that new regulations will be made for statistical returns to the Board of Trade, and Lloyd's underwriters, who have hitherto made practically no returns, may in this Bill be obliged to supply figures to the Board of Trade comparable in the mass to the statistics now sent in by the insurance companies. Life funds will in all probability be segregated, but it is probable that segregation of the assets of other departments will not be called for.

Gold Earmarking in South Africa.—The Reserve Bank of South Africa has this week instituted facilities for earmarking gold in its own vaults on behalf of other central banks or monetary authorities. Every month the Reserve Bank will notify the amount of such earmarked gold to the Customs authorities of the Union. The new departure may be said to owe its origin to the recent crisis, and to the interruption which it caused to the regular flow of gold shipments from the Cape to this country. During September and October these shipments fell to a weekly average of £300,000, as compared with an average weekly figure of £1,540,000 for the first eight months of the year. The newly-mined South African gold reaching this country is automatically sold to the Exchange Equalisation Account, and one may assume that the gold which during the crisis was retained in South Africa was none the less sold to the E.E.A. and earmarked for it at the Reserve Bank. Strategic considerations may give some extension to this practice. It will be recalled that in recent months some Exchange Equalisation Account gold was sent to Canada, while there have also been suggestions that an earmarked gold reserve has been built up for the E.E.A. in the United States. The extension of this principle of spreading the geographical risk is now, by all appearance, to involve the accumulation of a reserve in South Africa itself. During the weeks of crisis we saw the astonishing spectacle of gold bullion being exported—in modest quantities it is true—from this country to South Africa. Such ship-

ments were made on behalf of private interests who preferred the remoteness of Cape Town to the safe deposits of London as a refuge for their gold hoards. On the face of it the new practice of holding earmarked gold in South Africa has the attractions of simplicity, though it obviously raises large questions which will require careful consideration. The irreverent might ask with unseemly levity why one should not simplify matters still further by earmarking the gold in its original main reef formation.

October Clearing Bank Averages.—The further efflux of funds from London during the early part of October finds expression in the latest clearing bank averages, for deposits are £13.7 millions lower than in September. The counterpart to this movement is a reduction of £20.7 millions in discounts. Notwithstanding the month's increase in the floating debt, the average volume of tender issues of Treasury bills outstanding in October was £15 millions less than in September. These last two figures show how the efflux of funds was covered by gold sales by the Exchange Equalisation Account, which in turn increased its holdings of bills at the expense of those available to the banking system. This point receives further consideration in another Note on this page.

	Oct., 1937	June, 1938	July, 1938	Aug., 1938	Sept., 1938	Oct., 1938
Capital and reserves	132.5	136.0	136.0	136.0	136.0	136.0
Acceptances, etc.	115.6	115.8	114.9	115.5	121.9	129.3
Deposits (including undivided profits, etc.)	2,275.2	2,262.2	2,272.1	2,262.4	2,233.4	2,219.7
Total liabilities	2,523.3	2,514.0	2,523.0	2,513.9	2,491.3	2,485.0
Cash	230.7	213.2	241.0	237.8	230.7	230.7
Cheques, balances and items in transit	62.9	71.3	63.2	59.2	54.5	61.8
Money at call	159.7	149.6	154.9	150.2	145.6	145.4
Discounts	294.6	287.9	299.9	303.2	287.5	266.8
Investments	624.6	615.3	618.8	627.2	631.4	631.1
Loans and advances	967.3	963.3	962.8	953.1	951.9	952.0
Investments in affiliated banks	23.5	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	160.0	159.5	158.5	159.3	165.8	173.3
Total assets	2,523.3	2,514.0	2,523.0	2,513.9	2,491.3	2,485.0

The authorities were able to manage matters so that, in the aggregate, clearing bank cash remained unchanged. On the average public deposits were slightly higher in October than in September, while the emergency increase in the note circulation at the end of September meant that the circulation was also higher in October. On the other hand, the banking department was holding more securities, and so bankers' deposits were on the average much the same in both these months. One point of interest, however, emerges. The fact that both bankers' deposits and clearing bank cash remain unchanged suggests that the banks' till-money was also unaltered, and therefore that little of the emergency currency still outstanding in October was held by the clearing banks. Investments and advances also remained unaltered between September and October. Therefore the October averages simply reflect that month's further withdrawal of funds from London.

It is now possible to review banking and monetary statistics over the whole period of the crisis. Comparing average figures for July and October, while the floating debt rose by £39 millions (thus being the usual seasonal increase), tender issues of Treasury bills were reduced by £44 millions, while the departments' floating assets rose by £82 millions. So far as the Bank of England was concerned, the note circulation was £3 millions higher in October, the Reserve £3 millions down, public deposits £11 millions higher and bankers' deposits £14 millions

lower. The increase both in public deposits and in the departments' floating assets are traceable back to the Exchange Equalisation Account's gold sales, and the net result of these and also of the October increase in the note circulation was the very moderate drop of £14 millions in bankers' deposits. This last is reflected in a drop of £10 millions in clearing bank cash, while the efflux of funds from London, which occasioned the Exchange Account's gold sales, led to a reduction during the same period of £52 millions in clearing bank deposits. To complete the picture, the contraction of £44 millions in the tender issue of Treasury bills—a further counterpart to our official gold losses—is paralleled by a shrinkage of £43 millions in the clearing banks' discounts and call and short loans combined. Extraneous to the main picture is a drop of £11 millions in advances, offset by an increase of £12 millions in investments. The net result is that the clearing banks have emerged from the crisis with the loss of £52 millions of deposits and £10 millions of cash. The Bank return of November 2nd, however, suggested that the latter loss has already been made good.

The Floating Debt.—This week's revenue returns show an increase of £19.2 millions in the floating debt. There is nothing abnormal about such a movement, as the Government had heavy dividend payments to meet at the beginning of November, so much so that the statement includes a sum of £3 millions borrowed on Ways and Means from the Bank. What is of more interest is the fact that, in spite of this big increase in the total floating debt, the volume of Treasury bills issued by tender has fallen by £5 millions. It follows, therefore, that the floating assets held by the Departments have increased by £21.2 millions. This big movement superficially appears surprising, for

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there is no evidence of any heavy gold sales by the Exchange Equalisation Account during that week. There is, however, a possible explanation. During the September crisis the Exchange Account made heavy purchases of Treasury bills originally issued by tender. These bills have since been maturing, and as they mature they are automatically replaced by tap issues of Treasury bills direct to the Exchange Account. To that extent the recent growth in the Departments' floating assets is only the outward and visible sign of what happened last September, and this conversion of tender Treasuries into tap bills does not in itself directly affect the money market. Actually the increase in the floating assets of Public Departments (which includes the Exchange Account) since September 24th is £56 millions. Part of that represents the early October gold losses, but a substantial portion must consist of the conversion of open-market purchases made during September. On the other hand, if all this week's offer of tender bills is allotted, the tender issue will increase. This, coupled with the belief that the September special purchases were as far as possible confined to October maturities, suggests that the conversion process may have reached its end.

* * *

Indirect Exchange Control.—During the last few weeks the authorities have reverted to their favourite method of controlling the pound indirectly through gold operations. The support of sterling through the sale of dollars was still in evidence from time to time, but it was the exception rather than the rule. For years the Exchange Equalisation Account has aimed at managing sterling as far as possible through purchases and sales of gold, but

during the critical months of September and also during part of October the large volume of the selling pressure made it necessary to operate also in the foreign exchange market. Now that conditions in the exchanges are calmer, it is no longer necessary as a rule to operate in dollars. The extent to which the authorities prefer to operate in gold rather than dollars is indicated by the fact that while they have allowed the sterling-dollar rate to fluctuate within a fairly wide range they have kept the price of gold relatively stable in relation to the American shipping parity. They were reluctant sellers of dollars, so that whenever there was a large demand the sterling-dollar rate moved against the buyers. On the other hand, they were willing sellers of gold, so that in spite of a large demand which arose at the fixing on many days the price of gold remained in the close vicinity of the American shipping parity. Consequently, on many occasions when banks had to make large transfers to New York, they preferred to do so by buying gold rather than by moving the rate against themselves by purchasing dollars in the foreign exchange market. The preference of official quarters for the indirect method of exchange control is easy to understand. Evidence of official support in the foreign exchange market is apt to give rise to a wave of pessimism and tends to accentuate the selling pressure. On the other hand, the official selling of gold does not convey such an unfavourable impression; since the demand for gold may come from hoarders or from arbitrageurs and it is not therefore a clear-cut indication of weakness of the pound. At times of sweeping pressure, however, the technical limitations of indirect control make it necessary for the authorities to revert to direct control.

MONEY MARKET NOTES

Foreign Exchanges

THE London foreign exchange market has had an inactive week, but there has continued a persistent demand for dollars which has had to be countered by fresh official intervention. The week's growth in the volume of business in the bullion market bears witness to this, for most of the gold dealt in has come out of official resources. Pending the announcement of the French Government's new financial proposals, there have been all kinds of rumours in Paris, including a fresh devaluation of the franc, and even a depreciation of sterling to \$4.50 as part of the Anglo-American Trade Agreement. The bare recital of these rumours places them in their proper perspective, but they suffice to explain a fresh movement of funds out of francs and into dollars; and, as usual, sterling as well as the franc, has had to bear the brunt of this

movement. There is also the possibility that Wall Street is acting as a stronger magnet to investment funds. The result is that, in spite of official support, sterling has fallen to \$4.74½. Spot francs are at Frs. 178½ and three months' francs at Frs. 3½ discount, but both these rates have been dependent entirely upon French official purchases of spot and forward francs. On Thursday the Argentine peso, reference to which is made in a Financial Note, was quoted at pes. 20.10 to the pound, which is a new high record.

The Bank Return

THE currency withdrawn at the end of the month has now returned, and the note circulation is much the same as it was a fortnight ago. The Christmas expansion is not due to begin until the end of the month.

Issue Dept.:	Nov. 10, 1938	Oct. 26, 1938	Nov. 2, 1938	Nov. 9, 1938
Gold	326.4	326.4	326.4	326.4
Notes in circulation	485.6	482.5	483.9	482.7
Banking Dept.:				
Reserve	42.4	43.9	42.5	43.7
Public Depts.	30.7	25.0	14.1	15.9
Bankers' Depts.	90.9	100.0	109.5	100.5
Other Depts.	36.1	35.5	36.4	35.5
Govt. Secs.	103.9	107.6	102.4	101.6
Discounts & Advances	8.4	4.2	10.4	11.1
Other Secs.	20.7	21.6	21.1	21.0
Proportion	26.8%	28.1%	27.3%	27.9%

There are no significant changes in the Banking Department. Government securities are lower than a week ago, so that the small amount of ways and means borrowing shown in last Saturday's floating debt statement has now been repaid. The very slight increase in discounts and advances does not point to any further use of the Czech credit. Bankers' deposits are exactly the same as a week ago.



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Investment

The Session and the Investor.—The new session promises to provide comparatively little of direct interest to the investor. Perhaps that is well, for at every phase of its deliberations, on defence and political issues, Parliament will have to take decisions which will vitally affect the investor's interests. The Stock Exchange during the past week has, indeed, been quick to take its improved tone from the Prime Minister's elaboration of his policy of appeasement, from his references to improving trade conditions, and not least from his insistence on defence measures. The background at Westminster, coupled with the revival of new issue activity, has acted as a mild tonic for the Stock Exchange, which sees in the immediate future no drastic re-armament measures (and no dire threat of control, in consequence, for the gilt-edged or industrial market), and a sufficiently favourable economic atmosphere, warmed by the trade winds from the United States, to anticipate a decisive check to recession, and possibly some modest improvement. The electricity supply shareholder appears to be safe from the attentions of Parliament, at least for the time being, for the reorganisation of the industry, as contemplated by the McGowan report, is not on the fixture list. The Cotton Bill also appears, so to speak, with a question mark. The major measure, therefore, consists of the Prevention of Fraud Investments Bill, which was introduced in July and was discussed in our issue of July 30th.

* * *

As a result of the pre-view, it takes first place in the Bills of the new session. It will be recalled that Clause 9 of the original Bill appeared to threaten those (including newspapers) who followed the *bona fide* but necessarily speculative art of offering investment advice. Under the original clause, any person who made any statement which he knew, or could reasonably be expected to know, to be false, misleading or deceptive, or who made any promise or forecast which he had no reasonable ground for supposing to be likely to be fulfilled or verified, laid himself open to penalties for fraudulent inducement. Under the

new clause (numbered 10) an offender must either know that the statements, promises or forecasts are misleading, false or deceptive, or must make such statements recklessly. The new form of words, in short, makes the commission of fraudulent inducement a positive or reckless act, and obviously represents a considerable improvement, so far as the *bona fide* investment adviser is concerned, over the old clause. The new Clause 9 refers to building societies and gives the Registrar of building societies power to demand books and accounts, and to issue orders, with the approval of the Treasury, to restrain any building society from publishing invitations to subscribe for securities in the society. This clause, although its powers appear to be widely drawn, is clearly directed against those societies, fortunately few, which exploit the public by offering dangerously high returns, and provide no effective building society service in the ordinary sense.

* * *

Wall Street and Roosevelt.—A reverse for the President has always meant a gain for Wall Street. And the market, which would have been satisfied with sixty Republican gains in the House of Representatives, found itself on Wednesday reading the news that seventy-three gains had been recorded, with more results still to come. As the results came in, its spirits rose. The Dow Jones industrial average jumped over 3 points, and turnover reached 3,100,000 shares—the highest level for more than a year. Similarly, the industrial and rail indices have reached the best levels for a year or more. In fact, it would be hard to imagine a more favourable conjuncture of political and economic news for the market than has occurred this week. On the eve of the ballot, Wall Street was spurred into new high ground by the publication of the Federal Reserve Board's index of industrial production for October, which showed an advance from 90 to 95 for the month. Steel operations also revealed a further vigorous expansion. According to the American Iron and Steel Institute's estimate, operations this week are at 61 per cent. of capacity, against 56.8 per cent. last week. In other words, the entire

The Money Market

MONEY is now as easy as it was last summer, and the crisis efflux of funds appears to have made no difference fundamentally. This is because the efflux has been offset by the withdrawal of bills from the market as the result of the Exchange Equalisation Account's complementary gold sales. It is noticeable, however, that with the possible exception of the American banks, the London offices of overseas banks are again ready to lend. Bond money was obtained at ½ per cent. on Thursday afternoon, and any attempts to secure more than ½ per cent. proved abortive.

	Nov. 11, 1937	Nov. 3, 1938	Nov. 10, 1938
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1½-1*	1½-1*
Others	1½-5½	1½	1½-5½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	17½-9½	17½-9½	17½-9½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. 5½ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

The banks have been ready buyers of late January and early February

Treasury bills at ½ per cent., and several of the banks were ready to take early January in spite of the fact that these bills only mature just after the end of the year. Discount houses are charging ½ per cent. for bills coming from their clients, but the effective rate in the market is no better than ½ per cent. Present indications are that this ease will continue until early December, when the banks are likely to reduce their purchases of bills in preparation for the end of the year.

*

The Bullion Market

THERE has been a fair demand for gold, particularly on Wednesday and Thursday. It was mainly of an arbitrage character, the bulk of it being against sales of dollars. There was a small amount of arbitrage against the belga, but this business has all along been restricted by the narrowness of the market in belgas. There has been some Continental demand for forward gold which has to be covered by spot purchases, but this is probably because the premium on forward gold is less than it was just after the crisis. The authorities have been the chief sellers and have

kept the premium steady at one half-penny.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount *	Amt. dealt in †	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Nov. 4	146 1	1½ pm	232	191½	193½
" 5	146 1	1½ pm	388	195½	195½
" 7	146 1½	1½ pm	609	199½	199½
" 8	145 11½	1½ pm	571	199½	199½
" 9	146 3	1½ pm	1,021	195½	196½
" 11	146 5½	1½ pm	1,332	196½	196½

* Above or below American shipping price. This week's calculations are based on a temporary parity, in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing.
The New York price of silver remained at 43 cents per ounce -999 fine during the week.

In the silver market Eastern selling has been balanced by the normal American trade demand and also by Continental buying, possibly for coinage purposes. The results of the American elections are, if anything, a bear point for silver, but only on the ground that they are not likely to lead to a recrudescence of the silver purchasing policy. India has been operating both ways this week, and her attitude for the immediate future is uncertain.

industry now appears to have reached the pay point. The elections appear to have achieved one of the results most keenly desired by the market—the return of a sufficiently vigorous opposition to Congress to curb the New Dealers, coupled with the control of sufficient States to provide valuable assistance to the Republican Party in its preparations for the Presidential election in 1940. At the same time, of course, Congress will continue to spend with a liberal hand, assisting the forces of recovery which already have taken firm root. Whatever the elections may hold for 1940, there is no doubt that, on the shorter view, they are entirely to Wall Street's liking.

Railway Earnings Estimates.—It is doubtful whether the Sunday press will make the same splash with this week's traffics (which show a total fall of £82,000, of which £73,000 is due to the L.M.S. alone) as it did with last week's depressing loss of £254,000. Taking the two weeks together, it is possible to detect a very slight tendency towards improvement in recent returns, though it cannot affect the year's earnings in any measurable degree. The aggregate loss of traffics for the 44 weeks of the current year amounts to £5,103,000, of which £2,282,000 has been suffered by the L.M.S., £1,736,000 by the L. and N.E., £922,000 by Great Western, and £163,000 by Southern. On this showing, the railway unions chose an unfortunate time to present their claim for increased wages and improved conditions, which they estimate to cost £6½ millions in a full year. To this, the companies have replied that, if the complete year's figures for 1938 are no more favourable than they promise to be at present, they will seek some relief in labour costs. This statement has been received with satisfaction on the Stock Exchange, where home rail stocks have been far from cheerful for several weeks past. Actually, the weekly traffic comparisons since the beginning of October have been less serious than the bald figures suggest, for until that date the true fall in traffics was masked by the increased revenue due to the basic 5 per cent. increase in charges which came into effect in October, 1937. And the potential earnings position, though it cannot be described as favourable, is not so serious that it endangers the guaranteed stocks, which have not escaped the investor's suspicion recently.

As a general guide to earnings possibilities, it may be useful to bring up-to-date the estimates published in *The Economist* of August 13th. We have computed the potential fall in gross receipts for each line during the second half-year, on the basis of the recorded fall for thirteen weeks, and an estimate for the last quarter, based on the traffics of the last five weeks. For a measure of increased costs, due to prices of stores (whose rise should be flattening out) and higher wages (which affect the year's comparison only for July and half of August), we have taken a flat half of the increases recorded in the first half of the year, which gives a somewhat smaller estimated burden for L.M.S. and Great Western than our previous basis. The reduction in direct costs due to the lower volume of traffic is taken at one-third of the gross reduction in receipts, without any allowance for the effect of increased charges. The resultant of these figures, added to the reduction in net revenues for the first half of the year, gives a total estimated reduction for the full year, subject to changes in net receipts from ancillaries for the second six months. The results are given in the next column.

	(Amounts in £000's)				
	Second half-year			Reduction in net revenue first half-year	Total estimated reduction, full year
	Fall in traffics (estimated)	Increased costs	Reduction in direct costs due to lower traffic volume		
L.M.S.	2,250	520	750	1,496	3,516
L. & N.E.	1,500	525	500	1,780	3,305
G.W.	775	260	260	818	1,593
S.R.	60	225	20	574	839

These estimated reductions in net receipts suggest that 3½ per cent. may be earned on L.M.S. first preference stock, but that the L. and N.E. second guaranteed dividend may only be covered with the smallest of margins. For Great Western ordinary, earnings of about ¼ of 1 per cent. are indicated, and for Southern preferred stock approximately 3¼ per cent.

Argentine Railways and the Peso.—This week's bald announcement that the Argentine Government has decided to raise the official rate for remittances from the Argentine from 16 pesos to 17 pesos to the £ came as a surprising blow to Argentine railway stockholders. Second thoughts on the decision are perhaps less despairing, for it has been reported from Buenos Aires that the new rate will not apply to railway remittances. In existing circumstances, clearly, an increase in the already heavy exchange provisions which the companies are compelled to make would have dashed all hope of improved earnings. And as we go to press it is feared that even the maintenance of the railways' present exchange arrangements might be employed to secure rebates on certain freights. Possibly the best interpretation of the Argentine Government's decision is that which links it with the desire to assist the farmer. In view of this season's bountiful crops, low prices are inevitable. The exchange fund's profits, therefore, will provide means for subsidy payments (as in 1936, though they were not used), while reduced freights would aid the farmer, at the rail stockholder's expense. The market recalls that the concession by which the Argentine railways were permitted to remit at \$15.75 to the £ in 1936 was accompanied by rebates on maize freights. Until more definite news of the new exchange arrangements is received it would be misleading to offer any estimate of its effect upon individual lines. But it is worth noting that, if the railways were to experience the full burden of the latest depreciation, the cost would be of the order of £200,000 each for B.A. Great Southern and Central Argentine, and perhaps £50,000 or more for B.A. Western, on the basis of a reasonably satisfactory freight year.

Unit Trust News.—Two new unit trusts, the cessation of business by a recently formed trust, and moves to secure a more fully representative association within the movement, with a view to introducing collective publicity—these are among the week's developments in the unit trust field. By a coincidence, both of the new trusts are of a dual purpose type. The Trans-Atlantic Unit Trust is really two trusts, for it consists of a Canadian Series and a United States Series, both of which are governed by the same general conditions. The Trust has a life of fifteen years, with an initial service charge of 6 per cent. and a semi-annual charge of 1½ of 1 per cent. In each series, the underlying securities consist of no more than ten securities (with alternative panels of three additional securities). In principle, therefore, they hark back to the fixed panel of strictly limited scope. The range of choice in the United States list, for instance, appears to be directed towards the consumers' goods industries rather than the leading capital equipment stocks. Investors Income and Reserve Trust is the latest recruit to the ranks of the "15 Moorgate" group. The unit holder has the option of holding "Income sub-units" or "Reserve sub-

units" in the trust. Both are identically constituted, and are based on an initial portfolio of 175 securities, which is subject to a limited degree of flexibility. The "Reserve" part of the trust thus earns the same yield as the "Income" part, but two-fifths of the income which is attributable to it will be accumulated in a reserve fund, at interest, for the benefit of sub-unit holders. Thus, on the basis of an opening offered price of 21s. 3d., and dividends on the underlying securities in respect of the year to September 30th, the income units would yield £5 1s. 1d. per cent., and the "Reserve" units £3 0s. 8d. per cent. plus £2 0s. 5d. per cent. gross to reserve. The management group has experienced a demand for this type of reserve facility, although, for the average unit holder, whose purchases amount, say, to £200, the annual reserve provision would amount to about £4, on the basis of recent dividends. As a whole, the movement is following precedent in pursuing an active formation policy when market conditions show promise of improvement. But there is no precedent for a unit trust ceasing business within three weeks of its formation. That is the unhappy fate of First British Mutual Fund, whose features were criticised in these columns on October 15th. Cash subscriptions for units, it is stated, have been returned in full.

Company Notes

P. and O. Dividend.—The Peninsular and Oriental board has enjoyed a reputation for conservatism among the deferred stockholders in recent years. When a shipping company which has distributed only 4 per cent. in the two previous years increases the rate to 5 per cent. and declares a 3 per cent. bonus to boot, there is obvious cause for joy in Throgmorton Street. On Wednesday, P. & O. deferred jumped 2s. 3d. to 25s. 3d. on the declaration. Until the full report is available towards the end of the month, the real explanation of this surprisingly favourable declaration must lie hidden. At first sight, it would not seem that improved shipping earnings and the reduction in Suez Canal dues would account of themselves for so spectacular an increase. But some delayed advantage from higher freights was brought forward from 1936-37. The P. & O. accounts are made up to September 30th, but the voyage accounts are struck to June 30th. Hence, in 1937, the results did not reflect to the full the improvement in liner freight rates. All the subsidiaries paid ordinary dividends in respect of the year 1936-37, although in Lord Craigmyle's words, the board did not consider it wise to "press" the allied companies for higher dividends. But he did envisage the possibility of "somewhat larger distributions" under favourable conditions.

It will be recalled, moreover, that in 1936 a special transfer from reserves enabled the company to reduce the book value of the fleet by nearly £6 millions, and the provision for depreciation from current profits has since been stabilised at £885,000. Relief from the necessity for high depreciation allocations may in part explain the company's newly-found generosity. Before reaching any premature conclusions regarding the significance of the dividend, however, it might be well to recall that on the basis of actual earnings, the 4 per cent. dividend for 1936-37 was only covered to the extent of 1.7 per cent. It was, in fact, made up of £79,888 from actual earnings, and of £103,813 from income tax refund and non-recurring miscellaneous revenue. The latest dividend decision implies an increase of £287,514 in distributable resources, towards which the increased British India Steam Navigation dividend (from 5 per cent. to 6 per cent.) would provide only £9,572. The comparison itself suggests the possibility that, as in former years, special items may have played a part in the dividend decision.

R.M. and E.D. Payments.—Excellent progress in the difficult process of winding up the R.M. and E.D. Realisation companies is indicated by this week's announcements of forthcoming distributions of 3s. 9d. per R.M. share and 8s. per E.D. share. The latter was more generous than had been anticipated, and the shares improved to 10s. 1½d., while R.M. remained steady round 7s. 7½d. The funds from which these payments are being made presumably absorbed the cash surpluses available when the companies were put into voluntary liquidation, together with the greater part of the readily realisable asset items. The remaining amounts receivable by the Realisation companies from the liquidation of concerns in the R.M. group cannot be very substantial. Most of the properties have been disposed of either by way of transfer to the Anglo-Foreign Properties, Ltd., in exchange for shares or by a direct sale. The remaining items under these heads are of quite secondary value. The present price of R.M. Realisation represents 3s. 10½d., ex the pending payment. Since there are 1,000,000 shares in issue, the remaining assets are represented by a market capitalisation of £193,750. These consist of approximately 70,000 Union Castle ordinary and 325,000 Anglo-Foreign Properties shares. The proceeds of these holdings, together with the remaining odds and ends, are an open guess; they should at least cover the ex payment price, but whether by 1s., 2s., or 3s. per share will depend largely on the course of markets in the next year or so.

The ex-payment price of E.D. Realisation is equivalent to only 2s. 1½d., representing a market capitalisation for the 1,000,000 shares of £106,250. Against this there is a holding of 70,000 Union Castle shares, 40,000 of which may be subject to a contingent claim which, it is hoped, may not materialise. There is the holding of 130,000 shares in Anglo-Foreign Properties and the coaling interests which should produce a significant amount. There are also a number of difficult smaller items. In the aggregate, this bag should certainly yield a surplus over the ex payment price. As compared with R.M., the smaller holding of Anglo-Foreign Properties may well be balanced by a higher yield from the other components. There is, in fact, no very evident reason why the ex payment price of R.M. should differ materially from that of E.D. One of the problems that remains to be decided is the manner of dealing with the Anglo-Foreign Properties holdings. The issued capital of this company is £455,000. The objection to distribution in specie is that the Realisation companies have shareholders' lists running well into five figures, so that such a course would involve a vast number of trivial odd-numbered holdings. Other technical difficulties include the disposal of the "bits and pieces" of sundry minor liquidations, and odd items of property covered by incomplete or dubious title deeds. But the liquidators, who have been so conspicuously successful to date, may be relied upon to solve such problems, as they have solved so many others in the last four years, in the best interests of the shareholders.

Electric and Musical Setback.—The semi-luxury trades, for which the E.M.I. group caters, are among the first to be affected by industrial recession, but the drop from £361,280 to £135,517 in dividends paid by the Gramophone and Columbia companies to the parent company is of unexpected severity. The long-term holder of Electric and Musical ordinary shares will feel the more disappointed since the increased diversification of the group's productive activities has brought no stability of earning

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power. Technical advantages, from the spreading of production over a wider range, have evidently been of small importance compared with fluctuations of demand as a whole. In the following table we have excluded from the 1937-38 earnings, as reported, the sum of £81,937, which according to the consolidated balance sheet arose from the profit on the sale of a radio interest by an associated company, but was included in the subsidiaries' distributions to Electric and Musical Industries:—

	Years to September 30th		
	1936	1937	1938
Gramophone companies' divs.	254,446	361,280	53,550†
Other divs. and income	112,052	112,133	103,912
Total income.....	366,498	473,413	157,462†
Expenses and fees	99,709	109,449	92,933
Income tax	20,000	50,000	...
Preference divs.	21,131	20,786	20,183
Ordinary shares—			
Earned	225,658	293,178	44,376†
Paid	221,344	217,716	105,229
Earned %	10.2	13.5	2.1†
Paid %	10	10	5
Carry forward	201,872	277,334	298,418†

† After deducting from dividends received, and including in carry forward, £81,937 profit on the sale of a radio interest.

If this profit (which seems to be of a capital nature) is included, the reduced dividend is covered by earnings of 6 per cent., but on the strict basis of current revenue, less than half the distribution on the ordinary shares appears to be covered by net profits. No significant changes appear on the parent company's balance sheet, though the consolidated statement presumably reflects the Rudge-Whitworth acquisition in the rise from £866,039 to £1,119,111 in buildings and plant, while liquid assets showed a corresponding fall. The manufacture of cycles is in the course of transfer to Hayes. Consolidation of the group's competitive position and the growth of its activities should normally assist the group to offset any further fall in demand. But, with the recent profit record in mind, it would be more than usually hazardous to attempt to forecast earnings prospects for the current year. Confidence in the possibility of long-term improvement is, however, indicated by a current yield of no more than £4 3s. 3d. per cent. on the 10s. shares, now quoted at 12s.

* * *

Cycling and the Investor.—From the investment aspect, the manufacture of pedal cycles (whose products are on exhibition at Earls Court this week) is not a clearly defined industry. It accounts for part of the activities of B.S.A., Associated Motor Cycles and J. Lucas—and that of secondary importance. From the results of the specialist producers, however, it is clear that the industry experienced a severe setback last year, owing to the general decline in economic conditions, and also to increased prices and costs since the summer of 1937. It has been reported that the output of Hercules Cycle for the ten months to October, 1938, amounted to 313,000 machines, against 570,000 for the year 1937, while it is estimated that home sales of cycles in the season which has just closed fell from 1,000,000 to 800,000. Exports have fared even worse. In the first nine months of this year, 388,435 complete machines were exported—a fall of 38 per cent. compared with the corresponding period of 1937, although the figure for January-September 1936 was exceeded. In the same period the value of cycle parts and accessories exported (and this item is, if anything, more important than complete machines) was reduced by £533,000 to £1,219,000. Meanwhile, the average export price has risen to about 59s. per machine against 54s. 6d. for the first nine months

of 1937. Rising costs have coincided with falling purchasing in such markets as India, South Africa and British colonies in Africa, which together account for more than half of the export trade. Even if allowance is made for a certain amount of over-stocking in the early part of 1937, the fact remains that demand has received a considerable check.

* * *

The number of public companies whose business consists largely of pedal-cycle manufacture is small, but the following table shows the adverse trend of profits recorded in two recent reports:—

Co. (and date of Accounts)	Total Profit	Earned for Div.		Ord. Divs.		Current	
		Prof.	Ord.	Unpaid	Paid	Price	Yield
Raleigh Cycle Holdings (Nov. 30)							
1936.....	195,938	191,233	144,733	11.9	15	41	11.3
1937.....	265,535	262,223	216,473	22.7	22½	(L1)	
1938.....	281,227	278,646	233,646	21.9	25		
New Hudson (July 31)							
1936.....	33,273	13,706	6,526†	5.7†	Nil	30 7½	6.5
1937.....	77,929	34,128	32,931	29.3	10	(L1)	
1938.....	70,960	27,025	25,887	23.8	10		
Enfield Cycle (Aug. 31)							
1936.....	43,218	18,094	16,749†	8.8	7½	16 3x4	3.7
1937.....	47,528	20,288	18,965†	10.1	8½	(L1)	
1938.....	23,251	Dr. 4,024	Dr. 5,314‡	Nil	3		
Elswick-Hopper (Aug. 3)							
1935.....	28,725	19,976	17,291	52.4	10	4 4½	17.1
1936.....	29,263	21,919	19,463	19.4	15	(5s.)	
1937.....	*	23,535	20,850	21.2	15		

† Six years' preference dividend paid; earned for ordinary after one year's preference dividend only, 10.9 per cent. ‡ Earned for "B" participating preference and for ordinary shares. * Not shown in accounts.

The Hercules Cycle and Motor Company is not known to the investor, but it is claimed to be the world's largest manufacturer of cycles. Since the annual output of Raleigh is approaching 500,000 machines, these two firms would seem jointly to account for well over half of the British output. Raleigh Cycle (Holdings) shares have fallen sharply from this year's "high" of 61s. 3d. to a low point of 32s. 6d., but they have since recovered smartly to 44s. The company has recently formed a new subsidiary—the Gazelle Company—to compete in the cheaper market. New-Hudson has a large interest in the export trade, and the latest fall in profits is comparatively moderate. But the market has been seriously disappointed with the Enfield Cycle setback. Meanwhile, the industry remains keenly competitive. It has made good use of deferred payment sales as a means of extending its market. It may be able to encourage new demand by price reductions and the recruitment of new classes of users. Moreover, the check to export business may be reversed if world trading conditions improve. But in the absence of these compensating factors, the industry would be compelled increasingly to rely upon replacement demand. And in cycling neither mechanical change nor social prestige affects the demand for new cycles in anything like the same degree as in the motor industry.

* * *

Imperial Airways Position.—With the change of operating scale attendant upon the rapid development of Empire air services, it is difficult to attach precise significance to the fall in the residual income of Imperial Airways from £408,206 to £311,623. The development of Empire route implies that Imperial Airways receive an increasing part of its income from public funds, in the form of subsidies and mail payments, but its exact bearing upon the financial results has never been disclosed. It may be surmised, however, that the costs of extended Empire services, in their first stage, has not been fully covered by the increased subsidies and grants, which for 1937-38 cannot have been less than £750,000 in total. During the year, miles flown rose by 19 per cent., and Empire mail and freight rose by no less than 117 per cent. to 4,858,244 ton-miles. The number of passengers carried on the Empire

routes is now approaching 10,000 annually; last year's figure of 9,661 was 20 per cent. higher than in 1936-37. The position of the European services, however, was unsatisfactory, for owing to the "continued and deplorable delay in delivery of the new landplane fleet," the number of passengers carried was only maintained at 52,444. But extension of the fleet is proceeding. The consolidated balance sheet shows aircraft and payments on account at £2,043,117 against £1,014,251, a substantial rise which was financed by the issue in June, 1937, of 1,000,000 £1 shares at 30s. Fleet modernisation is also reflected in the reduction in charges for obsolescence and depreciation, as shown below:—

	Years ended March 31		
	1936	1937	1938
Profit and other income.....	383,134	408,206	311,623
Obsolescence and depreciation	226,432	195,727	150,387
Insurance.....	24,496	35,745	51,969
Tax	38,000	30,000	5,000
Fees, staff fund, etc.	33,250	12,000	12,000
Ordinary shares—			
Earned	60,956	134,734	92,267
Paid	38,069	42,126	82,738
Earned %	11.4	19.4	7.8
Paid %	8	9	7
Contingencies reserve.....	40,000	95,000	10,000
Claims recoveries	Cr. 12,228	...	Cr. 1,205
Carry forward	59,618	4,713†	5,447

† After placing £60,000 to dividend fund, which received also £90,000 from contingencies reserve.

The dividend rate is reduced to 7 per cent. by the omission of the former cash bonus, but since it is payable on the increased capital of £1,623,869 it absorbs £82,738 against £42,126. A share premium account of £424,426 now appears in the balance sheet. As for the current year, the results depend upon the speed of development of Imperial and European services, Sir John Reith's administration, and, above all, the new subsidy scales. The revised Air Estimates show that subsidies and grants of all kinds for civil aviation will amount to £1,343,000 in 1938-39, against a final estimate of £811,000 for 1937-38. But after including mail payments and grants from the Dominions, the total prospective payments to Imperial Airways for the full Empire air mail scheme (which should be largely in operation this year) amount to £2,150,000 annually. The £1 ordinary shares now stand at 25s. 9d., to yield £5 8s. 9d. per cent.

* * *

Prices Tailors Report.—The satisfactory record of this multiple-tailoring business is once more emphasised by the full report for the year to June 30th. Final profits figures closely accord with the preliminary results, discussed in *The Economist* of July 30, 1938, although the £15,000 provision to contingencies reserve has been raised to £30,000. Total profits of the operating company for 1937-38 amount to £572,576, against £521,788 in the previous year, but in the latest year they include an undisclosed adjustment for stock depreciation which is not required, whereas in 1936-37 an undisclosed charge was made to cover stock values. The precise degree of improvement, therefore, cannot be ascertained, but the disclosed recovery is offset by increased provision for taxation, and earnings available for the Trust are practically unchanged at £271,416. This represents a rate of 155.1 per cent. (actual) on the £175,000 ordinary capital, which is wholly owned by the Trust company. In addition to the contingencies provision, a sum of £10,000 is again placed to renewals reserve. The carry-forward is thus £31,416 higher at £257,831 (instead of £281,353 announced in the preliminary statement). Prices Trust Company is, of course, paying 50 per cent. on the ordinary shares, compared with 45 per cent. for 1936-37. Fixed assets now stand at £1,121,339, against £1,044,116, and Sir Henry Price's speech, which accompanies the report, shows that during 1937-38 twenty-seven new depôts were opened. The number at the end of June was 340, and this total has

since been increased to 350, according to this week's prospectus for £650,000 4½ per cent. "A" mortgage debenture stock of Prices Tailors Properties. The group has enjoyed continued progress in recent years, and Prices Trust ordinary shares stand at 35s. 7½d., to yield £7 0s. 6d. per cent.

* * *

Sudan Plantations.—A fall of 24 per cent. in the total profits of Sudan Plantations is greater than the moderate reduction in dividend had suggested. But in view of the trend in cotton prices during 1937-38, when the London spot price for Egyptian cotton averaged around 2½d. per lb. less than in 1936-37, the fall is scarcely surprising. But for the price factor, the working results for the year would seem to be satisfactory. The crop was 4 per cent. higher at 200,106 bales, for the Gezira area provided 4.53 kantars per feddan, against 4.46 kantars in 1936-37, although the area under cultivation was only slightly higher. A satisfactory improvement in yield was also reported by the Kassala Cotton subsidiary, whose total profits for 1937-38 amount to £117,601, against £135,390 for the previous year. The parent company takes into its latest accounts the sum of £26,062 in respect of the subsidiary's earnings for 1936-37, as a contribution towards its total profits of £531,429 (against £697,994). The tax-gatherer, however, absorbed the benefit of the reduction in general expenses. Profits for the past three years are given below:—

	Years ended June 30		
	1936	1937	1938
Total profits	589,509	697,994	531,429
Expenses and staff funds	198,538	213,551	203,059
Depreciation	12,018	17,451	11,247
Taxes	33,681	40,000	57,500
Gezira reserve	60,000	60,000	45,000
Shares—			
Earned	285,272	366,992	214,623
Paid	247,500	309,375	247,500
Earned %	12.0	15.6	8.7
Paid %	10	12½	10
Special credits	112,545†	13,785*	51,131†
Carry forward	374,168	445,570	463,824

* Profit on sale of investments. † From reserves against advances to tenants no longer required.

The allocation to the Gezira reserve, which is used for the amortisation of development expenditure for which no compensation will be payable when the concession expires, has been reduced from £60,000 to £45,000. The dividend is reduced to 10 per cent. by the omission of the 2½ per cent. bonus paid a year ago, but it is short-earned. A transfer of £51,131 from reserves no longer required covers the deficiency and increases the carry-forward. The balance sheet again shows a satisfactory financial position. Surplus liquid assets now exceed £2½ millions, although the fall in cotton prices has resulted in a reduction in stocks from £2,119,000 to £1,798,000. A new holding of £776,000 of Government securities appears, and, despite a corresponding reduction in cash, the latter still stands at the impressive total of £1,263,000. Provided the yield of cotton is as high as in 1937-38, the outlook for the present year is relatively good. The Egyptian Government's estimate of the new crop is 7,350,000 kantars, as compared with 10,814,000 kantars harvested last season, and this position

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is finding reflection in firmer prices for Egyptian grades. At a current price of 31s. ex dividend, Sudan Plantation £1 ordinary shares yield £6 9s. per cent.

* * *

The Week's Company Profits.—A heavy fall in profits is shown by the reports of 48 companies issued this week (excluding six for which comparable figures are not available). The net earnings disclosed show a fall of 13 per cent. from £4,839,000 to £4,198,000, but this result is not fully representative of home industry, since the list (on page 336) includes such companies as Electric and Musical Industries, Imperial Airways, Ste Madeleine Sugar, and a number of pastoral companies. The cumulative profits total for 2,085 companies during the year to date shows a rise of 9 per cent. from £243,349,000 to £265,348,000. The week's results are discussed in preceding Notes and on page 340 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—In this issue reports of company meetings will be found on pages 347 to 349. Mr Brendan Bracken, at the meeting of *The Financial News Limited*, tilted against those who argue that practical men gain little from "technical newspapers edited by theorists." Britain's painfully practical industrialists, he

pointed out, support their own technical Press and subscribe increasingly to English financial journals. Mr Bracken commended that example to the unconverted minority of their superior British competitors. At the extraordinary general meeting of *Beechams Pills*, Mr Philip E. Hill emphasised that the company should benefit materially from Eno Proprietaries' overseas connections and from close working association. Mr Norman Holden, at the *Phoenix Investment Trust* meeting, described the geographical spread of the Trust's investments, of which 48.74 per cent. are held within the Empire. Sir Vernon Thomson, at the *London Maritime Investment* meeting, was unable to reach encouraging conclusions regarding the immediate prospects for British tramp shipping, but he emphasised the importance of world trade recovery, led by the United States. At the *Trinidad Leaseholds* meeting Mr A. W. Rogers referred with satisfaction to continued success in developing the Forest Reserve field. The need for retaining, as far as possible, the specialised labour force, despite restricted operations, was discussed by Mr D. J. Ward, of *Pahang Consolidated*. Shareholders of *Jantar Nigeria Company* were informed by Mr Percy Tarbutt that the company's proved ore reserves showed a potential profit of over £500,000, with tin at £180 and columbite based on the price under the terminated contract. Mr W. Arthur Addinsell informed *Bukit Kajang Rubber Estates* shareholders that planting rights were available in respect of 247 acres. At the *Broome Rubber* meeting, Sir Lionel Smith-Gordon reported that the standard assessment for 1938 was 2,555,927 lbs., and should be increased next year to take account of young rubber. A new block of 1,000 acres would be planted next year.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
NOVEMBER 22 NOVEMBER 24

THE Prime Minister's hopeful references and Wall Street's optimism, have provided the incentive for the London market this week. The volume of business has not been large, but the effect of the Woolworth issue has been to liberate a good deal of miscellaneous trade, and this has provided a hum of activity. But Wall Street must take pride of place, both for its intrinsic interest, and as a causal factor in the London market.

Interest in the gilt-edged market showed a slight improvement, although price movements remained restricted. Some institutional support was apparent at first, and once the Dartford election result had been digested, scattered selling subsided, and the firm tone was restored. In mid-week, the redeemable issues provided the feature, with rises of up to $\frac{1}{8}$. Subsequent movements were small on balance. Dominion issues opened firm, but interest was not maintained.

In the foreign bond market, Czech issues rose further, and German issues held an early improvement. Brazilian and Greek bonds were still affected by the lack of any indication of resumed service. Japanese bonds, after a good start, turned dull later.

*

The week-end Press devoted gloomy attention to home rail stocks, which opened badly. Subsequently, quiet demand led to an improvement, and after the better traffics had been published Southern issues—particularly the preferred stock—led the market in a

further recovery. Some estimates of current home rail earnings are given on page 332. Argentine rails opened firm, but the shock of the further depreciation of the peso hit all classes of stocks hard. On the hope that the companies would be exempted from the new rate, however, an appreciable rally occurred on Wednesday.

The tendency in the industrial market was towards firmer prices. As in recent weeks this was marked more by an improvement in sentiment than in actual trading, although business broadened a little in mid-week. Iron and steel shares were firm if unexciting. Thornycroft was particularly strong on the good report, but South Durham fell on the dividend cut. Unspectacular advances also occurred in the engineering section. Coal shares continued firm, Shipley being favoured. Electrical equipment shares were irregular, but Lancashire Dynamo advanced further. Motors made a mixed showing, and attention was paid chiefly to makers of the heavy vehicles, such as Dennis, A.E.C., Leyland and Albion. While changes in aircraft shares were small, prices remained firm. Imperial Airways were unaffected by the report. Textile shares tended to improve slightly, after early weakness. There was some recovery in brewery prices, partly on provincial support. Provision and catering issues were firm, with some gradual improvement in Tate and Lyle on dividend hopes. The tendency was rather irregular in the stores group, where the new Woolworth shares were the centre of interest, reaching at one time 1s. 1 $\frac{1}{2}$ d. premium. After an uncertain start, miscellaneous issues hardened, E.M.I. recovered towards mid-week. Ranks were dull before the new issue, and were unaffected by the open-

ing of the lists, though there was some activity in Philip Hill and Partners. The new Ranks shares opened, rather anomalously, at 3d. discount-par, but improved later. Early in the week P. and O. deferred rose on dividend hopes, reacted, and then went ahead smartly on the doubled distribution, though a further rise on Thursday was not consolidated. On the repayment announcements (discussed on page 333) E.D. Realisation rose 1s., but R.M. Realisation lost ground.

Oil shares showed a little all-round improvement, though it was not till mid-week that turnover increased and investment demand was confined less narrowly to the leaders.

Although it is not expected to make any definite movement until the Restriction Committee's quota decision is known, the rubber share market stirred very slightly on Wednesday, in the hope that the Republican gains in the elections would give an impetus to American recovery. The tendency in tea shares was variable, and the volume of trading remained at a low level.

In the mining market prices followed the general tendency, and improved after a dull start. A slight improvement in turnover, however, proved only temporary. Kaffirs were quiet, but quite firm, with a certain amount of local investment buying. In general, the lead came from Paris, as in the previous week. Central Mining fell on the interim dividend cut, and helped to subdue other shares. There was a little Cape support for the developing mines, especially Marievale. Rhodesian coppers were not specially active, but quotations hardened, Paris buying helping in mid-week. Base metal shares improved as the week progressed, but remained uninteresting.

"FINANCIAL NEWS" INDICATORS

1938	Total Baranauz	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 4	5,865	7,520	83.2	125.8
Nov. 7	6,195	9,225	83.2	125.9
Nov. 8	6,645	7,635	83.6	125.9
Nov. 9	6,265	7,245	84.3	126.0
Nov. 10	6,485	7,655	85.0	126.1
High...	...	...	97.2	131.0
Low...	...	...	73.7	119.9
			Feb. 4	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial ordinary share prices stood on Tuesday last, November 8th, at 63.2, or practically the same as 63.1 a week ago and 63.3 a month ago. The corresponding average yields are 5.90, 5.90 and 5.94 per cent. We give below a selection of the component indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1938 High
	Oct. 11, 1938	Nov. 1, 1938	Nov. 8, 1938	
Insurance (10)	116.5	115.9	117.7	121.5
Bldg. mats. (6)	77.7	74.9	76.2	87.1
Coal (9)	75.3	81.9	81.7	106.7
Cotton (6)	23.4	22.6	23.3	37.1
Gas (7)	113.3	113.6	112.8	118.8
Home rails (4)	35.5	36.5	34.8	71.0
Miscell. (20)	59.3	58.7	59.3	66.7

Group	Yields %			Price 1938 High
	Oct. 11, 1938	Nov. 1, 1938	Nov. 8, 1938	
Insurance	3.67	3.69	3.63	102.7
Bldg. materials	7.18	7.39	7.27	69.1
Coal	6.91	6.21	6.29	69.0
Cotton	3.21	3.26	3.23	22.4
Gas	5.23	5.22	5.26	107.5
Home rails	9.82	9.58	9.91	34.2
Miscellaneous	5.27	5.32	5.27	53.7

New York

GAINS of 2½ points in the Dow Jones industrial average before the polls and of over 3 points after, provide a sufficient indication of Wall Street's economic and political optimism. On Monday, economic indicators, including the 5 point rise in the Federal Reserve Board index and the 4 per cent. jump in steel operations, dominated the market. On Wednesday, the striking success of the Republican party took the turnover up to 3,100,000 shares. U.S. Steel and Bethlehem both jumped \$3½, while Du Pont gained over 4 points. Rail stocks were also active, reaching the highest levels for a year. Despite the caution of some investors, who appear to question whether the 50 per cent. increase in steel operations during the last two months is not unduly exuberant, the general view, both of investors and "chartists," is favourable. The market continued active on Thursday, with turnover amounting to 2,180,000 shares. Wednesdays prices, however, tempted a certain volume of profit-taking, and the Dow Jones industrial average declined from 158.08 to 157.47, although rails were maintained. The eve of the Armistice Day holiday appears to have accounted for this temporary lack of decision.

New York Prices

	Close Latest			Close Latest	
	Nov. 5,	Nov. 10,		Nov. 5,	Nov. 10,
	1938	1938		1938	1938
1. Rails and Transport					
Atchafalaya	3914	4414	Briggs	3412	3512
Balt. & Ohio	814	824	Chrysler	8212	8612
B.M.T.	1314	1254	Elec. Autolite	3412	3412
Can. Pacific	614	614	Gen. Motors	50	5314
Ches. & Ohio	3314	36	Hudson Mtr.	912	912
G.N. Ry. Pl.	2512	2812	Nash Kelvnt	1014	1012
Illinois Cent.	1412	1612	Packard Mtr.	554	554
N.Y. Centr.	1112	2112	Bendix Aircr.	2312	2312
Norfolk Pac.	1212	1312	Boeing Airpln	2714	2712
Pennsylv. R.	2112	2414	Douglas Air... ..	6612	69
Southern Pac.	1912	2112	United Aircr.	3414	37
Southern Ry.	1912	2114	Air Reduction	6414	6712
Union Pac.	9412	99	Allied Chem.	185	19312
Greyhound ...	1912	2014	Col. Carbon	9112	97
			Dupont	145	151
2. Utilities and Communications					
Am. W'orks.	1412	1512	Un. Carbide	8612	9012
C'wh' & S.	2	212	U.S. Ind. Alc.	2812	2912
Con. Edison	3212	34	Allis Chalmers	5114	5212
Col. Gas & El.	9	912	Gen. Electric	46	4714
El Bond & Sh.	1312	1412	West' Elec.	118	12412
Nat. Tel. & Tel.	9	912	American Can	10114	10214
N. American.	2414	25	Addressograph	2812	29
Pac. Gas & El.	2912	2912	Caterpillar	49	51
Pac. Lighting	4114	4212	Cont. Can.	4212	42
Pub. Serv. N.J.	3214	3412	Ingersoll Rnd	114	117
Stan Gas & E.	412	414	Int. Harvester	6412	6714
United Corp.	4	414	Johns Manville	103	10812
Un. Gas Imp.	12	1214	Am. Radiator	1714	1812
Amer. Tel.	14712	14812	Corn Prods.	6912	68
Internat. Tel.	1012	1012	J.I. Case & Co.	9014	9614
Westn. Union	2612	2914	Glidden	2514	28
Radio	8	812	G. Am. Trans.	5414	5512
" B. Prei 6512	6512	6512	Allied Stocks	1214	1312
			Celanese of A.	2412	2612
3. Extractive and Metal					
Am. Rol. Mill	2012	23	Ind. Rayon	2512	2612
Beth. Steel	6912	7512	Colgate Palm.	16	1612
Beth. Steel P.	10912	11312	Eastm'n Kdk.	1814	18612
Republic St.	1912	2312	Gillette	6012	612
U.S. Steel	65	6912	Loews	2012	2712
U.S. Steel P.	116	118	20th Cen. Fox	2614	2712
4. Manufacturing					
Am. Rol. Mill	2012	23	Mont. Ward	5112	5314
Am. Metal	4114	44	J. C. Penney	81	8314
Am. Smelting	5312	5714	Sears Roebck	7512	7814
Anaconda	3612	3812	Walgreen	1614	1712
Bohn Alum.	2814	2912	Woolworth	5112	5212
Cerro de Pas.	50	53	Borden	1714	18
Int. Nickel	5014	5714	Gen. Foods	3812	3912
Kennecott	4512	4712	Kroger Grey	2012	2012
Patino Mines	1112	114	Nat. Biscuit	2612	2712
Tex. Glt. Sul.	3112	34	Nat. Dairy	1314	1412
U.S. Smelt.	65	6812	Am. Tob. B.	8912	9012
Vanadium	2614	2812	Lorillard	2012	2112
Atlantic Reg.	2314	24	Reyn. Tob. B.	4412	4512
Phillips Pet.	3812	4112	Nat. Distillers	2714	29
Shell Union	15	1514	Schenley Dis.	1914	2014
Shell Un. Pl.	105	10412	5. Retail Trade, etc.		
Socony Vac.	1314	1312	Mont. Ward	5112	5314
Stan. Oil Cal.	35	3012	J. C. Penney	81	8314
Stan. Oil N.J.	6214	6314	Sears Roebck	7512	7814
Texas Corp.	4214	4512	Walgreen	1614	1712

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

1938	WEEKLY AVERAGES			1938	Nov. 9, 1938
	Low	High	Oct. 26, 1938		
347 Ind'ls.	75.9	117.9	113.9	113.0	117.9
32 Rails	19.0	31.8	30.0	29.7	31.8
40 Utilities	57.7	83.2	82.4	81.2	83.2
419 Stocks	63.7	98.2	95.1	94.2	98.2
Av. yield %	8.35	3.30	3.49	3.46	3.30
	High	Low			

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Nov. 3	Nov. 4	Nov. 5	Nov. 7	Nov. 8	Nov. 9
129.9	130.0	130.4	132.8	136.2	136.0
1938 High: 136.0 November 9th. Low: 83.6 March 31st. * Election Day					

TOTAL DEALINGS IN NEW YORK			
1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	000's
Nov. 3	1,070	8,440	221
" 4	1,200	8,630	265
" 5	430	3,230	111
" 7	1,760	7,370	259
" 8 Closed (a)	Closed (a)	Closed (a)	Closed (a)
" 9	3,100	11,870	424
* Two-Hour Session (a) Election Day.			

Capital Issues

THE success of last week's offer of Woolworth shares has generated new interest in the capital market. It has been followed this week by the offer of 2,800,000 shares of 5s. in *Ranks, Limited*, at 17s. 6d. per share. This offer, though not so enticing to the "stags," received very satisfactory support. The growth of the undertaking and some considerations affecting the shares are discussed in a leading article on milling shares on page 326. The issue of further loan capital by *Prices Tailors Properties* takes the form of £650,000 4½ per cent. "A" debenture stock, at 98. This stock ranks as a first charge on properties valued at £803,561 and, after the existing 4 per cent. stock, as a floating charge on the remainder of the assets. The operating company has taken a lease of the properties on long-term, and its profits (from which rentals are payable) afford adequate cover for the service of the stock on the basis of recent years. Statements for information only have been published by *British Electric Resistance Company* and *Madras Electric Supply*, which has placed a line of 4½ per cent. notes.

CAPITAL ISSUE TOTALS

Week ending November 12	Nominal Capital versions		New Money	
	To the Public	To Shareholders	By S.E. Introduction	By Permission to Deal
Sav. Certs., week ended November 5	50,000	50,000	50,000	50,000
Including Excluding Conversions Conversions				
Year to date	259,797,490	238,051,080	259,797,490	238,051,080
1938 (New Basis)	483,381,121	433,246,958	483,381,121	433,246,958
1937 (New Basis)	186,562,146	165,295,831	186,562,146	165,295,831
1938 (Old Basis)	277,712,458	230,660,772	277,712,458	230,660,772
1937 (Old Basis)	138,061,908	117,722,875	138,061,908	117,722,875
Destination (Excluding Conversions)				
Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries	
1938 (New Basis)	183,621,551	51,579,352	2,850,177	
1937 (New Basis)	370,782,753	59,205,846	3,258,359	
1938 (Old Basis)	140,325,327	22,650,452	2,820,072	
1937 (Old Basis)	217,775,094	17,353,178	1,492,500	

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb. Pref. Ord.		
	1938 (New Basis)	1937 (New Basis)	1937 (Old Basis)
1938 (New Basis)	138,061,908	117,722,875	82,266,297
1937 (New Basis)	216,770,122	27,860,576	

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Nov. 9, inclusive				Name of Security	Price, Nov. 9, 1938	Change since Nov. 2, 1938	Yield Nov. 9, 1938	Prices, Year 1938 Jan. 1 to Nov. 9, inclusive				Last two Dividends	Name of Security	Price, Nov. 9, 1938	Change since Nov. 2, 1938	Yield Nov. 9, 1938																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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84 1/2	73 1/2	79 1/2	64	British Funds	72 1/2	+ 3/4	£ s. d.	13 1/2	12 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2

Industry and Trade

The Spindles Board.—The second annual report of the Spindles Board, published this week, covers the year ending in September, 1938. At the beginning of that year the cotton industry was more prosperous than at any time since the great depression, and barely 8 per cent. of the spindles in Lancashire were standing idle. At the end of that year the severe decline in exports and the shrinkage in home demand had brought the level of activity in the cotton industry to barely two-thirds of its estimated capacity, which had been reduced, through the operations of the Spindles Board in 1937, by the equivalent of about 3,250,000 mule spindles. During 1938 the Board has acquired, or agreed to acquire, a further 1.3 million spindles. The total of 4.5 million spindles thus bought by the Board represents about 11 per cent. of the equivalent mule spindles in the industry in September, 1938, and about one-third of the 14 million equivalent mule spindles which were standing idle at the same date. As there seems little possibility of a substantial revival in the exports of cotton piece-goods, the extension in August of the life of the Spindles Board for a further year was clearly a sound step. Possibly, by the time these provisions of the 1936 Cotton Spinning Industry Act

lapse in September, 1939, the industry may have put in hand more drastic schemes of reorganisation; the King's Speech, however, did not forecast any immediate legislation by the Government.

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Improved Rayon Prospects.—During the last three months the prospects of the rayon industry in this country have decidedly improved. Although output in September was approximately equal to that in July, consumption had increased sufficiently to exceed, for the first time in many months, the current level of production, which is still, however, considerably below the maximum level of recent years. Trade in this country was seriously affected by the international crisis at the end of September, and even now buyers are still reluctant to commit themselves far ahead, while the export trade remains difficult. But the improving trend of domestic consumption is making itself felt and has been reinforced by a similar trend in the United States, where producers' stocks of yarn fell from a level nearly equal to four months' consumption in June to just under two months' consumption in September. The index of daily deliveries of rayon yarn, compiled by the Textile

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acquired. Issue taken by Philip Hill and Partners at 17s. 3½d., including expenses. Lists closed 9.1 a.m. November 9; considerably oversubscribed.

BY STOCK EXCHANGE INTRODUCTION

British Electric Resistance Company.—Issued capital 500,000 2s. ordinary shares. Electrical equipment makers. Total assets £58,860. Owns also capital of Electric Products, Ltd. Combined profits before depreciation, bank interest, etc.: 1935-36, £8,791; 1936-37, £15,549; 1937-38, £17,242.

Madras Electric Supply Corporation.—Particulars of issue of £100,000 4½ per cent. registered notes, redeemable at par October, 1948, or from 1947 on notice. Messrs. Cohen Laming Hoare take issue at par less a 1 per cent. commission, and pay £425 expenses.

UNIT TRUSTS

Trans-Atlantic Unit Trust (Canadian Series and United States Series).—Managers, Unit Investments, Ltd. Life, 15 years, 10 securities in either series, with three further permitted securities in each case. Service charge, 6 per cent. (purchase price adjusted to 3d. up); annual charge, ½ per cent.

Investors Income and Reserve Trust.—Managers, Security Trust Managers, Ltd. Cumulative trust; 21-year life. Income sub-units and reserve sub-units (both based on same portfolio of 175 securities, and interchangeable by holder). Reserve part of Trust retains ⅔ for reserve, invested in Government stocks, etc., and accumulated, and from which holders may withdraw in cash. Initial service charge, 5 per cent. (price adjusted to 3d. up). Semi-annual charge, ⅓ per cent.

PRIVATE PLACINGS

Metropolitan Electric Supply Company.—This company has placed privately a further £750,000 3 per cent. debenture stock. From January 1, 1939, this will rank *pari passu* with existing £1,000,000 3 per cent. debenture stock.

SHORTER COMMENTS

Company Results of the Week.—A small rise in trading profits and the receipt of nearly £13,000 more from subsidiaries have raised **BRISTOL UNITED BREWRIES** net profits from £97,855 to £104,992. **BRISTOL BREWERY GEORGES AND COMPANY**, however, report trading profits of £325,832 against £332,698, while the increase in taxation resulted in a further—but moderate—reduction in net profits. Dividends and interest received by **DAILY MAIL AND GENERAL TRUST** fell in 1937-38 by £77,000, and the tax-free dividend has been reduced from 11½ to 8½ per cent. The majority of investment trust results show small declines in net profits. Companies associated with the pastoral industries have been severely affected by the fall in wool prices as compared with 1936-37 and by drought conditions in certain parts of Australia. **DALGETY AND COMPANY** are reducing their dividend from 8 per cent. to 6 per cent.; the report points out that Australian wool sales in 1937-38 were valued at £A44,045,757—a fall of £A16,506,815—although net production was higher. Similarly **AUSTRALIAN MERCANTILE LAND AND FINANCE COMPANY** have earned £52,000 less, at £66,232. **GOODE DURRANT AND MURRAY** are at present unable to pay off any further dividend arrears. **PATERSON LAING AND BRUCE**, however, report trading profits of £32,351 against £25,982. Production by **STE MADELEINE SUGAR COMPANY** in 1937-38 was affected by the strike, and fell from 53,773 to 43,872 tons, while profits have been further affected by a drop in the average f.o.b. sale price of sugar from £10 5s. 7d. to £9 19s. 3d. a ton. Net profits are in consequence less than one-tenth of those recorded for 1936-37. **JOHN I. THORNYCROFT** net profits are nearly £60,000 higher at £160,006; it is reported that the marine motor and motor boat sales (of which 68 per cent. were for export) were 60 per cent. higher, while sales of motor vehicles also increased. A sharp improvement in profits is shown by **BOULTON PAUL AIRCRAFT COMPANY**; total profits for the 9 months to July 31, 1938, at £50,766, are more than double those earned in the previous full year. Satisfactory progress is also recorded by **ARMSTRONG SIDDELEY DEVELOPMENT**, whose net profits are £592,611 against £532,929. **S. SMITH AND SONS (MOTOR ACCESSORIES)** trading profits were nearly £20,000 higher, but owing to increased taxation, net profits amount to £289,856 against £306,297. Net

earnings of **CRABTREE ELECTRICAL INDUSTRIES** show a decline to £91,203 for the latest year, against £103,084 for the previous 11-month period. The subsidiary, **J. A. Crabtree and Company**, made trading profits for the year to July 31st of £169,150 against £200,147. **JOSHUA HOYLE AND SONS** have experienced a setback, but a 5 per cent. dividend is paid for the year, against 2½ per cent. for the half-year during which the scheme of re-organisation became effective.

MISCELLANEOUS

Modder. Deep.—Liquidators' report for six months to September 30, 1938, states that fourth distribution of 6d. per share was declared during period, making 2s. 9d. to date. Profit for six months, £34,493. Surplus of cash, etc., over liabilities carried forward is £113,524.

Daily Mail and General Trust.—Profit for year to September 30, 1938, £268,968 (against £326,592). Ordinary dividend and bonus reduced from 11½ per cent. tax free to 8½ per cent. tax free; forward £111,673 (£120,934). Surplus of £29,856 on investments sold during year added to investments reserve, making total £920,527.

Edmundsons Electricity Corporation.—The operating results of the group in October, 1938, as compared with October, 1937, show an increase of 14 per cent. of units sold.

S. Smith and Sons (Motor Accessories).—Net profit year to July 30, 1938, £220,493, a decline of £29,892. Preferred ordinary dividend 21 per cent. for year and deferred dividend 50 per cent. for year as before. To general reserve £25,000 (£36,000); to patents £10,000 as before; to research, etc., account £27,000 (£25,000); carry forward reduced from £87,421 to £82,291.

John I. Thornycroft and Company.—Net profit year to July 31, 1938, £160,006, compared with £109,423; preference dividend £12,000 (£72,000 for six years); preferred dividend £18,750 (nil). Ordinary dividend 8 per cent., absorbing £24,000; to reserves £100,000 (nil); carry forward raised from £44,200 to £45,456; marine and motor boat sales rose by over 60 per cent.

South Wales Aluminium Company.—Negotiations have been completed for erecting a new aluminium works at Resolven, Vale of Neath, Glam. When completed, works will provide regular employment for 600 men. The company was promoted by Swiss interests in association with the British Aluminium Company and the Aluminium Company of Canada.

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Economics Bureau, nearly doubled between June and July, and reached a record high level in August and September. Some, though not all, of this increase in deliveries must be ascribed to the rush of consumers to cover their requirements at the first sign of higher prices, which had been considerably reduced during the recent depression. But in both the United States and the United Kingdom, whose rayon industries are closely linked, the long-delayed improvement in consumption has at last materialised.

* * *

Fall in Unemployment.—The latest returns of the Ministry of Labour, which refer to October 17th, show that the number of insured persons unemployed fell by 18,000 between September and October, though there was an increase in the number wholly unemployed. The exchange of employment books in July has revealed that the total number of insured persons aged 16 to 64 in employment was then about 50,000 more than the Ministry of Labour had estimated. Consequently, the estimates of employment for the past year will have to be revised. In addition, the Ministry has now included, in the number of insured persons employed, 839,000 agricultural and domestic workers previously excluded; these have been excluded from the table here given in order to obtain comparable figures for our index of employment. On this

EMPLOYMENT AND UNEMPLOYMENT IN GREAT BRITAIN

	Unemployment				Employment	
	Registered unemployed aged 14 and over (incl. agriculture)		Percentage of insured persons (aged 16-64) unemployed (excl. agriculture)		Insured persons aged 16-64 employed (excl. agriculture)	
	Total		Of whom wholly unemployed		Number	
	Number	Index, adjusted for seasonal variations	Number	Index, adjusted for seasonal variations	Number	Index, adjusted for seasonal variations
1937	'000	1935 = 100	'000	%	'000	1935 = 100
August 23 ...	1,359	66.6	1,089	9.7	11,672	112½
Sept. 13* ...	1,389	68.5	1,119	9.8	11,662	112½
Old basis ...						
New basis	1,339	66.1	1,091	9.5	11,706	112½
Oct. 18 ...	1,390	68.5	1,160	9.9	11,659	112
Nov. 15 ...	1,499	73.4	1,228	10.7	11,573	111½
Dec. 13 ...	1,665	83.5	1,284	11.8	11,437	109½
1938						
Jan. 17 ...	1,828	83.5	1,419	12.9	11,309	110½
Feb. 14 ...	1,810	84.0	1,405	12.8	11,324	110
March 14 ...	1,749	85.8	1,350	12.5	11,380	109½
April 4 ...	1,748	87.9	1,321	12.5	11,390	109
May 16 ...	1,779	89.5	1,314	12.7	11,375	109
June 13 ...	1,803	91.0	1,269	13.0	11,333	109
July 18 ...	1,773	87.4	1,244	12.9	11,371	109½
Aug. 15 ...	1,759	86.4	1,262	12.7	11,402	110
Sept. 12 ...	1,799	88.6	1,324	12.9	11,429	110
Oct. 17 ...	1,781	87.6	1,409	...	11,455	110

* Method of counting unemployed changed in September, 1937.

basis, our index (adjusted for seasonal variations) which rose by half a point between July and August, has remained unchanged during the last three months. Our index of unemployment, which is unaffected by these revisions, fell by one point between September and October; the seasonal decline in activity in the building, hotel and distributive trades has been more than counter-balanced by improved employment in the cotton, coal, iron and steel and motor vehicle industries. Compared with a year ago, however, the number of unemployed persons has increased by 442,000.

* * *

Chinese Exports of Tin.—We commented in last week's issue of *The Economist* on the probable effects of the latest Japanese conquests on the world markets for wolfram and antimony. South China is also an important supplier of tin, of which 6,937 long tons were exported in the first nine months of 1938. This level of deliveries shows a slight falling off from that in the corresponding period of 1937, but, on the other hand, the quantity of Chinese tin afloat on October 31st amounted to the very high figure of 1,299 tons, compared with 886 tons at the same date in 1937. As the centre of the Chinese industry

is in the province of Yunnan, in the extreme South-West of China, the trade in tin has hardly yet been affected by the Sino-Japanese war. Further, as Yunnan is within reach of the railway to French Indo-China and of the road to Burma, exports of tin may not be as much affected by the capture of Canton as that of other products. Even if Japan did eventually occupy the tin-producing areas, it is unlikely that the world market would be much affected. Japan is a heavy importer of tin from the Straits Settlements, from which extra supplies would be available for the rest of the world if Japan mobilised for her own use the Chinese exports.

* * *

Slump in Sheep.—Apart from the weather, sheep farmers had little to complain about during 1937. But since the beginning of the present year both lamb and fat sheep prices have fallen considerably below the levels attained in 1937. According to the Agricultural Market Report, lamb prices in the summer were 3d. per lb. and those of fat sheep 3½d. per lb. lower than in the summer of 1937, though the decline in prices seems to have been checked in recent weeks. Farmers have, as usual, ascribed the fall to an increase in imports, but with little justification, as the table below shows:—

BRITISH IMPORTS OF MUTTON AND LAMB

	Mutton		Lamb	
	1937	1938	1937	1938
1st quarter	233	301	1,415	1,482
2nd "	545	479	1,637	1,463
3rd "	394	498	1,146	1,208
Total, Jan.-Sept.	1,172	1,278	4,198	4,153

Further, prices of English mutton and lamb on the wholesale markets are at present about 1½d. per lb. lower than in 1937, while prices of New Zealand frozen mutton are barely 1d. per lb. lower, and prices of New Zealand lamb are actually a little higher than in the autumn of last year. The decline in sheep prices must therefore be ascribed largely to the increased home supplies, caused by the increase in the breeding flock and by an exceptionally low level of lamb mortality in the early months of 1938. The heavy fall in the price of wool since 1937 has also been a contributory factor in depressing the returns obtained by the sheep farmer.

* * *

The Treforest Trading Estate.—Slow but steady progress is being made by the South Wales and Monmouthshire Trading Estates, Limited. The total commitments of the company amount to about £800,000, and at Treforest and elsewhere in the mining districts some forty-seven factories have already been erected, and of these twenty-one are in active production. The main centre

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of activities is Treforest, which lies between Cardiff and Pontypridd, but it has been the aim of the company and the Commissioner to disperse the location of new works as much as is practicable. Factories have been erected at Dowlais, Cyfarthfa, Llantarnam, Ynyswen, and Cwmbran. At the beginning of October the number of persons employed by these undertakings was 1,199, while in addition 862 were engaged in development work. Of the factory hands 682 (including 369 men, 227 women and girls, and 86 boys) are in employment at Treforest, 378 at Llantarnam, and 139 at Dowlais. It is confidently expected that employment will be substantially increased when twenty additional factories, now either in course of erection or projected, have been completed. The two largest installations are those of the British Coated Board and Paper Mills, covering an area of 120,000 square feet, and the Treforest Chrome Leather Works with an area of 36,150 square feet, while among the more recent projects are four factories each of 12,000 square feet. Goods in actual production include coated paper, fancy and toilet goods, steel reinforcement for concrete, dry ice, batteries, electrical switchgear, motor car pistons, roller skates and pressed steel stampings, telephone accessories, etc., all of which are helping to secure for South Wales a more diversified industrial system than it has had in the past.

* * *

Gas Consumption in 1937.—In *The Economist* for October 28th we gave a series of charts illustrating the recent development of the gas and electricity industries. While the output of electricity, as shown in one of those charts, more than doubled between 1927 and 1936, the output of gas varied very little in the decade, though there was a slight upward trend. The latest statistics for the production of gas, contained in the Board of Trade's annual return relating to authorised gas undertakings, show that this slow increase was maintained in 1937. The total volume of gas sold rose from 309,936 million cubic feet in 1936 to 316,400 million cubic feet in 1937. For the first time the total number of consumers exceeded 11 millions; the increase of 234,000 took place mainly in the class of prepayment consumers, using gas meters, although there was also a small increase in other classes. From the figures given in this annual return it is possible to calculate the volume of gas which the undertakings manage to extract from a given weight of coal. In 1925 one ton of coal provided 13,390 cubic feet of gas; by 1930 this figure had risen to 14,450 cubic feet, and by 1935 to 15,060 cubic feet, an increase of nearly 11 per cent. in ten years. In the last few years, however, this increasing efficiency in the use of coal has slowed down, and in 1937 the output from one ton of coal actually fell, though only very slightly, below 15,000 cubic feet. It would be interesting if the gas companies could provide an explanation of this relapse.

* * *

Difficulties in the Herring Industry.—The difficulties that have beset the herring industry during the last ten years are a combination of declining markets, out-dated equipment, onerous debts and acute rivalries between the local centres. The Herring Board is making valiant efforts to improve the industry's condition, but its task has not been made easier by the very poor catch of the present season. In the nine months ended in September only 514,435 cwt. of herring were landed in England and Wales, against a total of 773,874 cwt. in the corresponding period of 1937. Not only the quantity but also the quality of the East Anglian catch has been exceptionally poor, and the average value of the fish landed has fallen by more than

10 per cent. compared with the already low prices obtained in 1937. Stocks of cured herrings have increased, with the result that the Herring Board has now decided to close the curing season. Although the Scottish industry has fared somewhat better in the current season than the East Anglian, the heavy falling off in receipts will increase in all districts the indebtedness of the boats. It is to be hoped that the Board, which was reconstructed by the amending Act passed this summer, will press forward with its work of developing new markets and of re-equipping the industry.

* * *

Decline in Wholesale Prices.—*The Economist's* index number of British wholesale prices recorded a moderate decline during the past fortnight. The complete index has fallen by 1.1 per cent., and the primary products index by 1.3 per cent. American wholesale prices, on the other hand, remain firm. The complete Irving Fisher index number was unchanged during the week ended November 2nd, while during the past fortnight there has been a fractional rise in *The Economist's* index number of American primary products prices. There has been a slight drop in French wholesale prices.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices			Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanamt
	British Complete Index (sterling)	Primary Products (sterling)	American (dollar)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
1937 Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9	...	95.7
Feb. 24	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30	139.5	165.9	176.8	165.7	134.1	...	134.2	97.5
July 28	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6
Oct. 20	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Dec. 1	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Feb. 2	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Mar. 2	125.1	143.1	134.7	164.5	120.3	138.1	142.5	97.2
Mar. 30	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 27	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 25	119.6	132.2	121.9	165.5	117.2	145.6	143.4	96.3
June 22	119.3	133.2	124.8	165.8	117.6	147.3	143.8	96.9
July 6	120.8	135.7	129.7	165.9	117.7	148.7	143.5	97.0
July 20	119.5	137.4	128.6	166.5	118.2	147.8	142.7	97.1
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5
Aug. 17	118.3	136.1	124.7	167.6	115.9	145.5	142.8	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.6	97.3
Sept. 14	115.2	133.0	126.9	170.6	117.0	145.8	143.9	97.0
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	144.2	97.0
Oct. 12	116.8	135.9	126.8	172.3	116.7	147.3	144.6	96.9
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1	97.3
Nov. 9	114.8	133.1	127.2	172.2	116.6*	147.3*	...	37.4*

* These figures relate to November 2nd. † Monthly average.

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Nov. 3, 1937	Oct. 26, 1938	Nov. 9, 1938
Cereals and meat...	64.5	90.6	69.5	67.3
Other foods	62.2	67.5	58.2	58.5
Textiles	43.7	62.0	54.4	53.6
Minerals	67.4	97.5	96.6	96.0
Miscellaneous	65.8	71.7	75.3	75.4
Complete index	60.4	79.7	70.0	69.3
1913 = 100	83.1	109.6	96.4	95.4
1924 = 100	52.2	68.8	60.6	60.0

Grain prices continue to fall, but the remaining food prices moved irregularly with no wide changes. There was a small but general decline in textile prices, while non-ferrous metal prices were also lower. In the miscellaneous group there were slight advances in hides and rubber.

* * *

Alcoa.—A Note on page 294 of *The Economist* last week referred incorrectly to the Aluminum Corporation of America. This should, of course, have read the Aluminum Company of America.

INDUSTRIAL REPORTS

THE improvement in the unemployment returns for October, issued this week by the Ministry of Labour and discussed on page 341 of *The Economist*, is reflected in this week's reports from industry. Better conditions are reported on all markets and orders and inquiries are increasing. The least satisfactory reports come from the coal industry, where the warmer weather has checked the demand for household coal. Both the wool and cotton textile industries are showing some improvement; unemployment declined during the past month and a greater proportion of machinery is in use. The output of steel has again increased, from 754,000 tons in September to 854,000 tons in October; the output of pig iron, which fell between August and September, rose in October by 39,600 tons to 469,400 tons.

Coal

Sheffield.—The inland market was generally firmer. The demand for household coal, which had begun to move rather more freely, was checked by the spell of unusually warm weather. Improving conditions in local industry are bringing a better demand for industrial steams. Gas coal is more active, and electricity undertakings are absorbing larger supplies. Coke demand continues poor, although slightly better than last week.

Export trade is quiet, loose steams being the strongest feature. Best hards and washed trebles are fairly firm.

*

Newcastle-on-Tyne.—The North-East market remains firm for large steam classes and certain brands of sized coals, whilst in other sections the position is fairly steady. Northumberland steam collieries are now fully employed and, apart from smalls, have very little free coal available this winter. The Durham market is improving under a better local industrial demand. Approximately 300,000 tons of gas and coking coals have been sold to the Hamburg Gas Works for delivery over next year at prices slightly below those now current.

*

Glasgow.—Market conditions show little change. Home trade is moving steadily, but export orders are scarce and business with London has not yet broadened. Fifeshire collieries are busy on contract work for Scandinavia. Prices remain about the same as last week. Outputs are well absorbed but the general position is less satisfactory than last year. Production in September, at 2,439,000 tons, was 147,000 tons less than in September, 1937. During the same period proceeds declined from £1,879,782 to £1,872,559; costs rose from £1,642,511 to £1,677,924, and profit per ton declined from 1s. 9.84d. to 1s. 7.05d.

*

Cardiff.—Business has been very quiet on the Cardiff market this week. Some inquiries have been received, but only for inconsiderable quantities, and the renewal of contracts by shipowners and other important consumers is still the subject of negotiations under the supervision and direction of the Central Council. Best large steams and

nearly all grades of sized coal are being readily absorbed, but some bituminous coals, ordinary smalls and coke continue inactive. The permit prices of the Control Board show little or no change. Shipments in the foreign and coastwise trades at the South Wales docks last week totalled 411,800 tons, compared with 426,500 tons the previous week, and 442,933 tons in the corresponding week last year.

Iron and Steel

London.—The improvement in the iron and steel markets has been maintained and there has been an expansion in business in practically all departments of the trade, says the official report of the London Iron and Steel Exchange. To some extent this is due to the requirements of the accelerated re-armament programme, but there has also been a revival in the demand for ordinary commercial purposes. The increased activity has been almost entirely confined to the home market, and overseas buyers continue to follow a cautious policy.

In the pig-iron section there has been a good demand from the foundry trades. Considerable tonnages are also reaching the steelworks and there has been a noticeable reduction in the heavy stocks which had accumulated at consumers' yards.

The demand for semi-finished steel has broadened and the works turning out this class of material have more orders than for several months past. Stocks at some of the consuming works are still unwieldy, but they are being steadily reduced and the outlook in this department has improved.

In the finished steel section, conditions are brighter and buying has become more regular. A few forward contracts are being placed, but there is still a tendency to limit commitments until the prices which will rule after December 31st have been fixed.

*

Sheffield.—The iron and steel market reflects the general trade improvement and there is a steady increase in the number of inquiries and a greater readiness to place orders. These orders are not large, but they are an indication of the better trend.

There is a fair amount of buying of foundry pig iron for early delivery, as existing stocks are being absorbed. Business is small in forge, but basic is in steady demand. The bulk of consumers of hematite are covered by contract to the end of the year, and, as existing quotations may then be revised, buying relates only to the next few weeks. The demand for special qualities shows further expansion. Finished iron is unchanged except for a slightly increased call for common and marked bars.

Business in basic and acid steel billets is improved, and wire rods show some revival.

Local industry shows a marked improvement, and a good deal less short time is being worked. Open-hearth steel production is being increased, and more furnaces are operating on stainless and the higher classes of steel. Some substantial orders from overseas are coming to hand, but the majority are from home sources.

Middlesbrough.—Whilst transactions in foundry iron for early delivery continue, makers' stocks are still falling and the rather better tone in the trade is maintained. There are now several hematite pig-iron furnaces in operation, two having been relighted this week. A good deal of the hematite in makers' yards is already sold, but delivery instructions are increasing, so that the statistical position is improved.

Producers of semi-finished steel are receiving more inquiries and more orders. Production of finished steel is increasing but the departments supplying shipbuilding material would welcome more orders. Steel plants are not working to capacity, but are better employed than a month ago. The heavy steel scrap position is unaltered.

Blast-furnace coke, owing to the increased demand, is slightly firmer, although the price is unchanged. Imports of foreign ore are on a better scale, so far, than in the previous month.

*

Glasgow.—The general improvement in the iron and steel trades is maintained. Rates of production have increased slightly and specifications received cover a wide range of sections. Sheet makers and tube makers in this district are particularly well employed, while bar re-rollers are somewhat better employed than in recent months. Sheet metal workers, machine tool makers and other manufacturing industries in and near Glasgow are working to capacity and have well-filled order books. It was announced this week that Messrs. Yarrow and Company, of Scotstoun, had secured an order for machinery and Yarrow water tube boilers to the value of some £300,000 for a new flotilla leader for the Yugoslav Navy.

*

Cardiff.—In the tinplate industry production has apparently become stabilised at the recently improved level, but shipments are increasing, and in the week ended November 3rd they totalled 6,411 tons, compared with 5,780 tons the previous week. Normal deliveries in the inland trade have been well maintained and stocks at warehouses and in vans have been slightly reduced. The heavier branches of the industry are also improving, and it is hoped that one of the idle blastfurnaces will resume operations before the end of the year. An exhaustive investigation is being made into current costs of production in order to assist the Iron and Steel Federation to determine the prices for 1939.

Textiles

Cotton (Manchester).—The quieter feeling in the market has continued. Spinners and manufacturers have received some useful orders, but leading buyers have been less disposed to purchase with any freedom. The situation in Lancashire is rather better than a month ago, but a large amount of machinery remains idle. Raw cotton markets remain slack. The American

(Continued on page 346)

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BRITISH WHOLESALE PRICES

		Nov. 2, 1938	Nov. 9, 1938
CEREALS AND MEAT			
GRAIN, etc.			
Wheat—			
No. 2, N. Man. 496 lb.	s. d.	s. d.	
Eng. Gaz. av. per cwt.	26	26	3
Liv. Dec., per cental	4	4	4
Flour, per 280 lb.—			
Straights, d/d London	24	23	6
Manitoba, ex store	24	24	0
Barley, Eng. Gaz. av. per cwt.	8	8	4
Oats	6	6	3
Maize, La Plata, landed, 480 lb.	26	24	3
Rice, No. 2 Burma, per cwt.	7	7	3
MEAT			
Beef, per 8 lb.—			
English long sides	4	3	10
Argentine chilled hinds	4	4	5
Mutton, per 8 lb.—			
English wethers	4	4	0
N.Z. frozen wethers	2	2	10
Lamb, per 8 lb.—			
N.Z. frozen	4	4	8
Pork, English, per 8 lb.	7	6	10
BACON (per cwt.)			
English	92	92	0
Danish	95	95	0
Dutch	92	92	0
Irish	84	83	0
HAMS (per cwt.)			
Canadian	100	98	0
United States	96	92	0
OTHER FOODS			
BUTTER (per cwt.)			
Australian	110	0	106
New Zealand	114	0	110
Danish	136	0	135
Dutch	137	0	136
CHEESE (per cwt.)			
Canadian	72	0	72
New Zealand	70	6	69
English Cheddars	86	0	86
Dutch	64	0	65
COCOA (per cwt.)			
Accra, g.f.	22	6	22
Trinidad	33	0	33
Grenada	32	6	32
COFFEE (per cwt.)			
Santos supr. c. & f.	34	6	34
Costa Rica, medium to good	60	0	60
Kenya, medium	60	0	60
EGGS (per 120)			
English (15-15½ lb.)	23	6	22
Danish (15½ lb.)	17	0	16
FRUIT			
Oranges, S. African boxes	13	3	12
" Brazilian Peras... boxes	10	0	9
Lemons, Naples	38	0	38
" Sicilian	11	6	10
Apples, Amer. (var.)... barrels	21	0	20
" Canadian: Nova Scotia (var) Barrels	14	3	14
Grapes, Almeria	11	6	10
Grapefruit, S. African	10	0	10
" Jamaica, Seeded	10	0	9
" Jaffa, Seedless	10	0	8
LARD (per cwt.)			
Irish, finest bladders	50	0	50
U.S.	46	0	46
PEPPER, per lb.			
Black Lampong (in Bond)	0	23	0
White Muntok (in Bond)	0	33	0
POTATOES (per cwt.)			
English, King Edward, Siltland	5	0	5
SUGAR (per cwt.)			
Centrifugals, 96°, prpt. shipm.	5	6	5
Refined London	5	6	5
Yellow Crystals	18	10	19
Cubes	23	12	23

* Weeks ended Oct. 27th and Nov. 3rd.

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

		Nov. 2, 1938	Nov. 9, 1938
SUGAR (per cwt.)—cont.			
Crushed		21	4½
Granulated		19	4½
Home Grown		19	4½
TEA* (Auction Average) (per lb.)			
N. India		14	26
S. India		13	45
Ceylon		14	85
Java		17	08
Sumatra		11	59
Africa		12	24
Total		14	36
TOBACCO (per lb.)			
Virginia stemmed and unstemmed, common to fine		2	6
Rhodesian stemmed and unstemmed		0	9
Nyasaland stemmed and unstemmed		0	7
East Indian		1	0
TEXTILES			
COTTON (per lb.)			
Raw, Mid-American		5	12
" Sakellaridis, F.G.F.		8	42
" Giza, F.G.F.		8	32
Yarns, 32's Twist		9	14
" 40's Twist (Egyptian)		9	14
60's Twist (Egyptian)		17	4
Cloth, 32 in. Printers, 116 yds.		16	7
" 16x16, 32's & 50's		16	7
" 36 in. Shirtings, 75 yds.		23	4
" 38 in. ditto, 38 yds.		9	9
" 18x16, 10 lb.		9	9
" 39 in. ditto, 37½ yds.		8	10
" 16x15, 84 lb.		8	10
FLAX (per ton)			
Livonian ZK		65	0
Pernau HD		66	0
Slanetz Medium, 1st sort		93	0
HEMP (per ton)			
Italian PC		70	0
Manilla, Nov.-Jan. " 12 "		21	0
JUTE (per ton)			
Native 1st mks., c.i.f. H.A.R.B.		19	7/6
Nov.-Dec.		19	5/0
Daisee 2/3 c.i.f. Dundee		19	5/0
Nov.-Dec.		19	5/0
SISAL (per ton)			
African, Nov.-Jan.		14	10
SILK (per lb.)			
Canton		7	3
Japan		7	9
Italian, raw, fr. Milan		8	0
WOOL (per lb.)			
English, Southdown, greasy		13	1
Lincoln hog, washed		13	12½
Queensland, scd. super combg.		23	23
N.S.W. greasy, super combg.		13	13
N.Z., greasy, half-bred 50-56		12½	12½
Crossbred 40-44		10½	10½
Tops		28	27
Merinos 70's average		26	25½
64's		16½	16½
Crossbred 48's		16	16
MINERALS			
COAL (per ton)			
Welsh, best Admiralty		19	6
Durham, best gas, f.o.b. Tyne		19	0
Sheffield, best house, at pits		22	0
Pig Cleveland No. 3, d/d		109	0
Bars, Middlesbrough		265	0
Steel rails, heavy		202	6
Tinplates		21	6
IRON AND STEEL (per ton)			
Pig Cleveland No. 3, d/d		109	0
Bars, Middlesbrough		265	0
Steel rails, heavy		202	6
Tinplates		21	6
NON-FERROUS METALS (per ton)			
Copper—			
Standard cash		45/15/0	46/12/6
Three months		46/0/0	46/17/6
Tin—			
Standard cash		211/15/0	212/10/0
Three months		212/0/0	212/15/0
Lead, soft foreign—			
Cash		16/0/0	16/8/9
English, pig		16/1/3	16/10/0
Spelter, G.O.B.—			
Spot		14/11/3	14/13/9
Aluminium, ingots and bars		14/12/6	14/15/0
" rolling billets		102/0/0	102/0/0
Nickel, home and export		180/0/0	180/0/0
Antimony, Chinese		60/0/0	60/0/0
Wolfram, Chinese		58	0
Platinum, refined		8/0/0	7/10/0
Quicksilver		14/10/0	14/10/0

		Nov. 2, 1938	Nov. 9, 1938
GOLD, per fine ounce			
SILVER (per ounce)—			
Cash		1	7½
MISCELLANEOUS			
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—			
4-ton loads and upwards		42s.	per ton
CHEMICALS—			
Acid, citric, per lb., less 5%		1	0
" Nitric		0	2
" Oxalic, net		0	5
" Tartaric, English, less 5%		1	11½
Alcohol, Plain Ethyl		12	0
Ammonia, carb.		20/0/0	20/0/0
" Sulphate		7/8/0	7/8/0
Arsenic, lump		35/0/0	35/0/0
Borax, gran.		13	6
" powder		15	0
Nitrate of soda		8	0
Potash, Chlorate, net		0	4½
" Sulphate		10	0
Soda Bicarb.		11	0
Crystals		5	0
Sulphate of Copper		19/5/0	19/15/0
COPRA (per ton)			
S.D. Straits, c.i.f.		9/18/9	10/0/0
HIDES (per lb.)			
Wet salted, Australian		0	4½
West Indian		0	3
Cape		0	4½
Dry and Drysalted Cape		0	6½
Market Hides, Manchester		0	4½
Best heavy ox and heifer		0	6
Best cow		0	4½
Best calf		0	5½
INDIGO (per lb.)			
Bengal, gd. red-vio. to fine		5	0
LEATHER (per lb.)			
Sole Bends, 8/14 lb.		1	1
Bark Tanned Sole		2	0
Shoulders from DS Hides		0	6½
" Eng. or WS do.		0	8½
Bellies from DS do.		0	5½
" Eng. or WS do.		0	9
Dressing Hides		1	1
Ro. Eng. Calf, 20/35 lb. per doz.		3	6
PETROLEUM PRODUCTS (per gall.)			
Motor Spirit No. 1, London		1	6
Petroleum, Amer. std. brl. Lond.		0	10
Fuel oil, in bulk, for contracts		0	34½
ex instal. Thames—			
Ex instal. Thames—		0	4½
Diesel		0	34½
ROBIN (per ton)			
American		15/15/0	15/10/0
RUBBER (per lb.)			
St. ribbed smoked sheet		0	8½
Fine hard Para		0	8½
SHELLAC (per cwt.)			
TN Orange		40	0
TALLOW (per cwt.)			
London town		17	6
TIMBER—			
Swedish u/s 3x8		21/0/0	21/0/0
" 2x4		20/10/0	20/10/0
Canadian Spruce, Dis.		18/10/0	18/10/0
Pitchpine		13/10/0	13/10/0
Rio Deals		35/0/0	35/0/0
Teak		25/0/0	25/0/0
Honduras Mahogany logs		0/12/0	0/12/0
English Oak Planks		0/6/0	0/6/0
English Ash Planks		0/7/0	0/7/0
VEGETABLE OILS (per ton net)			
Linseed, naked		21/15/0	21/10/0
Rape, refined		32/5/0	32/5/0
Cotton-seed, crude		18/0/0	17/10/0
Coconut, crude		14/5/0	14/7/6
Palm		13/7/6	13/7/6
Oil Cakes, Linseed, Eng.		9/2/6	8/17/6
La Plata, Nov.		10/10/0	10/6/3
Calcutta		11/17/6	11/15/0
Turpentine		33	6

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

COMMODITY STATISTICS

		Nov. 2, 1938	Nov. 9, 1938
Coal			
COAL OUTPUT ('000 tons)			
District	Week ended	Jan.-September	
	Oct. 22, 1938	Oct. 22, 1938	1937 1938
Northumberland	291	7	268
Durham	650	7	651
Yorkshire and N. Wales	907	5	898
Lancs, Cheshire and N. Wales	348	4	341
Derby, Notts & Leicester	668	4	654
Staffs, Worcs, Salop & Warwick	399	5	388
South Wales & Monmouth	792	5	809
Other English districts	122	6	121
Scotland	615	2	619
Total	4,796	5	4,783

* Including Cumberland, Gloucester, Somerset, and Kent.

		Nov. 2, 1938	Nov. 9, 1938
Cotton			
RAW COTTON delivered to Spinners ('000 bales)			
Variety	Week ended	Total Deliveries	
	Oct. 28, 1938	Nov. 4, 1938	Aug. 1, 1938
American	21	5	324
Brazilian	5	5	278
Peruvian, etc.	2	2	56
Egyptian	7	4	40
Sudan Sakel	3	6	21
East Indian	6	3	78
Other countries	2	4	50
Total	48	7	629

		Nov. 2, 1938	Nov. 9, 1938
Metals			
SALES ON LONDON METAL EXCHANGE			
	Week ending	From Jan. 1 to Nov. 9, 1938	
	Nov. 2, 1938	Nov. 9, 1938	
Copper	6,400	6,250	412,275
Tin	1,760	1,570	77,805
Lead	6,900	6,950	328,150
Spelter	4,200	3,050	262,800

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(Continued from page 343)

Government crop estimate of 12,137,000 bales was rather less than expected and compares with the estimate of 12,212,000 bales a month ago. Larger quantities of material are going into the United States Government loan. The Egyptian Government has issued a supplementary forecast of the crop of 7,350,000 cantars, against 7,851,000 cantars at the beginning of October. The estimate was not so bullish as had been anticipated.

Demand in the yarn market has slowed down, and there is less activity in American and Egyptian counts. Conditions remain very irregular. Although the sales in piece-goods have continued to decline, a fair miscellaneous business has been done. Operations for Indian markets have been on a reduced scale. The reported terms of the trade agreement with Egypt have given no satisfaction whatever, as there has been no reduction in the duties. Some very fair contracts have again been arranged for South America, and a varied business has been done for the Dominions. Reports from the home trade have continued more encouraging. Further Government contracts are pending.

★

Wool (Bradford).—The outstanding feature of the Colonial wool trade is the remarkable steadiness of prices. The Australian clip is being absorbed well, with the home trade taking a fair proportion of the offerings. Although the cross-bred market has eased, consumption is well maintained, and wool continues to sell readily. Prices for tops are fairly steady, but merinos are slightly below what topmakers might expect in view of overseas sales. The prospects for the London sales, which begin on November 22, do not suggest any important change for either merino or cross-bred wools.

There is an improvement at the manufacturing end of the industry, and most woollen machinery is now in use. The West Riding unemployment returns are distinctly better than they were three months ago.

THE COMMODITY MARKETS

AFTER considerable hesitation early in the week, the general trend in commodity prices was upwards. Wheat improved in price on Wednesday, and the principal non-ferrous metals were also marked up. Sugar prices continued the rise begun last week; cotton and rubber prices have fluctuated within narrow limits, and show little change on the week.

In America, commodity prices also tended to rise, particularly when the election results became known. Moody's daily index of commodity prices rose from 143.4 (December 31, 1937=100) to 144.4 during the week ended last Wednesday, which compares with 144.8 a month ago.

Metals

Copper.—After last week's fall, the price of standard cash copper recovered by 17s. 6d., and thus closed on Wednesday at £46 12s. 6d. per ton. The demand continued to be smaller than of late, but the undertone of the market

remained satisfactory because holders showed no inclination to sell at lower prices. Reports from consuming centres both in Europe and the United States speak of rising orders for metal manufacture. As consumers are by no means well stocked, the continuance of this movement is likely to lead to greater purchases before long.

★

Tin.—Tin closed on Wednesday at £212 10s. per ton, a net gain of 15s. on the week. There was no change in the general position of this market. European consumers are buying regularly, and United States fabricators are showing a certain interest, although a major buying movement has not yet developed. The activity of the Welsh tin-plate mills has risen considerably in recent weeks and has now passed 50 per cent. of the potential output. In the U.S.A., on the other hand, preparations for the next canning season have not started yet, but the demand for tin has increased slightly owing to the greater automobile output. As new tin supplies are now well below current requirements, the outlook for the metal continues to be favourable, in spite of the delayed rise in American purchases.

★

Lead and Spelter.—Lead gained 8s. 9d. to close at £16 8s. 9d. per ton, while spelter gained only 2s. 6d., to close at £14 13s. 9d. per ton. Seasonal influences kept the demand at a low level this week, particularly in the case of spelter. A report not yet officially confirmed, that the lead restriction agreement has become effective, had little effect on the market.

Grains

WORLD shipments of wheat have been well maintained in the past week and have met with only a limited demand. Consequently, prices have sagged although there was a firmer tone on Wednesday and Thursday. Reports from the Argentine continue satisfactory, and harvesting is expected to start before the end of the month. The report that the United States will press exports of wheat on to the international market has had a disturbing influence on trade. Competition from cheap wheat and plentiful supplies continue to depress the maize market, and prices on the week are 3d. to 1s. 3d. per quarter lower, although American maize was rather firmer at the finish. There has been little demand for feeding barley, whose price has tended to sag with those of other grains.

Other Foods

Provisions.—Trade in butter and meat has been slow, and prices have tended to fall, although demand for chilled meat has been fair. The bacon market has been quiet, but prices have been maintained, except for the less important nationalities.

★

Colonial Produce.—Raw sugar prices remained very firm during the past week, and prices of refined have been advanced in three successive stages by 4½d. per cwt. It is now known that Japan has bought a large amount from Java. The demand at the tea auctions has been irregular and prices have tended to fall. The cocoa and coffee markets have been steady.

Fruit and Vegetables.—The warm weather has reduced the demand for potatoes, and although prices at the Borough have been maintained during the week, elsewhere values have tended to sag. The action of the Potato Marketing Board, who have raised the size of the compulsory riddle, will assist to maintain growers' prices. Trade in other lines has been slow, according to *The Fruitgrower*; supplies of cabbages were excessive, but the demand for cut flowers is improving.

Miscellaneous Commodities

Oils and Oilseeds.—Variable conditions prevail in these markets, but prices have generally moved downwards, in sympathy with those of wheat. Harvesting of the new Argentine linseed crop has begun in some districts; sales of the old crop are proceeding steadily and the exportable surplus has been reduced to about 175,000 tons. There is little demand for Egyptian cottonseed, but prices are steady on reports of reduced crop estimates. The price of linseed oil has also been maintained, but cotton oil is cheaper and is now quoted at £20 per ton ex Hull. In spite of a fair demand for oilcakes, prices have eased in sympathy with those of linseed.

★

Rubber.—Little business has been done this week, and turnover is not expected to increase until the decision of the Regulation Committee is known next week. Prices have varied within narrow limits, and the spot price closed on Wednesday at 8½d. per lb.

★

Furs.—The London autumn fur sales closed late last week in an unsatisfactory fashion, prices generally falling below recent levels. Since the close of the sale the undertone of the free market has remained erratic. The next silver fox sales will take place on November 22nd and December 12th. The next general London sales (the winter auction series) will begin on January 30, 1939, and will be preceded by a sale of Australian furs on January 26th. The following table gives the prices (per skin) of leading furs paid at the recent Hudson's Bay Company's sale, compared with the prices at the preceding sale and at the corresponding sale last year.

	Autumn Sale 1937	Spring Sale 1938	Autumn Sale 1938
	s. d.	s. d.	s. d.
Beaver—Mackenzie Riv.	102 6	81 0	86 0
ex ex large	6 2	4 0	4 1
Ermine—York Fort, ex	6 3	4 11	4 9
ex large	100 0	100 0	110 0
Fisher—York Fort 1+2	180 0	200 0	200 0
Dark	69 0	49 0	47 0
Fox—Bastard—York Fort	180 0	165 0	120 0
1+2 Dark	330 0	230 0	155 0
Blue Fox—Arctic Dark	130 0	155 0	100 0
Cross Fox—York Fort, Medium 1	210 0	64 0	Unsold
Red Fox—York Fort, Medium 1	Unsold	72 0	Unsold
Lapland 1+2 Pale	40 0	32 0	35 6
Lynx—York Fort, 1 ex	218 0	195 0	225 0
large	219 0	200 0	112 0
Marten—Mackenzie Riv. 1 Pale	137 0	94 0	116 0
Mink—York Fort, etc., ex large 1+2 Dark	61 0	55 0	54 0
Musquash—Black	7 11	5 7½	7 6
Otter—Canada, 1+2 ex Dark	Unsold	136 0	104 0
Skunk—York Fort 1	6 3	6 0	5 5
Wolf—York Fort, ex large 1	48 6	56 0	33 0
	59 0		46 0

COMPANY MEETINGS

THE FINANCIAL NEWS, LIMITED

VALUE OF THE TECHNICAL PRESS TO INDUSTRY

MR BRENDAN BRACKEN'S SURVEY

Presiding at the forty-first annual general meeting of The Financial News, Limited, on the 7th instant, at Winchester House, London, C., Mr Brendan Bracken, M.P., the chairman, after stating that was proposed to pay a dividend of 5 per cent. on the ordinary share capital, said: We may derive some small comfort from the fact, that, despite a spate of difficulties, earnings on the ordinary share capital, before taxation is taken into account, amounted to 5 per cent.

BRITAIN'S TRADE

Referring to the prospects for 1939, the chairman said: He would not be a rash man who attempted to prophesy what may happen during the next financial year. The shocks and scares experienced during the last few months have made some persons pessimistic about the future of certain branches of Britain's trade. No intelligent person will deny that our exporters are likely to have to face competition from a new and rather ruthless character in some Central European markets. If our trade diminishes in those markets, let us not forget that we have ample opportunities of recovering any losses by building up sales in new, more stable, and wider markets.

During the past year the affairs, the much-neglected affairs, of some of the territories under British rule have been forcibly brought to the notice of the British people. Can anyone doubt that if those territories had received a tithe of the attention lavished on some of the precarious markets of Central Europe, many of our exporters could have little justification for pessimism? Surely the time has come for us to start our own trade drive instead of wasting valuable time in speculating on the ill-effects of the much-advertised trade drives of foreign States.

REASONS FOR OPTIMISM

The best way of helping our competitors is to generate pessimism. There are plenty of reasons for optimism. Even the so-called crisis has had its uses. If as a result of that recent flurry our complacency has been rudely disturbed, let us regard this development as a gain—a small gain. If energy takes the place hitherto occupied by complacency in our economic life, the future of our export trade will be much brighter. Perhaps we needed a good shaking up. We certainly got one. It will benefit us greatly if it induces us to pay more attention to our own vast and untapped territories, and to other markets available to reasonably priced British goods. This is the measure of the opportunities offered us. It is indeed a great measure. And let us remind pessimists that a British trade drive will be advantaged by economic, financial, and industrial resources which give the envy of our competitors.

If good bootmakers never cease to say that there is nothing like leather, we, as publishers of economic and financial papers, emulate them by saying that there is nothing like the service those papers offer to all engaged in industry, finance, and trade. It is sometimes said by unconsidering persons that practical men gain little from technical newspapers edited by theorists. The best answer to this argument, if it can be called an argument, is that Britain's painfully tactical industrial competitors are admirable supporters of their own technical papers and are also subscribing in greatly increasing numbers to English economic and financial journals. Our papers have any thousands of subscribers in foreign countries, and we commend their example to an unconverted minority of their superior British competitors. The services offered by the leading English economic and financial papers are essential to enterprising industrialists and advisers. Shareholders can help us by broadcasting these facts.

We regret that, owing to a printer's error in the report of the Meeting of THE CONSOLIDATED AFRICAN ELECTION TRUST, LIMITED, in our issue of November 5th, the title appeared incorrectly as CONSOLIDATED AFRICAN SELECTED TRUST, LIMITED.

LONDON MARITIME INVESTMENT COMPANY, LIMITED

DIFFICULT YEAR FOR SHIPPING

SIR F. V. THOMSON'S REVIEW

The forty-first annual ordinary general meeting of London Maritime Investment Company, Ltd., was held, on the 8th instant, at Winchester House, Old Broad Street, London, Sir F. Vernon Thomson, Bt., K.B.E. (chairman and managing director), presiding. The secretary (Mr O. A. Hall) having read the notice convening the meeting and the auditors' report.

The chairman said: Gentlemen, the directors' report and statement of accounts for the year ended September 30, 1938, having been circulated to the stockholders some days ago, they will, I hope, be taken as read. (Agreed.)

The net profit for the year was £33,541—about £3,500 less than the preceding year—and with the £12,102 brought forward from last year there was then available £45,644. After payment of the dividend upon the £500,000 5 per cent. cumulative preference stock, the directors recommend a dividend upon the £500,000 ordinary stock of 4 per cent., less income tax, for the year, and that the slightly increased balance of £12,707 be carried forward.

The company has no debts, debenture or otherwise, and has substantial cash resources. The accounts, read in conjunction with the report, show in the clearest possible form the position of the company.

VALUATION OF ASSETS

A valuation of the company's assets as at September 30, 1938, shows a depreciation of about 34 per cent. Fluctuations in prices are inevitable in these turbulent times, but this depreciation is mainly due to one large investment, of which stockholders know, formerly regarded almost as gilt-edged among industrials, the market price of which has fallen seriously in recent months. Since September 30th, however, the Stock Exchange value of that investment has risen considerably, with the result that, if a valuation of the investments were made today, they would show a depreciation of about 25 per cent.

Since becoming chairman of this company I always had in mind the old saying about having "too many eggs in one basket," but the board considered it was an excellent investment, as it undoubtedly has been for many years, and it would have been difficult then to find an equally good one. We hope the position will be restored.

PROSPECTS FOR SHIPPING

While we expect that the reports probably from most tramp shipping companies for the year 1938 as a whole will not be bad, that is principally because shipping in the early months of the year was still benefiting from the aftermath of the better conditions of 1937. For the last few months, however, the freight markets of the world, upon which tramp shipping depends, have deteriorated to such an extent that they are now mostly unremunerative, and many ships are now laid up. The outlook for British tramp shipping in the immediate future is far from encouraging.

The volume of world trade in 1938 seems likely to be nearly 10 per cent. less than that of 1937, and the fall in the prices of primary products like wheat, together with the lack of confidence among merchants arising from the international situation, are important adverse factors in any estimate of international trade prospects. Upon the other hand, trade in the U.S.A., where the downward movement commenced in the autumn of 1937, is now improving. It is much to be hoped that the recent downward trend in international trade will soon be reversed, having regard to the national importance to Britain of the export trades.

If there are any questions I should be glad to answer them as far as I can.

I now beg to propose: "That the report and accounts for the year ended September 30, 1938, as submitted, be received and adopted, and that the dividends as recommended therein be declared and paid."

Mr George M. Dodd seconded the resolution, which, in the absence of questions, was carried unanimously.

DIRECTORS' REMUNERATION

The chairman: The remuneration of the board of directors was settled by a resolution passed at the annual general meeting of the stockholders in 1914 at £600 per annum, and a further sum of £100 per annum for every sum of £100,000 capital for the time being paid up in excess of the then capital of £350,000. Since 1920, when the

capital was increased to £1,000,000, fees of £1,250 per annum have been paid. Recently doubts have been raised by the auditors as to whether upon the proper construction of the resolution the fees should be £1,200 or £1,250 per annum, and the directors now invite this meeting to confirm the construction hitherto put upon the resolution, namely, that these fees should be calculated upon a *pro rata* basis for increases of capital which are not multiples of £100,000.

Accordingly I propose: "That, for the purpose of removing doubts, it is hereby declared that the resolution passed at the general meeting of the company on November 10, 1914, shall be read as if the words 'a further sum in the proportion of £100 per annum' had been substituted for the words 'a further sum of £100 per annum.'"

The Earl of Coventry seconded the motion, which was unanimously approved.

The retiring director, Mr Percy Cross, was re-elected, and Messrs Fookes, Wyatt, Williams and Hickman, having been reappointed auditors, a hearty vote of thanks to the chairman and directors concluded the proceedings.

PAHANG CONSOLIDATED COMPANY, LIMITED

RESULTS OF A DIFFICULT YEAR

The thirty-second ordinary general meeting of the Pahang Consolidated Company, Limited, was held, on the 8th instant, in London.

Mr D. J. Ward, the Chairman, in the course of his speech, said: The year under review has been a difficult one. The first five months the company was allowed to produce 80 per cent. of standard output; in the next three months this allowance was cut to 56 per cent.; then cut again for the following three months to 43 per cent., and finally for the last month of the financial year to 25.5 per cent., with 7.6 per cent. for the Buffer Pool, and the tin price fell from £263 per ton in August, 1937, to almost £190 in July, 1938, and that is why our mines profit showed such a large decrease in comparison with the previous year.

We propose to pay the balance dividend on the preference shares, and 10 per cent. on the ordinary shares, making 20 per cent. for the year, and an extra 8 per cent. to the preference shareholders to which they are entitled.

The rapidity in the decline in the price of tin and the severe cuts in the rate of production allowed have made it a difficult year for the management, especially for a company engaged in lode mining. We have a large specialised labour force built up gradually since the slump of 1931, and our policy has been guided by our desire to retain this force, which, if dispersed, will take a long time to recreate. With this object in view, export rights of other mines have been purchased for 388 tons, and, when these rights became unobtainable at an economic price, it was decided to take advantage of the regulation under the Tin and Tin Ore (Restriction) Enactment to carry a stock of tin ore.

It is the intention of the board to continue the building up of stocks to the maximum figure permitted as long as restriction is retained at the present rate and rights are unobtainable. I regret to say that, owing to our heavy overhead charges and the present severe restriction, combined with the inability to export our stock, profits are not, at the moment, being earned.

SATISFACTORY DEVELOPMENT RESULTS

The general manager's report attached to the accounts gives full information on the important development work done during the year, and as a result of this the ore reserves show a satisfactory increase over last year and are the highest in the company's history. I am happy to inform you that since the close of the financial year there has been a most promising strike on the 1,100 ft. level of the Kabang Series—the lode appears to be the end of an important ore-body and not a mere patch. On the Myah South Lode, at the sixth level and about 300 ft. north of the Simons Lode line of strike, a strong and rich lode has been found. This lode is a member of the same series but not the same lode which traverses the Myah section. These two discoveries give scope for big developments. This morning we received a cablegram from Mr Baker to the effect that the Myah main lode had been encountered on the eighth and ninth levels.

As regards the immediate future of tin, prospects have improved considerably in the last few weeks and, should the American trade revival persist, we ought to feel the benefit early in 1939 by a more liberal production allowance.

The chairman concluded with reviewing the statistical position of the industry and the Malayan position in particular.

The report and accounts were unanimously adopted.

BEECHAMS PILLS, LIMITED

BENEFITS OF ENO ACQUISITION

An extraordinary general meeting of Beechams Pills, Limited, was held, on the 10th instant, at the Hotel Victoria, Northumberland Avenue, London, W.C., to consider a resolution increasing the capital of the company to £4,000,000 by the creation of 4,000,000 deferred shares of 2s. 6d. each, ranking as to dividend from such date or dates as might be fixed by the board or by the company in general meeting, and in all other respects *pari passu* with the existing 9,600,000 deferred shares of 2s. 6d. each of the company.

Mr Philip E. Hill (chairman of the company) presided.

The Chairman said: The purpose of to-day's meeting is to increase the capital of this company by the creation of 4,000,000 deferred shares of 2s. 6d. each, of which 2,500,000 are required for the purpose of exchange for the 4,000,000 5s. ordinary shares of Eno Proprietaries, Limited. The remaining 1,500,000 deferred shares will remain unissued, but will be available should any fresh developments arise. Your directors have no intention of issuing these shares at present. My colleagues and I are very satisfied with the terms of the acquisition of Eno's, and I am confident that we shall benefit materially through Eno's connections overseas and also from the economies which we are now effecting through the close working association now being established. The immediate benefit of the transaction will be considerable, and the ultimate result should satisfy us all.

I should like to take advantage of this opportunity to say something with regard to the current year's trading. We could not, of course, expect entirely to escape the inevitable effect of the crisis upon the country's trade, particularly overseas, but we have suffered probably less than the majority of traders. Business is now definitely on the upgrade, and we shall, I am sure, all be satisfied with the result of the year's trading and the dividend you will receive when the company's financial year ends. Talking of dividends, you will, of course, receive your second interim dividend in time to do your Christmas shopping.

The chairman concluded by moving the resolution.

Mr Louis Nicholas (vice-chairman) seconded the resolution, and it was carried unanimously.

A hearty vote of thanks to the chairman concluded the meeting.

TRINIDAD LEASEHOLDS, LIMITED

SUCCESS OF "REGENT" SPIRITS

The twenty-fifth ordinary general meeting of Trinidad Leaseholds, Limited, was held, on the 10th instant, in London.

Mr A. W. Rogers (chairman of the company), who presided, said that oil profits and other revenue amounted to £948,519. That, while showing a decline of £142,000 from last year, was greatly in excess of any other previous year's figures and was regarded by the board as very satisfactory. The short fall was due to various causes, chief amongst them being a substantial reduction in the quantity of black oils disposed of as fuel cargoes and bunkers and an increase in costs. In addition, exploration and exploitation work was carried out on a more extensive scale.

An interim dividend of 10 per cent. was paid in May, and the directors now recommended the payment of a final dividend of 17½ per cent. In the year under review they had incurred capital expenditure amounting to £898,503. That expenditure had been mainly on refinery extensions, additions to power plants, tankage, shipping and distribution facilities. New records had been obtained in various branches of their operations. He was pleased to say that a feature of the year's operations had been the continued successful development of the Forest Reserve field, where exploration and exploitation results had been most encouraging.

The improved sales in the United Kingdom of their "Regent" motor spirits reflected the steadily increasing public appreciation of the value of their products. Deliveries of "Regent" diesel oil had expanded considerably as a result of the growth of the number of vehicles equipped with diesel engines. Another side of their business which also showed a substantial increase was that of aviation spirit. Regular supplies were now being delivered to the Air Ministry and to important aviation undertakings. Working results for the first three months of the current year had been affected by the fall in prices and were somewhat below the average.

Their concern stood upon a solid foundation, and their policy was one of conservatism. It was all-important that that should be so. He added that he was retiring from the board of the company at the end of the year and was happy to feel that he left it in a good position and in good hands.

The report and accounts were unanimously adopted.

PHENIX INVESTMENT TRUST, LIMITED

THE CRISIS AND SECURITY VALUES

The twenty-fourth ordinary general meeting of the Phoenix Investment Trust, Ltd., was held, on the 10th instant, at 25-31, Moorgate, London, E.C.

Mr Norman Holden (the chairman) said that the total revenue derived from interests and dividends, less income tax, trusteeship and registration fees, amounted to £22,769, compared with £22,993 for the previous year. Management expenses remained at practically the same figure, but interest on debenture stock paid and accrued was increased by £995, due to a further £57,263 4 per cent. debenture stock having been issued during the year. The net revenue was down by approximately £1,180 to the sum of £13,915 17s. 3d. After deducting the preference dividend, and again recommending a dividend on the ordinary stock at the rate of 2 per cent. per annum, they were able to carry forward £14,061 9s. 9d.

With regard to the value of the investments, there was a depreciation of 34.31 per cent. compared with 21.86 per cent. a year ago. That was the natural result of a year of almost unparalleled anxiety and shock. Looking back, they might believe that the shadow of war was behind most of those anxieties and that for the last two years the increasing tempo of hostile preparations in Europe was causing apprehension in ever-growing circles.

As to the future, the board sincerely hoped that civilised public opinion, by its obvious condemnation of war, might be strong enough to insist on settlement of all matters without the resort to or the threat of armed force, but the positions in China and Spain were not reassuring. If war was avoided and the threat of war no longer oppressed the world, they might be at the beginning of a great world recovery.

An analysis showing how their investments were spread geographically—the figures being based on book cost, and not on to-day's valuations—was as follows: British Empire, 48.74 per cent.; United States of America, 11.83 per cent.; Hungary, 2.91 per cent.; Greater Germany, 7.83 per cent.; Russia, 3.25 per cent.; other European countries, 8.01 per cent.; South America, 17.13 per cent.; and China and Japan, 1.20 per cent.

The report and accounts were unanimously agreed to.

JANTAR NIGERIA COMPANY, LIMITED

COLUMBITE POSITION

The annual meeting of Jantar Nigeria Company, Ltd., was held, on the 10th instant, at Winchester House, London.

Mr Percy Tarbutt (the chairman) said that proceeds of tin and columbite sold during the past year, including stocks on hand, amounted to £77,751, as compared with £128,776 in the previous year. The difference was accounted for as to approximately £31,000 in respect of tin and £20,000 in respect of columbite.

Shipments of columbite were 90 tons less, and, in view of the ending of the contract, no value had been placed on the stock of this commodity remaining after allowing for shipments to the date of termination. The year's results showed a profit of £17,014, and the directors recommended a final dividend of 7½ per cent., making 15 per cent. for the year.

With regard to the columbite contract, on September 29th last the buyers advised the Board of their wish to terminate it, and to do so on three months' notice instead of six months'. The company's relations with the buyers had always been of the most cordial nature, and, in view of the fact that this had been the only outlet of any extent and that the buyers were overstocked, the directors had felt that it would be policy to accede to their request. When the contract terminated on December 31st next they would have shipped a total of 1,510 tons to the buyers, and he could not conceive the position arising where they would not require further supplies at some future date, but how soon this position would arise he was unable to say.

Of the year's output of 474½ tons of tin, 392 tons were extracted from reserves, leaving the proved tin reserves at 1,695 tons. In addition, there were 1,976 tons of low grade tin concentrates proved in the Kuru III property and 6,074 tons of columbite, giving a total reserve of 9,745 tons. Taking tin at £180 per ton and columbite on the old contract price, and working on normal outputs, the present proved ore reserves showed a potential profit of over half a million pounds.

The report and accounts were unanimously adopted.

BROOME RUBBER PLANTATIONS, LIMITED

NEW PLANTING AREA ACQUIRED

The fifth annual general meeting of the Broome Rubber Plantations, Limited, was held on the 9th instant at 19 Fenchurch Street, London.

Sir Lionel Smith-Gordon (the chairman), in the course of his speech, said that the profit for the year was £19,783. The directors proposed to pay a final dividend of 4 per cent., making 8 per cent. for the year. The standard production for 1938 had been assessed at 2,555,927 lb., of which 45 per cent. might at present be exported. As from January 1st next, their standard production should be increased in respect of the young Eldred rubber. In order to avoid reducing crop too drastically or building up an abnormal stock, they had purchased licences for 72,000 lb. of rubber. They were very pleased to be able to report that the general manager found all the properties in good condition and efficiently managed on the occasion of his recent inspection. They were particularly pleased with Eldred Estate and its extensions, of which property they would remember they only took over 2,000 acres on January 1, 1936, and 1,400 acres later in the year.

The Selangor properties were reported to be in the usual good order, and there was nothing in particular he had to say about them.

In previous speeches he had told them that they had embarked on a steady replanting programme so that areas which were uneconomic might be replaced with high yielding stock. As from January 1 next new planting within limits would be permitted. In those circumstances the board had decided not to undertake any further replanting for the time being, but to supplement old areas with new rubber planted on virgin soil.

Having regard to the success of the Eldred property, the general manager had carefully investigated adjacent jungle land, and had selected a 1,000-acre block, which had been approved, and the land taken up, plus an extra 10 per cent. to cover buildings, ravines, swamps, etc. They proposed to make a start on planting in 1939.

It was not the intention at the moment to raise further capital, but when market conditions were more favourable they proposed to make an issue and invite shareholders to subscribe on a *pro rata* basis.

The report was unanimously adopted.

BUKIT KAJANG RUBBER ESTATES, LIMITED

DIVIDEND OF 8 PER CENT.

The twenty-ninth annual general meeting of Bukit Kajang Rubber Estates, Limited, was held, on the 10th instant, at 7 Martin's Lane, London.

The Chairman, Mr W. Arthur Addinsell, said in the course of his address:—The period covered by the report was a perplexing one. We commenced with an export quota of 90 per cent., but it was soon evident that consumption was lagging, and the rate had dropped to 60 per cent. by the time our last quarter was reached. It has since fallen to 45 per cent., and unfortunately there has been no proportionate compensation in price.

Making allowances for this, and the erratic trade conditions in the United States last year, we are to be congratulated that we are able to distribute a dividend of 8 per cent. comfortably covered by the year's earnings. Such matters as crop returns, the average net price realised, and other details are, I consider, indicative of efficient administration.

The planted area has been increased by 60 acres under circumstances explained at our last meeting. The International Agreement includes provision for extensions to the planted area during the next two years. The planting rights available to this company will be in respect of 247 acres. We possess 907 acres of virgin jungle within our Rengo Malay Estate in Johore, which can be utilised for the purpose. About one-half will be opened next year, and the remainder in the following year. No difficulty should be experienced in planting and bringing to maturity the total of 247 acres from available funds. This operation will provide a valuable addition of young rubber.

The crop exported to date on account of the current year is smaller owing to the incidence of restriction—a position which cannot be regarded as satisfactory from a producer's point of view. I am confident that we can rely on the International Control Committee handling the situation in the best interests of all concerned. It is gratifying that stocks in this country are falling, and the trade index in America is moving in a favourable direction—so that there is justification for anticipating better times.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

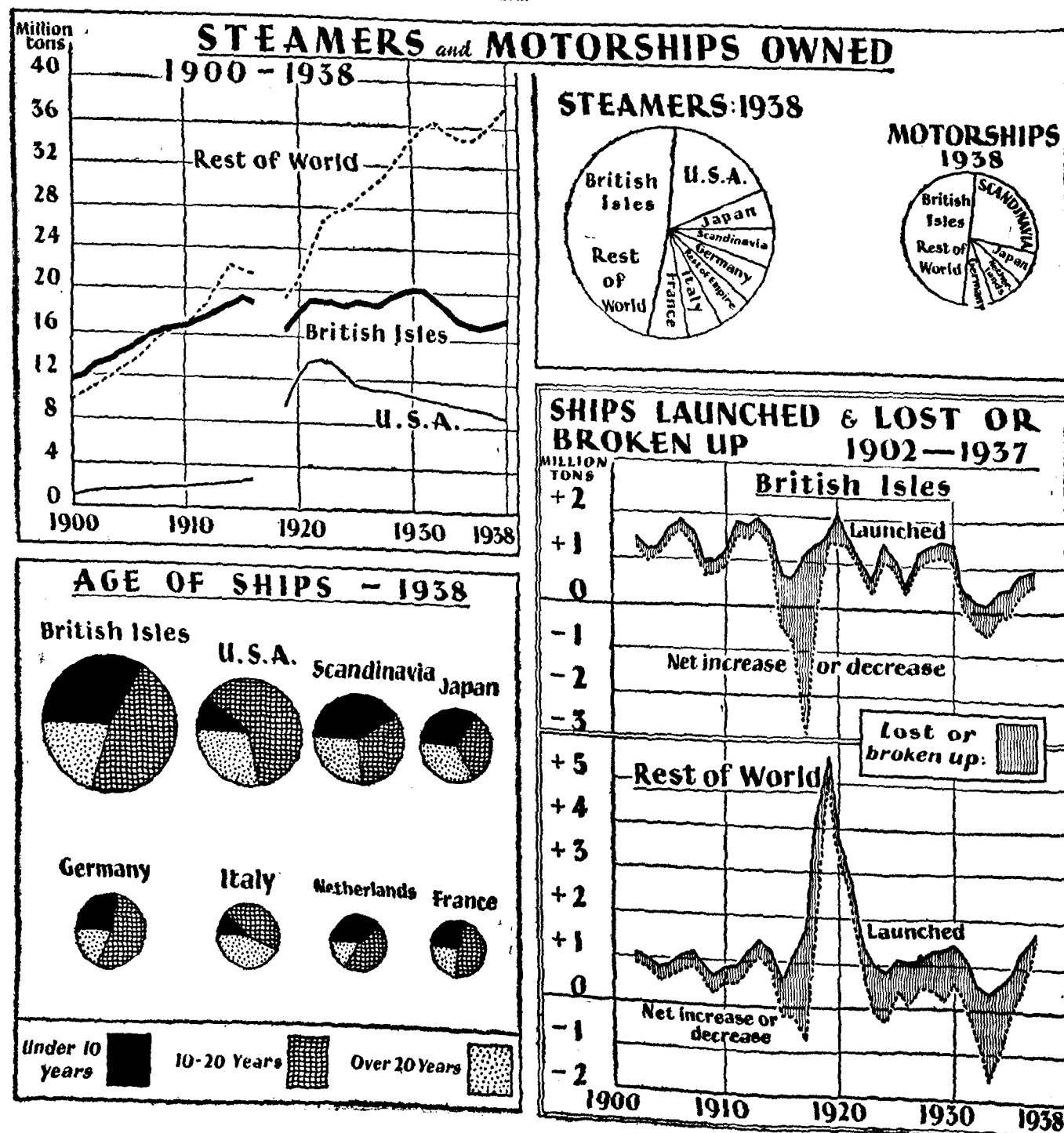
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue

The World's Merchant Shipping

Source: Statistical Tables, 1938, Lloyd's Register of Shipping. All diagrams refer to gross tonnage of steamers and motorships over 100 tons, and United States Shipping on the Great Lakes is excluded.



Finance

GOVERNMENT RETURNS

For the week ended November 5, 1938, total ordinary revenue was £17,525,000, against ordinary expenditure of £16,046,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £200,509,000, against a deficit of £127,099,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Nov. 6, 1937	April 1, 1938, to Nov. 5, 1938	Week ended Nov. 6, 1937	Week ended Nov. 5, 1938
ORDINARY REVENUE					
Income Tax	341,150	76,584	83,074	6,277	6,564
Sur-tax	62,000	7,750	9,530	190	190
Estate, etc.	88,000	55,160	44,630	1,390	1,740
Duties	24,000	12,130	11,710	320	180
Stamps	20,000	...	9,490	...	550
N.D.C.	1,250	220	690	40	20
Other In. Rev. Duties	...	...	...	...	...
Total I. Rev.	536,400	151,844	159,124	8,217	9,244
Customs	227,950	135,361	135,975	4,805	4,375
Excise	116,150	68,000	68,300	1,400	1,365
Total Cust. and Excise	344,100	203,361	204,275	6,205	5,740
Motor Duties	36,000	11,090	11,034	1,168	1,245
P.O. (Net Receipt)	8,670	9,580	8,730	1,250	1,140
P.O. Fund.	2,400	25	...	25	...
Crown Lands Rec. from	1,330	900	860	...	...
Sun. Loans	5,250	3,633	4,139	86	83
Misc. Rec.	10,500	8,453	7,321	12	73
Total Ordinary Revenue	944,650	388,886	395,483	16,963	17,525
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	42,170	43,520	900	1,210
Total...	1,025,092	431,056	439,003	17,863	18,735

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Nov. 6, 1937	April 1, 1938, to Nov. 5, 1938	Week ended Nov. 6, 1937	Week ended Nov. 5, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dr.	230,000	145,308	146,282	14,547	14,269
Payments to N. Ireland	8,900	4,274	4,619	257	277
Other Cons. Fund Serv.	5,239	1,914	1,663	...	...
Total...	244,139	151,496	152,569	14,804	14,546
Supply Serv.	770,249	364,489	443,423	13,954	21,500
Total Ord. Expend.	944,648	515,985	595,992	28,758	36,046
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	42,170	43,520	900	1,210
Total...	1,025,090	558,155	639,512	29,658	37,256

* Revenue required to meet expenditure. † Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act. ‡ After concessions of £100,000 made during passage of Finance Act. § After adding Navy and Air Supplementary Estimates. ¶ Consol. Fund increase under Fire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £166,849 to £2,763,464, the other operations for the week (as shown below, but excluding £255,000 issue to sinking funds), raised the gross National Debt by £18,943,000 to about £8,346 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills	14,119	P.O. & Tele. (Money)	450
Public Dept. Adv.	2,080	N. Atl. Shipping	30
Bk. England Adv.	3,000		
Nat. Sav. Certs.	50		
Land Settlement	14		
Tithe Act	160		
	19,423		480

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to November 5, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	595,992	Ordinary Rev.	395,483
Increase in bal.	400	Fire receipts*	10,000
Fire issues*	3,758	Gross bor.	206,628
		Less:	
		Sinking Fds.	5,961
		Net borrowing	194,667
			600,150

* Receipts and issues under Sec. 2 (3) of Fire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Nov. 6	612.0	290.3	37.6	...	939.9	327.9
Dec. 31	889.7*	39.4	55.7	...	984.9	...
1938						
July 23	568.0	304.1	37.2	...	909.4	341.3
" 30	565.0	309.1	45.6	...	920.7	355.7
Aug. 6	560.0	320.1	44.2	...	924.3	364.3
" 13	555.0	303.4	44.1	...	902.5	347.5
" 20	555.0	296.2	41.9	...	893.1	338.1
" 27	550.0	294.0	45.7	...	894.7	339.7
Sept. 3	545.0	316.9	44.1	...	911.0	361.0
" 10	545.0	324.2	46.0	...	915.1	370.2
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3
Oct. 8	526.0	370.1	49.3	...	953.4	428.4
" 15	526.0	383.6	45.8	...	955.4	429.0
" 22	526.0	379.3	41.4	...	946.7	420.7
" 29	522.0	386.1	44.0	...	952.1	430.1
Nov. 5	517.0	405.3	46.1	...	971.3	451.4

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

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Nov. 5	45.0	85.1	45.0	10	1.49
Dec. 31	50.0	80.5	50.0	10	11.59
1938					
July 23	45.0	88.3	42.0	10	5.03
" 30	40.0	82.4	40.0	10	1.90
Aug. 6	35.0	78.6	35.0	10	1.80
" 12	30.0	76.8	30.0	10	1.50
" 19	35.0	82.2	35.0	10	1.51
" 26	40.0	87.6	40.0	10	1.53
Sept. 2	45.0	74.6	45.0	10	5.87
" 9	45.0	63.1	42.0	11	11.02
" 16	40.0	58.9	37.0	18	10.75
" 23	40.0	58.2	40.0	10	7.07
" 30	45.0	68.8	45.0	25	1.42
Oct. 7	50.0	71.6	50.0	14	3.44
" 14	50.0	72.6	45.0	15	5.57
" 21	40.0	77.3	38.0	13	8.91
" 28	35.0	72.5	35.0	10	9.78
Nov. 4	35.0	67.9	35.0	10	5.87

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On November 4th applications at £99 17s. 4d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 44 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 5d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on November 11th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number		Purchase Price
	42 weeks to:—	Week to:—	
Oct. 23, 1937	25,904,733	...	19,428,550
Oct. 22, 1938	26,037,035	...	19,527,776
Oct. 23, 1937	558,541	...	418,906
Oct. 15, 1938	613,691	...	460,268
Oct. 22, 1938	590,546	...	442,910

N.B.—At the end of September, 1938, the balance due to Post Office and to Trustee Savings Bank depositors was £735,043,000, and the value of National Savings Certificates holdings was £517,100,000.

BANK OF ENGLAND RETURNS

NOVEMBER 9, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt...	11,015,100
In circula.	482,690,443	Other Govt. Securities...	188,796,571
In Bnkg. Department...	43,723,983	Other Secs...	100,290
		Silver Coin...	88,039
		Amt. of Fid. Issue	200,000,000
		Gold Coin & Bullion	326,414,426
			526,414,426

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs...	101,571,164
Rest	3,177,001	Other Secs...	11,103,015
Public Depts.*	15,937,418	Discs, etc...	20,979,005
Other Depts.	...	Securities...	...
Bankers	109,497,834	Notes...	32,082,020
Other Accts.	35,364,025	Gold & Silver Coin	1,292,115
	145,001,863		
		178,669,282	178,669,282

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

THE WEEK'S CHANGES

Both Departments	Compared with	
	Nov. 9, 1938	Last Week
COMBINED LIABILITIES		
Note circulation	482,690	+ 1,260
Deposits: Public	15,937	+ 1,805
Bankers	109,498	+ 16
Others	35,504	+ 933
Total outside liabilities	643,630	+ 372
Capital and rest	17,730	+ 30
COMBINED ASSETS		
Govt. debt and securities	301,383	+ 881
Discounts and advances	11,103	+ 654
Other securities	21,079	+ 127
Silver coin in issue dept.	88	+ 28
Gold coin and bullion	327,707	+ 16
RESERVES		
Res. of notes & coin in banking department...	45,016	+ 1,245
Proportion of reserve to outside liabilities—		
(a) Bankg. dept. only	27.9%	+ 0.6%
(b) Gold stocks to deposits and notes	50.9%	+ 0.1%

COMPARATIVE ANALYSIS

	(£ millions)				
	1937	1938	Nov. 10	Oct. 19	Nov. 2
Issue Dept.:					
Notes in circ.	485.6	486.4	482.5	484.0	482.7
Notes in bankg. dept.	40.8	40.0	43.9	42.5	43.7
Govt. debt and securities	199.1	199.8	199.8	199.9	199.8
Other secs.	0.8	0.2	0.1	0.1	0.1
Gold	326.4	326.4	326.4	326.4	326.4
Deposits:					
Public	30.7	33.8	25.0	14.1	15.9
Bankers	90.9	90.9	100.4	109.5	109.5
Others	36.1	35.8	35.5	36.4	35.5
Total	157.7	160.5	160.9	160.0	160.9
Bkg. Dept. Secs.:					
Government	103.9	104.9	107.6	102.4	101.6
Discounts, etc.	8.4	8.0	4.2	10.5	11.1
Other	20.7	23.9	21.6	21.1	21.0
Total	133.0	136.8	133.4	134.0	133.7
Banking dept. reserve	42.4	41.4	45.3	43.8	45.0
"Proportion"	26.9	25.7	28.1	27.3	27.9
Reserve ratio†	51.0	50.7	50.9	50.9	50.9

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £88,039; capital, £14,553,000; rest, £3,177,001.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28th last. The latest return of the Bank of Argentina appeared in *The Economist* of October 15th; Iran, of October 22nd; Danzig, Egypt, Lithuania and Poland of October 29th; Federal Reserve Reporting Members, Australia, Bulgaria, Canada, Finland, Greece, Java, Jugoslavia, New Zealand, Norway and Sweden of November 5th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

	Oct. 31, 1937	Aug. 31, 1938	Sept. 30, 1938	Oct. 31, 1938
ASSETS				
Gold in bars	13.4	30.9	19.2	29.3
Cash	20.2	48.1	40.5	27.9
Bills and commercial bills	16.8	15.7	17.4	14.4
(a) Commercial bills	115.6	152.7	142.5	153.6
(b) Treasury bills	148.4	70.7	54.6	47.5
Time funds at interest	58.4	53.9	51.5	52.1
Sundry bills & invests.	296.3	252.9	237.7	248.2
Other assets	2.2	1.6	1.3	1.2
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	23.2	24.3	24.3	24.3
Long-term commitments:				
(1) Annuity trust account deposits	153.3	152.9	153.0	152.8
(2) Govt. deposits	109.1	102.6	102.5	102.0
Short term and sight deposits:				
(1) Central banks:				
Own account	201.4	166.1	100.1	110.9
(2) Central banks:				
For acct. others	2.6	2.4	3.6	2.2
(3) Other deposits	7.0	6.1	6.9	6.4
Sight deposits—gold	8.4	9.3	9.9	9.3
Miscellaneous items	41.2	38.0	52.0	52.9

U.S. FEDERAL RESERVE BANKS
Million \$'s

	Nov. 12, 1937	Oct. 13, 1938	Nov. 3, 1938	Nov. 10, 1938
RESOURCES				
Gold certifs. on hand and due from Treas.	9,125	11,020	11,288	11,318
Total reserves	9,440	11,383	11,664	11,679
Total cash reserves	306	363	368	352
Total bills discounted	21	9	8	8
Bills bt. in open mkt.	3	1	1	1
Total bills on hand	24	10	15	18
Industrial advances	19	16	15	15
Total U.S. Govt. sec.	2,537	2,564	2,564	2,564
Total bills and sec.	2,580	2,589	2,588	2,588
Total resources	12,772	14,716	14,989	14,939
LIABILITIES				
F.R. notes in actual circulation	4,277	4,281	4,320	4,356
Aggregate of excess m. bank res. over reqs.	1,070	3,050	3,220	3,130
Deposits—Member-bank reserve account	6,879	8,400	8,686	8,546
Govt. deposits	139	703	576	578
Total deposits	7,018	9,479	9,688	9,654
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,772	14,716	14,989	14,939
Ratio of total res. to deposit and F.R. note liab. combined	80.1%	82.8%	83.3%	83.4%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES				
Monetary gold stock	12,789	13,869	14,071	14,091
Treasury and Nat. Bk. currency	2,611	2,744	2,752	2,755
LIABILITIES				
Money in circulation	6,564	6,667	6,706	6,764
Treasury cash and deposits with F.R. Bks.	3,787	3,515	3,327	3,315

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

	Nov. 12, 1937	Oct. 13, 1938	Nov. 3, 1938	Nov. 10, 1938
ASSETS				
Gold	55,805	55,808	55,808	55,808
Bills: Commercial	10,194	19,683	17,502	15,366
Bought abroad	928	725	725	725
Advances on securities	3,963	3,988	3,865	4,049
Thirty-day advances	992	1,115	1,600	2,341
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	26,918	50,134	48,134	48,134
Negotiable bonds	5,637	5,570	5,570	5,570
Sinking Fund Dept.	4,634	4,731	4,239	4,705
Other assets				
LIABILITIES				
Notes in circulation	91,891	118,290	110,446	110,557
Deposits: Public	2,616	2,862	3,642	3,451
Private	14,207	20,717	23,643	22,950
Other liabilities	3,597	3,084	2,911	2,940
Gold reserve to sight liabilities	51.3%	39.3%	40.5%	40.7%

BANK OF FRANCE.—Million francs

	Nov. 1937	Oct. 1938	Oct. 1938	Nov. 1938
ASSETS				
Gold	55,805	55,808	55,808	55,808
Bills: Commercial	10,194	19,683	17,502	15,366
Bought abroad	928	725	725	725
Advances on securities	3,963	3,988	3,865	4,049
Thirty-day advances	992	1,115	1,600	2,341
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	26,918	50,134	48,134	48,134
Negotiable bonds	5,637	5,570	5,570	5,570
Sinking Fund Dept.	4,634	4,731	4,239	4,705
Other assets				
LIABILITIES				
Notes in circulation	91,891	118,290	110,446	110,557
Deposits: Public	2,616	2,862	3,642	3,451
Private	14,207	20,717	23,643	22,950
Other liabilities	3,597	3,084	2,911	2,940
Gold reserve to sight liabilities	51.3%	39.3%	40.5%	40.7%

† Of which frs. 26,050 millions under Conventions whose permissible limit is frs. 30,000 millions.

REICHSBANK
Million Reichsmarks

	Nov. 1937	Oct. 1938	Oct. 1938	Nov. 1938
ASSETS				
Gold	1937	1938	1938	1938
Of which deposited abroad	70.0	70.8	70.8	70.8
Res. in foreign currencies	20.0	10.6	10.6	10.6
Bills of exchange and cheques	5.9	5.7	5.6	5.8
Silver and other coin	524.9	1733.7	4754.3	7020.2
Advances	137.3	92.0	105.6	121.0
Investments	40.0	19.6	32.1	32.9
Other assets	397.4	847.6	817.6	845.9
LIABILITIES				
Reserves	747.5	1090.7	1254.1	1307.4
Notes in circulation	493.0	514.4	514.4	514.4
Other daily maturing obligations	5025.0	7540.9	9775.3	9742.3
Deposits	671.7	887.0	1040.5	917.9
Deposits: Govt.	307.4	371.5	400.0	398.1
Deposits: Other	1.51	1.01	0.99	1.03

NATIONAL BANK OF BELGIUM
Million belgas

	Oct. 1937	Oct. 1938	Oct. 1938	Nov. 1938
ASSETS				
Gold	1937	1938	1938	1938
Silver and other coin	3,229	3,293	3,318	3,370
Foreign exchange, etc.	1,042	1,053	903	900
Bills and securities	928	807	800	750
Advances	65	58	48	58
LIABILITIES				
Notes in circulation	4,853	4,571	4,542	4,565
Deposits: Govt.	46	229	54	114
Deposits: Other	317	369	434	360

NATIONAL BANK OF CZECHOSLOVAKIA.—Million Cz. kr.

	Oct. 1937	Sept. 1938	Oct. 1938	Nov. 1938
ASSETS				
Gold	1937	1938	1938	1938
Balance abroad and foreign currencies	2,569	2,653	2,688	2,690
Discounts and advances	447	87	98	786
State notes debt	2,013	...	...	...
LIABILITIES				
Bank notes in circulation	6,516	8,115	7,148	7,130
Deposits	304	433	872	987

NATIONAL BANK OF DENMARK
Million kroner

	Oct. 1937	Aug. 1938	Sept. 1938	Oct. 1938
ASSETS				
Gold coin and bullion	1937	1938	1938	1938
Foreign bills & balances	117.9	117.7	117.7	117.6
Home bills, securities and loans	38.1	109.3	111.1	112.1
Emergency fund	249.0	290.9	293.6	322.8
Advances to Treasury	115.9	69.6	70.3	59.8
LIABILITIES				
Notes in circulation	411.3	396.6	428.8	434.9
Deposits	48.1	10.7	14.9	125.5
Foreign liabilities	20.9	1.9	4.1	16.3

BANK OF ESTONIA
Million Estonian kronas

	Oct. 1937	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS				
Gold coin & bullion	1937	1938	1938	1938
Net foreign exchange	34.21	34.26	34.29	34.29
Home bills discounted	12.87	16.88	15.48	15.16
Loans and advances	10.05	10.82	11.65	11.66
LIABILITIES				
Notes in circulation	46.90	47.78	51.20	51.62
Sight dep. and current accounts of which:				
(a) Government	34.53	32.35	29.69	30.07
(b) Bankers	25.15	17.08	16.95	17.89
Reserve to current liabilities	6.48	12.88	10.57	10.12

NATIONAL BANK OF HUNGARY
Million pengo

	Oct. 1937	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS				
Metal reserve:				
Gold coin and bullion	1937	1938	1938	1938
Foreign exchange	54.9	135.0	84.1	84.1
Res. of token money	4.2	2.0	1.3	1.2
Int. bills, wts., & sec.	425.2	567.3	452.8	479.2
Advances to Treasury	113.5	192.8	193.0	190.5
Notes in circulation	468.5	853.4	728.3	793.5
Current accounts, deposits, etc.	190.8	164.1	167.3	126.4
Cash certifs.	89.2	69.7	66.0	66.0

RESERVE BANK OF INDIA
Million rupees

	Oct. 1937	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS				
Gold coin and bullion	1937	1938	1938	1938
Rupee coin	444	444	444	444
Balances abroad	625	703	707	709
Sterling securities	96	46	28	29
Indian Govt. rupee securities	60	655	622	622
Investments	274	324	324	324
LIABILITIES				
Notes in circulation	64	64	56	56
Deposits: Govts.	1,777	1,690	1,719	1,707
Banks	124	178	118	65
Gold and sterling to liabilities	259	194	225	185

BANK OF JAPAN.—Million yen

	Oct. 1937	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS				
Coin and bullion:				
Gold	1937	1938	1938	1938
Other	801.0	501.3	501.3	501.3
Spec. fd. for excl.	55.6	49.2	44.4	45.6
Discounts and advances	666.2	510.8	530.4	525.3
Government bonds	691.3	1285.8	1441.5	1367.7
Agencies' accounts	88.9	130.0	128.5	130.2
LIABILITIES				
Notes issued	1559.5	1814.4	1940.0	1929.7
Deposits: Government	404.6	540.3	611.9	551.0
Other	66.9	160.5	143.2	149.4

BANK OF LATVIA
Million lats

	Oct. 1937	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS				
Gold coin and bullion	1937	1938	1938	1938
Silver coin	77.48	82.59	82.59	82.59
Foreign currency	13.94	13.23	12.50	12.35
Treas. notes and change	45.38	37.74	42.44	42.25
Short-term bills	7.68	47.16	8.12	8.51
Loans against securities	49.53	50.62	52.30	52.14
LIABILITIES				
Notes in circulation	81.84	84.73	93.10	94.50
Deposits & curr. accts.	57.28	73.99	82.03	82.47
Government accounts	146.60	140.45	144.62	144.94
Other	58.86	53.83	54.33	56.31

NETHERLANDS BANK
Million florins

	Nov. 1937	Oct. 1938	Oct. 1938	Nov. 1938
ASSETS				
Gold	1937	1938	1938	1938
Home bills, etc.	1394.6	1481.0	1481.0	1481.0
Foreign bills	17.2	13.9	20.3	21.3
Loans and advances	9.6	18.5	16.6	15.7
LIABILITIES				
Notes in circulation	5.1	4.0	4.0	4.0
Deposits: (a) Govt.	190.7	290.7	302.4	308.4
(b) Other	882.0	1069.5	1046.0	1015.8
Deposits: (c) Govt.	8.7	127.2	140.0	138.3
(d) Other	742.5	629.8	658.4	697.0

BANK OF PORTUGAL
Million escudos

Million escudos				
	Sept. 27, 1937	Aug. 31, 1938	Sept. 21, 1938	Sept. 28, 1938
ASSETS				
Gold	916.5	917.6	917.6	917.6
Balances abroad.....	648.4	597.8	589.1	588.6
Discounts	326.3	408.1	410.5	416.4
Securities	124.4	120.5	120.5	120.5
Government loans.....	1042.2	1039.6	1039.6	1039.6
LIABILITIES				
Notes in circulation	2122.6	2134.1	2120.3	2177.8
Deposits: Government	314.2	471.0	418.3	433.4
Bankers'	745.7	550.8	607.4	556.7
Other	93.7	77.5	80.3	79.5
Foreign commitments	56.7	120.0	112.8	107.4

EXCHANGE RATES—cont.

NEW YORK

New York on	Par of Exch. per cent.	Nov. 3, 1938	Nov. 4, 1938	Nov. 5, 1938	Nov. 7, 1938	Nov. 8, 1938	Nov. 9, 1938
London:—	Old Par	4-75	4-75½	4-75½	4-75½	4-75½	4-75½
60 days ...	4-8666	4-75	4-75½	4-75½	4-75½	4-75½	4-75½
Cables ...	New Par	4-75½	4-76½	4-76	4-76½	4-75½	4-75½
Demand ...	8-2397	4-75½	4-76	4-75½	4-76½	4-75½	4-75½
Paris, Fr. ...	6-63	2-66½	2-66½	2-66½	2-66½	2-65½	2-65½
Brussels, Bel. ...	23-53	16-91½	16-92	16-91½	16-91½	16-91	16-91
Switz'd. Fr. ...	32-67	22-69½	22-68½	22-68	22-68	22-68	22-68
Italy, Lira ...	8-91	5-26½	5-26½	5-26½	5-26½	5-26½	5-26½
Berlin, Mk. ...	40-33	40-07	40-07	40-06½	40-06	40-33	40-33
Vienna, Sch. ...	23-82	...	...	...	...	...	...
Madrid, Pt. ...	32-67	...	...	...	...	...	...
Amst'dm Gldr ...	68-06	54-42½	54-39½	54-39	54-38½	54-36	54-36
Cop'h'gn, Kr. ...	145-37½	21-25	21-25½	21-25	21-27	21-22	21-22
Oslo, Kr. ...	23-92	23-92½	23-92	23-92	23-93	23-88	23-88
St'h'm, Kr. ...	24-52	24-52½	24-52½	24-53	24-49	24-49	24-49
Athens, Dr. ...	1-29	0-87½	0-87½	0-87½	0-87½	0-87½	0-87½
M'treal, Can. \$	169-31	99-37½	99-37½	99-310	99-375	99-340	99-340
Y'o'hama, Yen	84-40	27-76	27-75	27-78	27-79	27-76	27-76
Shanghai, \$	...	16-00	16-05	16-05	16-15	16-15	16-15
B. Aires, Peso	...	29-52	29-54	29-53	29-56	29-48	29-48
Rio, Ms. \$	11-96	5-90	5-90	5-90	5-90	5-90	5-90

Usance: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended November 9, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British E. Africa	£ 28,684	£	Germany	£ 5,800	£ 88
British India	143,430	403,136	Netherlands	293,895	419,616
New Zealand	21,591	...	Belgium	...	26,950
Germany	841,425	...	France	74,001	7,948
France	...	18,844	Switzerland	3,137,659	...
Switzerland	82,424	8,944	United States	1,543	480
Uruguay	343,700	...	Other countries	...	...
Total*	1,141,007	774,624	Total	3,512,986	454,994
SILVER					
British W. Africa	...	3,340	Sweden	2,710	...
Australia	1,718	312	Germany	8,980	...
New Zealand	1,875	...	Netherlands	880	...
Germany	495	...	Hungary	39,337	6,068
Belgium	30,008	...	Arabia-Saudi	621,610	...
France	57,320	134	United States	2,307	592
Iraq	...	1,652	Other countries	...	...
Total*	92,066	6,799	Total	675,824	6,660

* Including other countries.

MONTHLY STATEMENT OF LONDON CLEARING BANKS

(000's omitted)

Average Weekly Balance October, 1938	Barclays Bank Limited	Coutts and Co.	District Bank Limited	Glyn, Mills and Co.	Lloyds Bank Limited	Martins Bank Limited	Midland Bank Limited	National Bank Limited	National Provincial Bank Limited	Westminster Bank Limited	Williams Deacon's Bank Limited	Aggregate
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	45,476	1,824	8,130	3,275	40,759	9,828	50,541	3,272	32,091	35,058	3,801	234,055
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	11,056	809	1,988	1,599	10,571	2,765	11,236	280	6,972	8,886	1,829	57,991
Items in transit	...	...	...	...	3,479	641	...	...	...	...	...	4,120
Money at call and short notice	23,237	2,196	8,226	6,746	26,287	6,264	20,956	3,178	20,360	24,571	6,497	148,518
Bills discounted	62,121	1,085	6,093	527	50,310	4,762	64,811	1,410	31,436	45,094	590	268,239
Investments	99,010	7,568	29,305	11,370	110,421	35,143	129,879	14,197	84,506	112,281	11,605	645,285
Advances to customers and other accounts	198,286	10,742	30,433	9,415	163,366	42,870	209,344	17,215	141,078	131,418	15,051	969,218
Liabilities of customers for acceptances, endorsements, etc.	14,805	834	8,968	2,850	41,285	8,651	17,326	226	7,792	25,344	1,409	129,490
Bank premises account	7,492	412	1,580	740	7,602	2,783	9,716	631	7,389	5,166	1,073	44,584
Investments in affiliated banks and subsidiary companies	6,991	...	...	...	3,525	...	7,874	...	2,514	2,993	...	23,897
	468,474	25,470	94,723	36,522	457,605	113,707	521,683	40,409	334,138	390,811	41,855	2,525,397
Ratio of cash to current, deposit and other accounts	10-65	8-06	10-19	10-30	10-42	10-09	10-60	9-05	10-41	10-11	10-06	10-38
LIABILITIES												
Capital paid up	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve fund	10,750	1,000	2,977	530	9,500	3,500	12,410	1,150	8,500	9,320	800	60,437
Current, deposit and other accounts	427,061	22,636	79,802	31,787	391,003	97,378	476,788	36,169	308,367	346,815	37,771	2,255,577
Acceptances, endorsements, etc.	14,805	834	8,968	2,850	41,285	8,651	17,326	226	7,792	25,344	1,409	129,490
Notes in circulation	...	...	...	...	7	18	...	...	...	12	...	1,401
Reduction of bank premises account	...	...	...	295	...	...	...	...	...	...	...	295
	468,474	25,470	94,723	36,522	457,605	113,707	521,683	40,409	334,138	390,811	41,855	2,525,397

SHORTER COMMENTS

(Continued from page 340)

Leeds Permanent Building Society.—Advances during year to September 30, 1938, were £8,054,123, compared with £8,046,192. Number of investors' and borrowers' accounts now 251,054, or 10,001 more. Over £245,000 provided for tax and N.D.C., and as interest due rose from £1,036,933 to £1,145,623, profit is down from £272,232 to £238,663. Reserve fund receives £200,000 (same), and contingencies £20,000 (£55,710). Reserves £2,158,269; total assets, £40,204,250.

Crabtree Electrical Industries, Ltd.—Total income year to October 31, 1938,

£92,624, against £105,857 for period November 21, 1936, to October 31, 1937. Ordinary dividend maintained at 17½ per cent. Carry forward raised from £17,397 to £18,819.

Ansell's Brewery Company.—Profit for year to September 30, 1938, before tax, £706,911, or after tax, £580,911. Apparent tax provision of £126,000 compares with £107,750 the year previously when profits before and after tax were £711,485 and £603,735 respectively. Year's distribution is unchanged at 17½ per cent.

Dalgaty and Company.—For year to June 30, 1938, net profits were £132,374 (against £173,043) after taxation, and exchange differences of £93,941, against

£112,469. Ordinary dividend reduced from 8 to 6 per cent. To staff fund, £25,000 (same). Forward, £117,537 (£125,162).

Joshua Hoyle and Sons.—Trading profits for year to September 30, 1938, are £138,884, against £164,542, and net profits (after £15,000 for tax and £25,000 depreciation) are £46,481, against £70,148. Ordinary dividend 5 per cent., against 2½ per cent. for previous half-year. Forward £76,751 (£56,553).

Boulton Paul Aircraft.—Earnings for nine months to July 31, 1938, £50,766, against £24,705 for previous twelve months. After depreciation, development, etc., £25,334 forward.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Nov. 6 (£'000)					Aggregate Gross Receipts 44 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts	Passenger	Merchandise	Coal & Coke	Total Goods	Total Receipts
L.M. & S.—										
1937	417	542	269	811	1,228	23,260	21,863	11,191	33,054	56,314
1938	420	464	271	735	1,155	23,272	19,801	10,959	30,760	54,032
L. & N.E. (a)—										
1937	288	362	252	614	902	15,142	15,020	10,893	25,913	41,055
1938	291	340	262	602	893	15,063	13,885	10,371	24,256	39,319
Great Western—										
1937	179	211	121	332	511	9,860	8,845	4,914	13,759	23,619
1938	183	199	114	313	496	9,789	8,186	4,722	12,908	22,697
Southern—										
1937	265	58	23	81	346	14,608	2,806	1,332	4,138	18,746
1938	274	58	29	87	361	14,569	2,682	1,332	4,014	18,583
Total—										
1937	1,149	1,173	665	1,838	2,987	62,870	48,534	28,330	76,864	139,734
1938	1,168	1,061	676	1,737	2,905	62,693	44,554	27,384	71,938	134,631

(a) Week ended Nov. 5.

CUMULATIVE AND WEEKLY COMPARISONS

(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,502	- 1,098	- 604	- 58
Weekly Figures				
Av. weekly decrease, 2nd half 1938 latest week compared with 1937	- 83-44	- 61-00	- 33-55	- 3-22
Latest week compared with average 1927-30	- 168	- 130	- 45	- 35

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Nov. 4 (£'000)			Aggregate Gross Receipts 44 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1-8	0-4	2-2	115-9	21-5	137-4
1938	1-7	0-5	2-2	112-1	19-2	131-3
Great Northern—						
1937	9-3	10-5	19-8	500-3	419-8	920-1
1938	9-8	10-7	20-5	496-3	402-0	898-3
Great Southern—						
1937	32-5	56-1	88-6	1,643-8	1,832-1	3,475-9
1938	32-2	52-3	84-5	1,646-4	1,780-9	3,427-3

SUEZ CANAL RECEIPTS

Transit Receipts	43	Oct. 31	268,600	-	£ 56,400	£ 8,084,400	-1,028,800
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† 10 days.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1938	+ or -	1938	+ or -
Bengal & N. Western	3	Oct. 20	Rs. 1,34,386	- 4,160	Rs. 18,50,447	+ 1,18,932
Bengal-Nagpur	29	Oct. 20	22,84,000	- 11,680	47,60,514	- 11,53,660
Bombay, Bar. & C.I.	30	Oct. 31	32,09,000	- 1,57,000	6,61,35,000	- 11,65,000
Madras & S. Mah.	29	Oct. 20	18,68,000	+ 1,26,473	4,02,31,244	+ 16,99,221
S. Indian	29	Oct. 20	15,59,447	- 71,856	3,10,87,380	- 1,98,008

† 10 days. † 11 days.

CANADIAN

	Weeks	Ending	1938	+ or -	1938	+ or -
Canadian National	43	Oct. 31	\$ 6,522,880	+ 38,692	\$ 150,272,587	- 151,310,699
Canadian Pacific	43	Oct. 31	\$ 5,591,000	+ 790,000	\$ 117,281,000	- 2,550,000

† 10 days.

SOUTH & CENTRAL AMERICAN

	Weeks	Ending	1938	+ or -	1938	+ or -
Antofagasta	44	Nov. 6	\$ 11,650	- 3,260	\$ 661,050	- 78,930
Argentine N.E.	18	Nov. 5	\$ 160,400	+ 50,400	\$ 3,269,100	+ 169,500
B.A. and Pacific	18	Nov. 5	\$ 29,950	+ 3,126	\$ 202,797	+ 10,512
B.A. Central	17	Oct. 22	\$ 1,135,000	- 17,000	\$ 21,296,000	- 2,705

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Banks		£	£	£	£	£	%	£	£	£	%
British & Continental Bnkg.	Sept. 30	3,768	15,633	19,401	...	5,075	7	10,000	4,326	16,126	5½
Breweries											
Bristol Brewery Georges ...	Sept. 30	157,854	253,982	411,836	21,958	163,056	18½	70,000	156,822	281,492	18½
Bristol United Breweries ...	Sept. 30	43,198	104,992	148,190	13,800	76,050	18½	15,000	43,340	97,855	18½
Higson's Brewery	Sept. 30	5,903	71,371	77,274	27,500	27,000	6	6,500	16,274	(a)	(a)
Financial Land, etc.											
Aust. Merc. Land, etc.	June 30	79,834	66,232	146,066	...	54,250	5	...	91,816	118,417	6
Daily Mail & Genl. Trust...	Sept. 30	120,934	268,969	389,903	60,000	218,230	8½	...	111,673	326,592	11½
Dalgety and Co.	June 30	125,162	132,375	257,537	25,000	90,000	6	25,000	117,537	173,044	8
Kassala Cotton Company ...	June 30	41,197	66,123	107,320	...	30,000	10	32,620	44,700	75,801	12½
Prices Trust	Sept. 30	5,765	199,782	205,547	20,281	181,250	50	...	4,016	192,119	45
Sudan Plantations Syndicate	June 30	445,570	379,501	825,071	...	247,500	10	113,747	463,824	467,742	12½
Iron, Coal and Steel											
Thornycroft (John I.)	July 31	44,200	160,006	204,206	30,750	24,000	8	104,000	45,456	109,422	Nil
Turton (G.) Platts and Co....	July 31	21,282	48,413	69,695	1,935	19,972	20	25,363	22,425	46,362	20
Motor Cycle and Aviation											
Armstrong Siddeley Devlpt.	July 31	34,646	592,611	627,257	47,397	543,750	25	...	36,110	532,929	150 (c)
Boulton Paul Aircraft	July 31	342	(e) 25,334	25,676	...	...	...	...	25,676	(a)	(a)
Enfield Cycle Company	Aug. 31	27,424	15,435	42,859	2,559	4,894	3	19,459	15,947	40,238	8½
Smith (S.) & Sons (Mtr. Acs.)	July 30	86,370	289,856	376,226	37,500	125,073	21 & 50	131,362	82,291	306,297	(d)
Rubber											
Anglo-Sumatra	May 31	7,806	4,635	12,441	...	6,000	7½	...	6,441	8,398	10
Beau Sejour.	June 30	5,104	4,771	9,875	483	4,151	4.16	...	5,241	14,914	7½
Beranang (Selangor)	June 30	2,656	323	2,979	...	...	...	1,000	1,979	5,382	4
Castlefield (Klang)	June 30	4,562	11,040	15,602	...	10,000	5	...	5,602	20,056	10
Glen Muar	July 31	2,694	7,509	10,203	...	3,744	3	3,500	2,959	15,972	10
Monerakelle	June 30	525	641	1,166	...	...	...	583	583	2,117	2½
Nilgiri	June 30	2,259	6,180	8,439	2,250	2,250	10	1,230	2,709	7,480	10
Rim (Malacca)	June 30	12,317	9,317	21,634	...	8,424	6	...	13,210	(a)	(a)
Sekong	July 31	345	694	1,039	...	...	...	1,000	39	612	Nil
Tenasserim	July 31	5,575	7,912	13,487	...	6,632	3	4,000	2,855	18,660	6
Shops and Stores											
Prices Tailors	June 30	226,415	501,076	727,491	40,563	200,000	114.28	229,097	257,831	480,288	109.14
Tea											
Carolina of Ceylon	June 30	7,879	11,280	19,159	3,456	3,420	4	4,500	7,783	9,999	7½
Textiles											
Hoyle (Joshua)	Sept. 30	56,553	86,481	143,034	...	26,282	5	40,000	76,752	95,147	2½
North British Rayon	June 30	5,612	Dr. 13,486	Dr. 7,874	1,688	...	...	Dr. 10,000	438	Dr. 10,124	Nil
Tramways											
Cape Electric Tramways ...	June 30	43,146	29,182	72,328	...	24,561	5	...	47,767	25,714	5
Trusts											
East of Scotland Trust	Sept. 30	20,463	29,802	50,265	12,833	12,510	5	1,457	23,465	28,493	6(g)
Rly. and Gen. Investment	Sept. 30	9,473	22,203	31,676	11,281	6,656	4½	...	13,739	23,458	4½
Second Industrial Trust.....	Sept. 30	18,079	39,493	57,572	13,312	16,263	5½	5,000	22,997	40,576	5
Scottish National	Sept. 30	29,847	47,493	77,340	22,000	14,666	5	10,000	30,674	51,030	5
Second Scottish National ...	Sept. 30	25,189	32,725	57,914	16,546	8,825	4	7,500	25,043	35,227	4
Other Companies											
Anti-Attrition Metal	July 31	3,951	23,312	27,263	...	18,750	15	750	7,763	(a)	(a)
Bartholomew (London).....	Sept. 30	6,453	2,160	8,613	...	...	...	...	8,613	1,685	Nil
Berisford (S. and W.)	Oct. 4	15,395	51,503	66,898	7,500	36,000	16	10,000	13,398	54,170	16
Birrell, Ltd.	July 16	13,990	8,723	22,713	18,069	...	...	...	4,644	14,913	Nil
Clarke (W. G.) and Sons ...	Aug. 31	16,643	18,849	35,492	18,750	...	...	...	16,742	30,018	1½
Coronet Brick	July 31	3,060	Dr. 2,548	412	...	...	...	Dr. 3,592	3,180	(a)	(a)
Crabtree Electrical	Oct. 31	17,397	91,203	108,600	12,906	76,875	17½	...	18,819	(a)	(a)
Electric & Musical Industries	Sept. 30	277,334	146,496	423,830	20,183	105,229	5	...	298,418	313,964	10
Foster Clark	Sept. 14	64,641	80,816	145,457	7,500	70,000	20	6,000	61,957	83,822	20
Goode Durrant and Murray	July 20	10,836	8,182	19,018	7,219	...	...	...	11,799	38,448	Nil
Imperial Airways	Mar. 31	4,713	300,827	305,540	...	82,738	7	217,355	5,447	396,205	9(b)
Industrial Newspapers	Sept. 30	2,546	18,632	21,178	10,062	6,797	16.171	2,000	2,319	19,464	16.171
Leeds Fireclay	June 30	23,431	58,794	82,225	35,000	5,000	5	10,000	32,225	46,786	4
Morland and Impey	July 31	3,422	42,372	45,794	12,823	3,559	20	26,131	3,281	44,784	15
Paterson, Laing and Bruce...	July 31	15,223	21,309	36,532	21,000	...	...	...	15,532	15,223	Nil
Scottish Greyhound Racing	June 30	2,754	7,139	9,893	3,599	600	10	2,436	3,258	7,595	Nil
Shaw (John) and Sons.	June 30	7,623	7,470	15,093	...	4,755	4	...	10,338	10,169	Nil
Ste Madeleine Sugar	June 30	57,331	9,378	66,709	...	17,490	2½	4,500	44,719	102,475	6
Walker (James) Goldsmith, etc	June 30	28,166	7,121	35,287	...	...	...	...	35,287	17,435	Nil
Total Profits, 1938, in £'000s:											
To November 5	No. of Cos.	2,037	75,459	261,150	336,609	42,780	135,912	...	75,459	82,458	...
To November 12	2,085	77,717	265,348	343,065	43,327	138,368	...	76,573	84,797	238,510	...

† Free of Income Tax.

(a) No comparable figure.

(b) Absorbed £42,126.

(c) Absorbed £472,744.

(d) 21 and 50.

(e) Nine months.

(g) Absorbed £10,430.

† Free of Income Tax.

(a) No comparable figure.

(b) Absorbed £42,126.

(c) Absorbed £472,744.

(d) 21 and 50.

(e) Nine months.

(g) Absorbed £10,430.

OIL OUTPUTS

Lobitos Oilfields, Ltd.—Output of Peruvian Company for October, 1938, is 28,981 tons.

Trinidad Petroleum Development Company, Ltd.—Output for week ended October 22, 1938: 56,560 barrels. Total output, week ended October 29, 1938: 55,495 barrels.

Venezuelan Oil Concessions.—Total output week ended November 5, 1938, 1,356,685 barrels.

Tampico Oil, Ltd.—The total production from the company's properties in Mexico in October, 1938, was 3,853 barrels, in respect of which the royalty due to Tampico Oil, Ltd., was 289 barrels.

British Controlled Oilfields, Ltd.—Total output, week to November 5th, 1938, 11,884 barrels.

Trinidad Leaseholds, Ltd.—Oil produced during October, 54,528 tons; oil purchased during October from other companies, 65,241 tons.

Trinidad Petroleum Development Company, Ltd.—Output, week to November 5, 1938: 56,352 barrels; output, October, 1938: 246,503 barrels; deliveries, October, 1938, including purchased oil: 288,143 barrels.

The Attock Oil Company, Ltd.—Output October, 1938, 44,045 barrels.

Trinidad Consolidated Oilfields, Ltd.—Output for October, 66,902 barrels. Well No. 169 came into production on October 24th at the rate of 150 barrels per day.

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The Trade Agreement

AT long last, the negotiations for a Trade Agreement between the United Kingdom and the United States have been brought to a successful conclusion and the Agreement, together with a Supplementary Agreement between the United States and Canada, has been signed in Washington. Unfortunately, the Agreement was not signed until nine o'clock, by British time, on Thursday evening, within an hour or two of the time when *The Economist* is compelled to go to press. All that is possible for this week is to record the most preliminary impressions and to postpone until next week that detailed and exhaustive summary and analysis to which the achievement of the two Governments is entitled.

The length of time that has been necessary to bring the negotiations to success is itself a guarantee of the real importance of the final Agreement. It would have been comparatively easy to put together a list of unimportant mutual concessions which would have enabled the two Governments to claim that they had succeeded in agreeing and to draw what political benefits might arise from that fact. That easy course was not taken; the major share of the credit for refusing to take it belongs, if report is to be believed, to Mr Cordell Hull himself, who repeatedly insisted that he would accept only

of all kinds, timber and the many varieties of machinery are the chief. It follows from the nature of an exchange such as this that the British contribution to an Agreement should consist of comparatively few large concessions, while the American contribution should be a large number of individually unimportant reductions. So it has turned out. The schedule of United Kingdom concessions covers only thirteen pages of the White Paper, while the American concessions require forty-one pages. The total value of the trade affected, however, is about the same on each side. Thus, the American imports of those British goods on which lower duties are now conceded were valued in 1936 at about £11 millions, while the American goods on which Great Britain is now to charge lower duty were valued at about £10,200,000. Thus the formula of reciprocity is punctiliously observed. Since the imports of the United Kingdom from the United States are far larger than the volume of trade going in the reverse direction, it follows that the concessions affect a larger proportion of our exports than of our imports. In fact, out of total United Kingdom exports to the United States in 1936 of £40 millions, about £17 millions' worth is and remains on the free list. Of the remaining £23 millions, £11 millions is given reduced duties, and the existing duty is stabilised on a further £6,000,000. This latter category must not be ignored, for it includes the stabilisation of the American duty on whisky at the low level to which it was reduced by the Canadian-American Agreement of 1935.

The equality of incidence of the concessions granted to direct trade between the United Kingdom and the United States is, however, of more formal and legal than real importance. The chief characteristic of British-American trade is that it is triangular. Indeed, two separate triangles are involved. In the first place, there is a physical triangularity of trade between Great Britain, the United States and the Colonial Empire. America sells much more to Great Britain than she buys, but she buys more than three times as much from the Colonies as she sells. Consequently, the Agreement has included provisions about this latter trade, mainly in the form of the stabilisation of the existing position. Since much the greater part of the Empire's exports to the United States enter duty-free, this stabilisation is again a real advantage.

The second triangle concerns the Dominions, especially Canada. In this case, there is not such a clearly-marked triangularity of actual movement. But in the great majority of commodities in which the United States is interested, she competes directly in the British market with the Dominions, and concessions accordingly cannot be granted to her without the consent of the Dominions, for which

they have to be compensated. This process has been carried further than might at one time have been thought possible. The British import duty of 2s. a quarter on wheat is to be abolished; the existing Imperial preference on tobacco is not to be increased until 1942, when a reduction will be considered; the duty on lard is abolished and the import quota for American hams is enlarged; there are important reductions in the preference enjoyed by the Dominions (i.e. largely Canada) on soft timber and apples. These concessions, it should be noted, are in addition to the stabilisation of duties on a number of American products (including motor-cars) and reductions on a variety of manufactured goods which do not meet with Dominion competition. For her agreement to these concessions, Canada is rewarded by the British Government's consent to the reduction of some of the preferences enjoyed in the Canadian market. This will enable Canada, at little cost to herself, to offer concessions to the United States and thereby obtain markets for her goods to replace those she will lose by increased American competition here.

This is the broad outline of a complicated and detailed measure. That it is a very substantial achievement admits of no doubt at all. That it goes quite as far as it might have gone is possibly open to rather more question. It is notable that the "concessions" made by the United Kingdom in hardly any case affect the direct interest of British producers; in most instances the "concession" is merely an undertaking to take more of the commodity in question from the United States and less from the Dominions. In so far as this is a voluntary breach in the unduly restrictive system constructed at Ottawa, it is all to the good. But if the British Government had dared to permit freer competition between American and British manufactures, say in motor-cars, an even more comprehensive agreement might have been possible.

Reflections such as these, however, must not be allowed to modify the full and sincere welcome that is extended to the Agreement. Its political significance can perhaps be exaggerated, and nobody in England will expect any sudden change in American foreign policy. But, clearly, this large step forward along the path which Mr Roosevelt and Mr Hull have deliberately chosen as a road leading to world pacification cannot fail to increase the closeness and the cordiality of the relations between the British and American peoples. And on the purely economic side, it is a very rare and infinitely refreshing sight to see an Agreement covering such a very considerable volume of trade and embodying hundreds of reductions of duties with not a single increase. It is a victory for sanity, for friendship and for common sense.

The Reynaud Plan

FRANCE has grown accustomed in recent years to being governed by periodic batches of decree-laws, issued by Governments acting under plenary powers granted to them by the legislature. Familiarity might have been expected to breed at least indifference; but there is little doubt that a very genuine and widespread interest was aroused throughout France by the publication of M. Paul Reynaud's plan of financial reform over last weekend. For a month after M. Daladier was granted plenary powers no decrees were forthcoming. The revelation, two weeks ago, either that there was no plan or that, if there was, the Cabinet itself could not agree upon it, would have led almost to despair, had it not been for the simultaneous appointment to the crucial Ministry of Finance of M. Paul Reynaud, the one financial expert in active politics who has established a reputation not only for knowing what he wants but also for being always right. M. Reynaud retired for five days into a silence whose

impenetrability was almost unprecedented in French politics, and when his decrees were published on Saturday their nature and contents were almost completely unknown to the French public, impatiently waiting to know its fate.

It is thus easy to understand the fact that the severe pages of the *Journal Officiel* were, on Monday, being snatched in the streets from the hands of the newspaper sellers. Indeed, the *Journal* deserves to be a best-seller, for the text of the decrees is prefaced by a General Report, signed by the President of the Council and the Minister of Finance, which is one of the most forceful and brilliant State papers that can ever have appeared in any land or tongue. This document is printed in full translation on later pages of this issue of *The Economist*, and the reader can be recommended, without reserve, to turn to it if he wishes to have a lucid and pitiless analysis of the plight in which the French national economy finds itself, an eloquent outline of what needs to be done if full economic health

is to be restored, and a logical defence of the measures now proposed to this end.

It is not very difficult to state what is wrong with the French economy. France, unlike other countries, has never recovered from the world depression. But, again unlike other countries, she is not faced primarily with a problem of unemployment. Indeed, the Report estimates the total of unemployment, including even partial unemployment, at no more than 8 per cent. of the working population, a lower figure than was attained in this country even in last year's full prosperity. The French problem arises from the very low level at which the volume of industrial production obstinately lingers. This low level of production is due to a great variety of causes. But there is no longer any doubt in competent quarters in France or elsewhere that the labour legislation of 1936 is very largely responsible. Production has been hampered both by the rigid application of the forty-hour week and also by the almost perpendicular increases in labour costs resulting from shorter hours, paid holidays, higher wages and the other excellently intended reforms of *l'expérience Blum*.

Coupled with the problem of production is the perennial disarray of the public finances. A state of deficit is normal in France. But the figures in the Report show that, out of a national income of Frs. 250 milliards, the State and other public bodies are spending Frs. 137 milliards and borrowing Frs. 55 milliards. These proportions are almost incredible—indeed, they are entirely incredible, for it is impossible to accept the assumption that the French national income is only about a quarter of the British. But whatever may be the exact proportion of the national income represented by public expenditure, there will be no dispute that it is far too large. And as a result partly of the paralysis of production, partly of the budgetary chaos, France has been suffering from an almost total stoppage of that flow of capital into productive enterprise which serves the body economic as the circulation of its life-blood.

If the analysis of France's troubles is easy, the prescription of a cure is far less so. Some things, it is true, clearly need doing. The rigidities of the forty-hour week must be removed, and it must be made possible once again for every French industry to produce as much as it can sell. The sound substance of the social reforms of 1936 must remain: the worker must be treated as an equal and his remuneration must be the first charge upon industry. But if social reforms are driven—as they have been in France—so far as to paralyse all industry, the worker is the first to suffer. Serious attempts must be made to reduce the borrowings of the State to an amount that can be handled without entirely draining the national savings or entirely disorganising the capital market. In these two directions, M. Reynaud has proceeded with vigour. The labour decrees, in effect, remove all restrictions on the hours of labour. Forty hours remains merely as the point at which overtime rates of pay become payable. On the budgetary side, he has imposed new taxation which is estimated to produce 8½ milliards and arranged for economies (mainly in public works) which will reduce expenditure by about 5 milliards. With a small allowance for increased receipts from existing taxes, the prospective total to be found in 1939 from sources other than taxation is reduced from 55 milliards to about 35 milliards, against which the Treasury, as a result of the changes made in the Bank of France's balance sheet, has a balance of 10½ milliards. It would appear that something of the order of 25 milliards will have to be borrowed. This is, on the Government's figures, a tenth of the national income; on this basis a corresponding figure in Great Britain would be about £500 millions. The budgetary problem is thus very far indeed from being solved; but it has been reduced to proportions that admit of some hope of successful handling.

Labour policy and budgetary reform, however, are only

two members of the necessary trinity. Without a renewed and increasing flow of capital into French industry and commerce they will serve no useful purpose. There are two main and conflicting methods of getting French capital—especially that part of it which has fled abroad—back into French industry. The first method is to try to persuade it to move of its own free and unhampered will; the second is to try to compel it. M. Reynaud has unequivocally and unapologetically chosen the former course. His whole plan is a logical attempt to persuade the French capitalist that France is a safe and profitable place for his money. He is promised, by implication, no further depreciation of the currency. The whole tenor of the General Report goes to show that the Government's wish is to increase profits and reduce State intervention in industry. The budgetary changes are arranged in such a way as not to penalise the rich. Half of the tax increases come from indirect duties, and of the half to be raised by direct taxes much the largest part is to come from a new flat-rate tax on wages and salaries. There is, it is true, an increase of the general income tax, but its importance may be judged from the fact that it is expected to produce only Frs. 750 millions, or about £4 millions.

This is a powerful and courageous list of inducements to the capitalist. Will he respond? A substantial response is absolutely essential to the success of the plan. For the actions to be taken by the Government itself are deflationary: approximately 15 milliards of budgetary deflation are offset by less than 7 milliards of credit creation by the Bank of France. The success or failure of the plan depends entirely upon whether it secures a flow of private investment larger by more than 8 milliards than was moving before M. Reynaud's advent. The immediate response has been favourable, but not overwhelmingly so. The French capitalist may point out that he has to take account of two factors which are not in M. Reynaud's control: the fear of war and the fear of political instability. On this latter point, the omens are not altogether encouraging. M. Reynaud has hitherto been regarded as, in his own person, a bridge between the moderate Right and the Left. But by his decrees he has broken down the bridge; they complete that fissure in the Popular Front that was opened by M. Daladier's speech at Marseilles. The alliance with the Socialists can hardly be expected to survive decrees which reverse *l'expérience Blum*, which tax the rich less heavily than the poor, and which can only be confirmed if the whole of the Right unites its votes with those of the Radicals—a combination which has in it none of the possibilities of permanence. France's heart, it has been said, is always on the Left; her pocket always on the Right. M. Reynaud has set the pocket against the heart; he may be right, but the struggle is too equal for there to be over-much confidence in its outcome.

There will be an almost universal desire—certainly in England—that M. Reynaud's plan will succeed, and there are strong grounds for hoping that it will do so. It deserves success not only because it is, at an urgent moment, the only plan that is in the field, but also because it is an honest and courageous attempt to reinvigorate the liberal system of free economy on which the democratic world has prospered. The alternative of a closed economy, with some form of exchange control as a symbol of compulsion, is not attractive—though it might very well be far less drastic, less difficult and less disastrous than is assumed in the somewhat denunciatory passage devoted to it in the Government's report. Indeed, the objections to exchange control are as much political as economic, since it is advocated only by the Socialists, who do not offer an alternative Government; and if M. Reynaud's plan of liberal economy fails, the alternative could be applied only after a serious modification of the French democratic process. These are the high stakes for which M. Reynaud is playing. We shall all be the gainers if he succeeds.

Science and the Nation

THE crimes committed in Germany in the cause of race during recent years have seriously impaired one important national asset at least. Scientists, doctors, economists and technicians have been dismissed and expelled. Famous institutions of research and learning have been crippled. The progress of the German nation, in industry, agriculture, medicine, education and administration, has suffered; and the loss to Germany occasioned by National Socialist campaigns against Jews and political enemies can be measured in marks off the national income, as well as in diminished culture, justice and humanity.

We in England are fully tolerant of our scientists and experts. Whether we make the best use of their skill and work is less sure. The question is urgent to-day because a widespread stocktaking of our economy is going on. It is true that this stocktaking is proceeding under the pressure of defence needs, but the state of industry and trade and the condition of the people are essential elements. And national wealth and welfare, like national defence, largely depend upon the application of researchers' findings to practice and policy.

The State's direct responsibility for harnessing expert knowledge to government is performed in two ways. *Ad hoc* committees and commissions are set up to elicit facts and make recommendations; and government departments have specialist officers and technical sections as part of their executive equipment. The definite and concrete problems of defence policy are passed in review by experts through the machinery of the Committee for Imperial Defence, but civil and economic policy is less well served. Neither the Committee for Civil Research, set up in 1925, nor the Economic Advisory Council which replaced it in 1929, proved very successful, and the problem of putting Cabinets in touch with the trend of specialist research and opinion upon large questions like, say, population and the trade cycle, has still to be solved. The need to create some body to co-ordinate (rather than conduct) all social and economic researches with obvious governmental implications, already proceeding in universities and institutions or specially planned, is clearly urgent.

The State's indirect responsibility for research, outside the field of immediate social or economic policy, is twofold: on the one hand, it stands nowadays *in loco parentis* to industry and agriculture, upon whose productive efficiency the nation's wealth depends; on the other hand, it represents the consumers of industrial and farm products who stand to gain, in cheapness or better quality, from improvements in productive technique. The machinery already exists. The Department of Scientific and Industrial Research was set up in 1917, and is managed by an Advisory Council of the Privy Council. The Agricultural Research Council, set up in 1931, is (like the Medical Research Council, established in 1930) supervised by the Privy Council and financed in part by grants through the Development Commission; its job is to co-ordinate researches actually administered under the Ministry of Agriculture through a variety of State research institutes founded during the last thirty years. State contributions in both cases are limited according to producers' contributions, the official view being that "the expenditure which is defensible in the national interest depends upon the degree to which industry generally is prepared to apply scientific method and advances in scientific knowledge."

The value of these organisations has been considerable, though Treasury caution and the apathy and suspicion of many firms and farms have drastically limited their scope. The D.S.I.R. has effected aggregate savings to industry amounting to very many times the money spent by the

State and private firms upon its work. "From six research councils alone, at the expense of less than £400,000 in all, have come researches which have made possible in practice a saving of £3,200,000 per annum." And the more general researches of the National Physical Laboratory and the Fuel Research Board have fathered a large part of the recent increase evident in industrial productivity. In the sphere of agriculture, again, inquiries sponsored in part by the State have enabled progress to be made in crop breeding, animal husbandry, the preservation of fruit, the control of disease, the testing of seeds and the drying of grass.

It is precisely because research activity is a method of expanding national wealth and taxable capacity that the State's rôle should be paramount. The principle of subsidising important industries, in addition to granting them something like a monopoly of the home market, has been recognised—in practice if not yet in doctrine. The onus upon the State and the protected industries alike to strain every nerve to improve their efficiency in the interests of the consumer, who may stand to lose appreciably by the abatement of competition, has enormously increased.

Actually, the research efforts made, measured in terms of pounds, shillings and pence, scarcely suggest that the State, industry and agriculture are doing their entire duty. Total expenditure on all kinds of scientific research in this country, private as well as public and industrial work, amounts to about £4,000,000 a year (according to a report by the Scientific Workers' Union), or much less than one-tenth per cent. of the national income, against one-half per cent. in the United States and a very rough estimate of one per cent. in Soviet Russia. Annual expenditure on agricultural research in Britain has been estimated at much less than one per cent. of the value of the output of the land, and expenditure on industrial research at much less than one-twentieth per cent. of net output. The estimated expenditure of the D.S.I.R. in 1936-37 was £657,850; of the Agricultural Research Council (which includes some other official researches) £79,510; of the Medical Research Council £195,000.

This is clearly not enough. The governmental contention that industry and agriculture, whose prosperity depends upon the results of research, must contribute very much more generously to officially sponsored researches, is unassailable; as it is, individual firms are afraid of giving secrets away and doubtful whether the immediate benefits of specific processes or improvements discovered will redound to them or to other firms. Among Englishmen rule-of-thumb is almost a law of nature; and the scientist, like the doctor, is commonly called in only when the disease is desperate. Highly organised industries, like the iron and steel trades, industries in the van of technical change, like the electrical trades, and bodies representative of sectional interests, like the National Farmers' Union, hold key positions in a process of education which may be crucial for England's economic future; and, to date, their duty has not been fully performed.

Nevertheless, the State's own primary responsibility is inescapable. There are three fields of research in this context: industrial, agricultural and socio-economic. Each should be furnished with a central council or committee to survey and collate work in progress and to map out desirable future researches. This body should not only be singly responsible for pooling ideas and information from all sources, but should also have the power to work out a programme of priorities according to which it would, as far as possible, allocate all the financial resources at its disposal between different research topics. It should not be merely consultative, but should have more administra-

tive status and authority in its own field than, say, the present D.S.I.R. or A.R.C. These bodies, which have done admirable work under difficulties, are clearly there to be adapted; to be given more power, on the one hand, to centralise the supervision and planning of research and the centralisation of results and, on the other, to furnish the Government with the material for fully articulated policy. Beneath them there should be practical research institutions to cover all obviously distinct and self-contained branches of research. This would involve an increase in the D.S.I.R.'s research institutes, boards and councils, as well as an extension and reorganisation of the present agricultural institutes. Apparatus for social and economic research might be similarly devised.

The whole field of research must be surveyed, somewhat on the lines forecast in their Bulletin for Political and Economic Planning's review of agricultural research, to be published next week. There must be contact and encouragement at every stage of scientific and social research; at the university stage where broad principles are investigated, often under a crushing burden of poverty; at the specialised institutions where practical problems are treated in their wider aspects; and, above all, perhaps—because the immediate usefulness of research work is here decided—at the contact stage where fresh discoveries and new techniques are applied to practical problems *in situ*.

Turkey and Her Suitors

"PULSE, 116; respiration, 20; temperature, 98.6." "Pulse, 88; respiration, 18; temperature, 97.2." As soon as fluctuating bulletins from Istanbul began to reflect the precarious state of the Ghazi's health, the same question rose to every mind: What happens when a dictator dies? Does his country go to pieces? Would the new Turkey return to the limbo whence the Ghazi rescued her? Would she degenerate into the prey for Great Powers which she used to be before the war?

In some ways the omens looked propitious for such a collapse. Not since the days when Abdul Hamid used to play off one Ambassador against the other had Turkey enjoyed so many attentions. Her years of post-war obscurity were over. No longer was the U.S.S.R. her only friend. Numbers amounting to a queue were on her doorstep—Englishmen, Frenchmen, Germans, and even Italians, each with cheque book in hand. If Atatürk's death caused her internal stability to waver, could she prevent them from pushing in and making themselves at home?

The reasons for their awakened interest are fairly obvious. Turkey has ceased to be a nobody since she became, first, the most prominent State in the Balkan Pact, then the acknowledged leader of the Middle Eastern quartet, and, last but not least, the re-arming Power who controls the passage of all warships, as well as of the bulk of Europe's oil exports, through the Black Sea Straits. Great Britain and France, moreover, have an added motive for cultivating her friendship, and that is, that she is, or ought to be, a *status quo* Power. For her declared aim is to transform herself from a backward agricultural country into a modern industrial State, and, if she is to perform this Herculean task, her chief requirement is a long term of European peace.

In the last few years Mustapha Kemal Atatürk has steered his State on a competent middle course between her suitors. Apart from Russia, who has been her friend ever since the two Governments, ostracised by the Allies, drew together in 1921, the first to woo her was Germany. Dr Schacht, profiting by the clearing system which the Turks had adopted to circumvent their lack of foreign exchange, began to offer for their produce prices far

So much for administration. Financially, the State should be responsible for the institution and bare maintenance of all this machinery, adequately staffed, with properly paid people. Most research work, apart from mainly theoretical or nationally important work, should be financed by industry as well as the State. Representative industrial and agricultural organisations might make compulsory payments; firms and farms might pay fees for services rendered; and research bodies could exact full payment for results on the introduction of new processes and improvements. Some indication of the feasibility of adequate financing is given by the estimate that a levy of one-tenth per cent. on the net product of industry and about a shilling per acre of productive land would meet all obvious research needs. Research, as the Scientific Workers' Union have urged, requires security for work in progress and funds for steady expansion year by year; together, the State and industry, by a bolder policy than in the past, can meet all its needs.

Cabinet Ministers and civil servants, like business managers, company directors and farmers, cannot, in the nature of their work, stand in the main stream of specialist research. They can, nevertheless, take steps to ensure, on the one hand, that research and technology march together and, on the other, that the findings of researches relevant to the pressing problems before them are readily available.

exceeding the world price level, only revealing at a later date that he intended to pay his debts in expensive German goods. Thus, by the time he crowned his exploit with a visit to Ankara in November, 1936, he had secured for the Reich 45 per cent. of Turkey's import and 51 per cent. of her export trade, as against only 25 per cent. and 18 per cent. in 1933.

The Turks, alarmed at a progression which threatened to produce a German stranglehold, reacted against their so-called benefactor. Turkish economists sometimes express gratitude to Germany for a process which enabled them to offer high prices to the indigent Anatolian farmer, and at the same time unobtrusively to foist the burden of payment on to the Istanbul consumer, who was obliged to give a fancy price for his German scissors or wireless set. But Turkish politicians began to shake their heads over the likelihood of German ascendancy. A domineering note which crept into the voices of certain German advisers in Ankara confirmed their fears. Hence Atatürk's move towards intimacy with Great Britain.

In 1936, the year of his advances, the British Government were delighted to respond. They had never before been on good terms with the new Turkey, at first owing to their sponsorship of the Greek landing at Smyrna, and later owing to the Mosul boundary dispute. But, once the Abyssinian war had revealed Italy as a rival on the Suez route, Britain was ready to cultivate friends in the Eastern Mediterranean. When, therefore, Turkey asked permission to re-fortify the Straits, the British Government sensibly turned the inevitable to good account and supported her request. There followed an Anglo-Turkish *rapprochement* which has prospered ever since, thanks partly to these outside influences, but largely to the Ghazi's liking for a well-chosen British Ambassador, Sir Percy Loraine. Almost every month brought a new manifestation of mutual goodwill. In the autumn of 1936 Turkish public enthusiasm ran high over a visit paid by King Edward VIII's yacht to Anatolian ports; next, Ankara refused a low tender from Messrs Krupp for re-fortifying the Straits and opened negotiations for the necessary armaments in Great Britain; next, a

British firm of engineers (Sir Alexander Gibb and Partners) were appointed consultants to the Turkish Government for all public works; next, Messrs Brassert secured the largest contract yet awarded under the Turkish five-year plan—that for constructing, at a cost of £3 millions, the new national iron and steel industry at Karabük. The crowning mercy—at least, in Turkish eyes—was the £16 millions loan agreement signed in May, 1938, of which £6 millions was to be devoted to Turkish armament purchases from British firms, the balance to commercial purchases sponsored by the Export Credits Guarantee Department. The Turks professed deep appreciation of a Government which, in making a loan intended largely for armaments, exacted no written promise in exchange; such trust, they averred, presented a sharp contrast to German tactics. "No matter what happens," their Ambassador told a Washington audience, "never will we be found in a camp opposing Britain." Relations could hardly have been more rosy.

Where the British were growing so popular, their allies the French could scarcely be left behind. So France, too, began to dance attendance. She was handicapped in that her Syrian mandate shared a frontier with Turkey, and in that she ruled a population of irredentist Turks in the Sanjak of Alexandretta. But it was decided in Paris that even the Syrian frontier must be jettisoned in order to secure the necessary harmony. With the acquiescence of her British partner, she threw over a League of Nations' settlement of the Sanjak question, and, early in July, 1938, signed the Franco-Turkish treaty whereby Turkish troops assumed virtual control of the area. To complete the manoeuvre, the French Government removed an unpopular Ambassador from Ankara, and, taking a leaf out of the Foreign Office book, appointed M. René Massigli, one of the ablest servants of the Quai d'Orsay, in his stead. Two months ago most observers would have said that Atatürk was firmly ensconced in the bosom of the *status quo* States.

But this estimate began to look too complacent when there followed, early last month, the news of a fresh loan agreement, this time with Germany, for a further £12½ millions to be expended on "industrial and military development." The deal was the first-fruit of a profitable round of visits paid by Dr Funk, Reich Minister for Economics, to Dr Schacht's former hunting-grounds, the difference between the two visitors being that the latter travelled equipped with all the prestige arising out of the Austrian and Sudeten acquisitions. Success is an attribute greatly admired in the Levant, and, though Germany may be the more feared, she is certainly also the more respected by most Turks on account of her recent bold behaviour.

Theories abound as to the motive which underlay this apparent *volte-face* in Turkish foreign policy. To some it appears as an inevitable capitulation to the pressure which Germany is able to exercise through her trade supremacy. To critics of the British loan it represents a first-class "I told you so"—a fresh instance of the uselessness of putting one's trust in dictators, or, alternatively, of the unchanging duplicity of the Turks. But the most probable explanation is, as almost always in international relations, the most material: the German loan represents no change in Turkey's affections; it simply denotes a sensible readiness to seize the day. Already, Atatürk had turned European rivalries sufficiently to account to secure, at a minimum cost to himself, £16 British millions and the Sanjak of Alexandretta. The acceptance of an additional £12 millions proffered by the other side in no way

thwarted him politically. The rival indebtednesses cancel though *Türk* heavily in pocket, he was no more beholden to many firms than if he had accepted nothing from anyone. The D.S.I.R. arrangement with Germany was, economically, more advantageous than that with Great Britain, for whereas Turkey needs none of Turkey's principal wares,

and the Anglo-Turkish clearing account is therefore often pitifully clogged, Germany claims that she is able to absorb any amount of Turkish chrome and currants and tobacco.

Thanks to several years of practice, Atatürk was a skilled side-stepper; he could be relied upon to ward off undue pressure by any one Great Power. But his death roused a fear, not only in Europe but in Turkey, that his successor—less revered, and therefore less firmly entrenched, at home—would not be able to reproduce his skill. The large supernumerary police force which patrolled Istanbul during his illness revealed his colleagues' nervousness lest disturbance at home should weaken their position abroad. But no such disturbances occurred. Less than twenty-four hours after his death, General Ismet İnönü, his former prime minister and intimate friend, had stepped into his shoes, and Turkey was forging ahead, serene as before.

The smoothness of this change did not surprise anyone who knows modern Turkey, but it cannot be taken as a guide to the future of all dictatorial regimes, for the Turkish system is a dictatorship with a difference—the difference being that the nation is fully informed as to the ultimate goal towards which its ruler is working. The Ghazi was sure of his aims; he had defined them; and his people shared them, without a trace of that fear (so discernible in the majority of dictatorships) lest he should gamble too high while pursuing some foreign adventure or personal whim. This element of certainty is bound to strike every visitor to Ankara. No one can fail to be impressed by the quiet confidence with which an official or business man refers to a new development which cannot mature for ten or even twenty years. The Turk of to-day looks further ahead than most people dare to do in Western Europe.

Here is convincing evidence of stability, and other signs point to the same conclusion. In the first place, the Ghazi listened to the advice of his lieutenants, and men like Ismet İnönü, Celal Bayar or Fethi Okyar, having helped to formulate his plans, have reason for taking personal pride in seeing them through. Secondly, only fifteen years have elapsed since the death of the old regime, and fifteen years is a small slice of a lifetime. Every Turk in a responsible position can remember what things were like before the republic; he knows that he is better off as he is, and is unlikely to jettison his new-won freedom from foreign interference by quarrelling over the succession to his leader. Thus, there is no reason why the new President should not be able to maintain his predecessor's balanced foreign policy. Upon the announcement of his election, prophets foretold closer relations with Germany, basing their judgment on the fact that Atatürk had dropped İnönü for the more Anglophile Celal Bayar just at the moment when the threat of German ascendancy made him turn towards London. But even if İnönü's affections lie in Central Europe, he is, after all, a man of common sense and, as such, is bound to realise that Turkish independence has more to fear from a strong Germany than from a strong Britain.

Turkish independence is İnönü's, as well as Atatürk's, darling child, for Ismet Pasha (as he then was) served as Chief of Staff to Kemal Pasha (as he then was) during the life-and-death struggle of the Græco-Turkish War of 1919-22, and after that he led the Turkish delegation at the Peace Conference of Lausanne in 1923. In these two ordeals he showed himself to be a first-rate statesman, as well as a first-rate soldier. Outwardly the new captain of the Turkish ship of state presents an almost piquant contrast to his old friend and predecessor. His manner is quiet instead of being domineering; his temper is ironic, not demonic. But anyone who has to do business with the new President of the Turkish Republic will soon strike, below the surface, on a character which is not less strong than Atatürk's for being less erratic. And so to-day, as yesterday, Turkey's fortunes are in capable hands.

FRANCE'S ECONOMIC CRISIS

The following is a translation of the General Report by MM. Daladier and Reynaud published in the "Journal Officiel" by way of introduction to the text of the Decree-Laws. The translation is by THE ECONOMIST and must not, therefore, be regarded as official.

GENERAL REPORT

TO THE PRESIDENT OF THE FRENCH REPUBLIC ON THE DECREES
ISSUED IN EXECUTION OF THE LAW OF THE 5TH OCTOBER, 1938.

Paris, November 12, 1938.

M. LE PRESIDENT,

The difficulties which we have to solve cannot be distinguished from each other; they cannot be given separate solutions. Undoubtedly there is a problem of production and prices, a credit problem, a labour problem. But these are only different aspects of one and the same problem—the French crisis. It is thus impossible, in the very interests of the task we are undertaking, to attack the evil which is oppressing our country without outlining a broad picture of the situation as it appears to an unbiased mind. To have a clear vision of the difficulties which we have to face is the preliminary, and necessary, condition of drawing up a complete, coherent and effective plan. We consider, therefore, that a detailed balance-sheet of our economy and our finances must precede the exposition of the measures which we are asking you to approve.

I. INVENTORY OF THE FINANCIAL SITUATION

The Financial Problem

The financial problem has been in existence for years; it is present in every mind. Budget deficits, Treasury difficulties, debasement of the national credit, these are evils deeply rooted amongst us, and their gravity increases in proportion to their continuance. The Governments which have followed one another in the last six or seven years have found themselves at grips with financial difficulties. Parliament, conscious of the need for a solution, has rarely refused them the means of finding one. They have all looked for the road to salvation with courage and sincerity. France has tried in turn budgetary deflation, fiscal severity, credit expansion. The remedies have varied; the disease, aggravated, remains. The reason is that the methods were incomplete or wrong. The financial problem is a whole which it is useless to try to split up in the hope of an easier solution. The facts of the problem are simple, but they must be considered in their entirety. The same national income bears the levies of all public bodies; one Treasury must defray all public expenses; one money market is called upon to supply the needs of the State and of the other public bodies. We must then bring face to face him who defrays the expenditure, be he tax-payer or investor, and him who benefits from it, be he the creditor of the State or of the local authority, or the beneficiary of the public services. From this confrontation it should be possible, having regard to the available resources, to secure the establishment of an order of importance and urgency among the national expenses. A financial policy is, above all else, a choice. Hence the necessity for a complete, lucid and honest inventory.

Reduced to these fundamental elements the problem becomes simple. It is reduced to two elementary questions: (1) What is the total of the national expenses? (2) To what extent can these commitments be met by levies on the national income or by mobilising savings?

The National Commitments

The national expenditure is not limited merely to the expenditure of the State, and appearing in the ordinary and extraordinary Budgets. It also includes the expenditure of the "Caisse autonome d'amortissement," the deficits of the big public services and, in particular, of the railways, the expenditure of the local authorities and of public establishments.

(a) Expenditure of the State

1. The total charges on the ordinary Budget may be estimated for 1939 at Frs. 64,500,000,000, a figure obtained

by abstaining from all new services and by making the most objective possible estimate. The following table shows the principal categories of expenditure composing the total, classified under two headings: military expenditure and civil expenditure:—

	Military Expenditure	Civil Expenditure	Total
	(millions of francs)		
1. Public debt.....		15,100	15,100
2. Terminable debt—			
Civil pensions ...	6,041		
War pensions and			
Soldiers' allowances	7,473	13,500	13,500
3. Public administration		170	170
4. Establishment	7,455	9,315	16,770
5. Material	6,500	1,400	8,000
6. Works	20	1,730	1,750
7. Subsidies.....	340	7,300	7,640
8. Miscellaneous	365	1,205	1,570
Total	14,780	49,720	64,500

A mere glance at this table makes it clear how difficult it is to realise important economies without proceeding to big reforms in the organisation and functioning of the public services. The public debt, the terminable debt and the expenses of the civil establishment represent 60 per cent. of the Budget total, and military expenses 22 per cent., that is, 82 per cent. represents expenditure which cannot be curtailed on the hypothesis of an administrative and financial *status quo*. The balance of the expenditure, 18 per cent. of the Budget, has for the most part an obligatory character, whether it is a question of subsidies or of maintenance works. It will suffice to quote the allocations for unemployment (1,100 millions), the State's share in the cost of public assistance (1 milliard), the upkeep of roads, etc. It is enough to say that, without a far-reaching administrative reorganisation, no appreciable relief can be obtained. On the contrary there is a risk that the rise in the cost of living will soon raise the problem of readjusting certain indispensable expenses; it is already raising the question of the proper adjustment of the salaries of the whole body of civil servants.

2. The extraordinary Budget as distinct from the ordinary Budget includes in the main the cost of carrying out the armaments programme which concerns the three defence ministries. Its amount will rise in 1939 to 25 milliards. To this military expenditure should be added the civil expenditure necessary for the execution of the long-term plans drawn up by several successive Governments: the Marquet plan, the plan of August 1936, the plan of May 1938. They represent, for 1939, in subsidy to local authorities, repayable advances, and public works directly carried out, a total charge of 3,500 millions. We must take into account, finally, a sum of 1,100 millions required for the administration of posts, telegraphy and telephones.

The total of extraordinary expenditure is thus 29,679 millions, an increase of more than one-third compared with 1938.

3. The expenditure of the Caisse autonome d'amortissement, which does not differ in kind from that of the Budget properly so called, should be added to the total State expenditure. It is estimated at 7½ milliards for 1939, of which 6 milliards is for the service of the public debt.

(b) Expenditure of Local Authorities and of the Public Services

These charges are essentially composed of (a) the expenses of the départements and the communes amounting at present to 30 milliards, of which 24 milliards should be added to the above figures, the remaining 6 milliards corresponding approximately to the cross-payments between the State and these authorities; (b) the deficit and the main-

tenance works of the industrial public services and, notably, the railways, the total for the latter being about 6 milliards; and (c) the expenditure on public works of the local authorities and the colonies, about 5,500 millions.

Thus, French public expenditure reaches the total of 137 milliards, which may be analysed as follows, in round figures:—

	Millions
General State Budget	64,500
Extraordinary Budget	29,500
Caisse autonome d'amortissement	7,500
Local authorities	24,000
Deficit and maintenance works of railways	6,000
Public works of local authorities and colonies, etc.	5,500
Total	137,000

The national income being estimated, on the most optimistic calculations, at 250 milliards, the public commitments easily exceed half of the income.

Means of Meeting Public Expenditure

A glance at this figure of 137 milliards is enough to show that it is not possible, in the present state of economic affairs, to balance public expenditure merely by making fiscal levies on the national income, because every policy of increasing taxes, applied to an economy suffering from grave anaemia, is doomed in advance to failure. These public expenditures constitute, in the present economic situation, an insupportable burden.

The ordinary receipts of the State and the public authorities can be estimated for 1939 as follows:—

	Millions
State—tax receipts	47,200
Other receipts	8,800
Total	56,000
Caisse autonome d'amortissement	7,500
Local authorities	22,000
Grand total	85,500

The 137 milliards of public expenditure are thus covered by permanent resources only to the extent of 85.5 milliards. The whole remainder is a deficit and must be borrowed. This deficit of 51.5 milliards is composed as follows:—

	Millions
Deficit on the ordinary Budget	8,500
Extraordinary Budget	29,500
Deficit of the local authorities	2,000
Railways (*)	6,000
Local and Colonial works (†)	5,500
Total	51,500

It is undoubtedly the case that certain of these expenses are not normally financed by borrowing. Nevertheless it is expedient that these expenditures, so far as civil works are concerned, should not reach a total out of proportion to the financial possibilities; and that they should be devoted to works that are really useful and, so far as possible, remunerative. In any case they will weigh upon the Treasury, aggravating the heavy obligations it already has to meet.

To the 51.5 milliards of the deficit of the different public budgets, ordinary or extraordinary, there must be added in 1939 other charges arising from the various forms of State intervention in economic life. Two big monopolies, the Wheat Board and the alcohol service, will have to finance the surplus crops harvest of wheat and wine, one to the extent of about 2 milliards, the other to the extent of about 500 millions, in spite of the yield of special taxes, often very heavy, which are appropriated to them. Certain industrial participations of the State will impose upon the Treasury new disbursements. The floating capital of the national

(*) The expenditure on primary maintenance amounts to 1,050 millions, financial charges to 3,800 millions; the loss on working, in spite of very energetic attempts which have been made for some months and have been intensified in recent weeks, amounts, if receipts are estimated on the basis of the 1938 traffic and if price rises are excluded, to about 1,200 millions. The total, for the Treasury, is, say, 6 milliards.

(†) Of which 1,500 millions is for the City of Paris and the département of the Seine.

(‡) The charges provided for 1939 are the following, under the heading of the civil works alone:—

	Millions
State	3,500
Posts, telegraphs, telephones	1,100
Railways	1,050
Local authorities and colonies	5,500
Total	11,150

aeronautical construction companies will have to be increased by nearly 500 millions as a result of the speeding-up of production programmes. The measures contained in a recent decree law for assisting the replacement of merchant shipping will entail a cost to the State of about 300 millions. Finally we must allow 1,500 millions of loans for the colonies and North Africa and 500 millions for advances to certain foreign governments.

In all, on the assumption of the legislative and economic *status quo*, the charges upon the Treasury can be estimated in round figures at 56 or 57 milliards, from which can be deducted 2 to 3 milliards in order to make allowance for funds available to the Caisse des dépôts et consignations and the Crédit foncier to meet certain operations.

Thus, we reach the figure of 54 to 55 milliards for the net total which it is necessary to borrow.

A system of taxation which is already extremely heavy levies more than a third of the national income (85 milliards out of 250) to cover the national expenses. The excess (55 milliards) has to be obtained out of savings. But it would be vain to hope that the nation could normally provide such an amount of capital for investments which for the most part are unproductive. Public expenditure of such a size is out of proportion either to the present income of the country or to its capacity for saving. We are thus led to the dilemma that many others before us have seen, but to which no positive solution has yet been given: does the financial problem arise because the expenditure is too great, or because the national income and the capacity to save are abnormally low?

It is our profound conviction that, fundamentally, the economic question is predominant. But we believe also that unsuccessful policies have profoundly aggravated the consequences of the continuous deterioration of economic activity. Public expenditure has multiplied, and this multiplication of expenditure cannot be explained by the armaments race alone, for it is antecedent to it and has not fallen off since. Actually, that part of the French population which creates wealth, which works for the future, is continually diminishing, while that part which, directly or indirectly, lives on the State is ceaselessly growing. There were 600,000 civil servants in 1914, 860,000 two years ago; today there are 960,000; soon they will amount to a million. To these officials should be added 500,000 railway workers (against 400,000 in 1936), 400,000 pensioners of the State, 200,000 of the railways, 300,000 active or retired officials of the local authorities. Likewise, there is a steady fall in the number of Frenchmen who are ready to bear the risks of enterprise and creation.

If the country wishes to rehabilitate its position, it will have to produce more in order to maintain its standard of living. That everyone should work more and that the State should spend less—for ourselves, we see only this formula for salvation; it is elementary, but it is inescapable.

II. The Economic Problem

The financial problem is thus dominated by—and is in fact the reflection of—the economic. All the efforts made to improve the French financial position since the depression have been fruitless in face of the failure to achieve first a solution of the economic problem.

In 1936 the hope was to increase the purchasing power of the masses and to bring about an expansion in the demand for the products of industry, which would itself have brought about a reduction in unit costs and eventually of the cost of living. Success would have been obtained if prices had not risen, if the increase in the purchasing power of the masses had been lasting and if production had increased. The gravest failure, from which the others follow, has been the persistently low level of production. Contrary to every hope and after many years of depression economic activity has shown no sign of revival and remains stagnant. Industrial production in 1938 is at a level 25 per cent. below that of 1930. Railway car loadings are 35 per cent. down. These conditions are all the more disappointing in the face of increased activity abroad. In England production has risen to 20 per cent. and in Germany to 30 per cent. above the 1930 level.

Certain special branches of our economic activity, which may be considered particularly indicative, betray even more definitely the state of affairs. The volume of manufactured exports has fallen 46 per cent. compared with 1930, and this figure would be much greater if our relations with foreign countries alone were considered and no account were taken of our empire, which is protected by customs barriers. Some of our export markets have been almost

completely lost. Exports of motor cars have diminished by 70 per cent., exports of cloth are down by 87 per cent., of cotton piece-goods by 94 per cent.

At home, the index of building activity has fallen by 40 per cent., while in Germany it has risen by 35 per cent. and in Great Britain by 100 per cent. This is particularly alarming. While France has stopped building, the English countryside is being covered with new houses.

France has been hypnotised by a concern for rent legislation. Instead of building large numbers of new houses and so forcing down rents and ensuring the health of the people, she has allowed insanitary slums to continue in existence at artificially reduced rents.

The unemployment statistics are also disappointing. There are 360,000 registered unemployed. Including those who are unassisted, there are probably 600,000 without work, or 5½ per cent. of the working population. If account is taken of about 2½ per cent. of partly unemployed, it can be said that 8 per cent. of the available labour supply is at present unemployed. A particularly sad result, when in the same period an additional 250,000 persons have been taken on permanently in various public services. Moreover, nearly 20 milliards of francs have been spent in great haste by the State and public authorities on public works, in addition to the great increase in national defence expenditure.

What can one conclude, except that the speculative purchases and turnover in stocks induced in 1936 by the fear of a rise of prices have been, taken together, without effect. Our successive devaluations, greater than those of the dollar and pound, have resulted in pure loss to the national economy. The home market has not been permanently enlarged. The disequilibrium between agriculture and industry has been accentuated, and purchasing power, which it was hoped to increase, has once again declined.

The Reason for the Low Level of Production

If production is insufficient, it is primarily because its possibilities of development have been paralysed. The forty-hour week, distorted into a five-day week, contrary to the intentions of its authors, limits our capacity to work. Its original purpose was to re-absorb the unemployed, since the maintenance of a constant volume of production in the face of reduced hours would automatically cause an increased demand for labour. But in fact it has since become clear that the wholly and partially unemployed were far from being a reserve of labour as large, or (what is more important) as suitable, as had been imagined. The idea of a reduction in the length of the working day had been entertained on the assumption that, as a result of increased efficiency of labour and more intensive use of machinery, the same output could be obtained with fewer hours of work. But the efficiency of labour has not increased and the hopes founded on technical improvement have not been realised. How could it have been otherwise, when the majority of factories and shops were closed two days out of seven? All the efforts at re-organisation that have been tried have failed. Sometimes it has been the authorities themselves who have intervened to prevent the introduction of new methods designed to lower costs. In every field where activity might be reborn enterprise has been restricted and discouraged. The creative spirit and the willingness to take risks have been weakened. This—let us not fear to say it—is the root of the evil, for it adds a sort of moral abdication to the material difficulties.

The Second Cause of the Economic Crisis: The Insufficiency of Credit

Let us not imagine that it would be possible in any economy as rigid as ours to bring about a real revival by the artificial injection of credit. Credit permits businesses to prosper, when the demand is present and when the right climate for healthy activity exists. We have said that this climate does not exist. But it must be noted that in the limited field in which the modernisation of plant would usefully have been envisaged, lack of capital has made this impossible.

For four years the State has absorbed the whole of our national savings, mainly for unproductive purposes. Despite all the artificial measures taken to reduce interest rates, to grant advances to traders and industrialists, the French loan market has become one of the dearest in the world. Everyone knows that in practice it is impossible to obtain mortgage loans at under 9 or 10 per cent. Everyone knows that if there is the slightest risk a private borrower cannot obtain capital at less than 10 or 12 per cent. Between 1928 and 1937 private issues of shares fell from 8.3 milliards of francs to 1.2, while private issues of bonds fell from 6.4 to

2.3 milliards. The drop is large enough, but would be even greater, if account were taken of the depreciation of the franc. This collapse of private borrowing is due to the scarcity of available capital, a scarcity due principally to constant appeals from what has become almost the one and only borrower, the State.

The Consequences of the Economic Crisis: The Vicious Cycle

The conclusion of this gloomy survey is that for several years our substance has been melting away. Despite tariff measures, the devaluations have not prevented a constant deficit in our balance of payments. Taking only one element, the balance of trade, it is to be noted that the deficit has not ceased to increase in real terms, rising from the equivalent of 325 metric tons of gold in 1935 to 460 in 1936, and 580 in 1937, in three years an increase of 83 per cent.

We have entered, in fact, into the vicious cycle of an indefinite rise in all prices. The fundamental fact which has raised the cost of living, and is raising it further, is the impoverishment of the country. The losses suffered during the depression weigh heavily on our retail prices, whether it be because, as a protection against international competition, customs duties have been increased to the detriment of the French consumer; or because devaluation has increased the prices of imported goods; or because the State, in the attempt temporarily to protect a large number of individual interests from the consequences of national impoverishment, has increased its expenditure, thereby rendering necessary, sooner or later, a recourse to inflation or to taxes, and consequently a new rise in the cost of living.

To-morrow, if we do not succeed in achieving a real increase in the production of wealth in France, we shall be unable to prevent the purchasing power of the working class—even if it be indefinitely swollen by the poisoned gift of nominal wage increases, coupled with diminished production—from being indefinitely reduced by a continuous rise of prices, which would implacably adjust the standard of living of the masses to the persistent inadequacy of the true income of the country. Rise of prices, rise of wages, devaluation of the currency—that is the vicious cycle in which our economy is being carried along. The problem, then, is not to choose between preserving or repealing the recent social reforms, whose generous inspiration nobody disputes. The problem is to prevent them from automatically dwindling to nothing, to prevent their benefits from evaporating in the high cost of living, to prevent employers and employed, in a country which is still poor, from having nothing to share but poverty.

III. The Remedies

The General Plan of Action

The restoration of our economy and our finances cannot be the work of a day. It requires years of effort, of careful organisation and sacrifices for all. This is the truth which we wish to place with all emphasis at the head of our programme of rehabilitation. However courageous and comprehensive may be the decree-laws, which have been prepared in ten days, they cannot provide remedies for the dramatic situation born of the deepest economic depression of modern times, of an arms race unprecedented in modern times and of the tremendous increase in public expenditure.

If we can induce the country to share our convictions in this respect, we shall have achieved the first condition of success. The French people must realise that only a decisive measure of reform will allow them to maintain both the standard of living and the supply of armaments. The facts of the situation are eloquent of the necessity for a ceaseless effort on the one hand and on the other of the slowness of the progress to be expected. Continuity and perseverance will be the bases of our recovery policy, which has to deal with problems far more difficult even than those which M. Poincaré had to solve between 1926 and 1928. Whatever the difficulties encountered, the Government, for its part, is determined to continue, without weakening, along the lines it has mapped out.

Our wish is to secure over three years the gradual restoration of the economic and financial equilibrium of France.

It would be fantastic to present forthwith a precise and detailed plan, for our programme, though always on the same lines, will have to be adapted to the general development of domestic and international circumstances. But it is possible to indicate forthwith the principal stages by which we intend to proceed.

The steps we propose to take immediately are as follows:—

1. To do whatever can be done quickly and without excessive disturbance in the way of a return to budgetary equilibrium;
2. To free the national economy and finances from the paralysing restrictions which are mortgaging the future;
3. To bring about, by a broad policy of lowering interest rates, the impetus which we hope will be continued by a return of confidence and a rebirth of enterprise.
4. To begin the more fundamental task of restoring healthy conditions.

This first stage only requires a delay of a few months. At the beginning of 1939 we shall put into force permanent measures to continue, in all spheres, the success of the work undertaken.

We plan, in effect, to make the year 1939 a period of adaptation and of consolidation of the first advances to be made. After 1939, still another difficult year of reconstruction, when no abandonment of the principles of prudence and good management can be envisaged. Not before 1941 can France hope to have recovered a stable and sure economic and financial equilibrium.

If we can continue our work of rehabilitation, we are convinced that the economic mechanism will work normally, that the public finances and the position of the franc will be restored to health, and that then without temerity, but with the boldness characteristic of the French people, we need have no hesitation about advancing further along the road of prosperity and progress.

IV. The Means of Securing Economic Recovery

We have already clearly defined our aims in the economic sphere. The national economy must be released from the strangle-hold of restrictive regulations and the suppleness, which is indispensable to its free movement, must be restored. Simultaneously, productive activity must be given an immediate stimulus by an increased flow of credit. In a word, the brake must be released and the motor of economic activity must be fuelled. This task must be completed by the preparation of a lasting balance, adapted both to the modern conditions of national life and to the structure of the French national economy. The measures to be taken can be grouped under two heads: (a) organisation of labour, and (b) organisation of production.

1. ORGANISATION OF LABOUR

The organisation of labour involves in the first place the elimination of everything which hinders its development. We know that the expansion of activity in certain branches of industry is hindered by the rigid nature of the law restricting working hours to 40 per week. It is consequently necessary to revise the restrictions which this law imposes on commerce and industry. We are not abandoning the principle of the social legislation of 1936, whose generosity does credit to its authors, but we stipulate that no enterprise should be forced to close down for two days a week if the demand for its products would enable it to work more. French men and women must understand that they are in a state of "economic mobilisation" during the execution of the plan, and that the toil imposed upon them is in the national interest.

This is the object of one of our most important new decrees. We are laying down the principle that work must henceforward be spread over six days a week, and we are giving the heads of businesses the right to call for as much overtime as is needed for production. The only formality which we still demand from them is that they should send a request for permission to work overtime to the Labour Inspector. The absence of a reply from the Inspector within ten days is equivalent to the granting of their request. Payment for the additional working hours thus obtained will be made at the standard wage rates plus a percentage which will not render the cost of overtime prohibitive.

It is often objected that not a single industry is in a position to work more than 40 hours per week. But what is an industry? It is quite true, for example, that the average number of working hours in the textile industry as a whole is slightly below 40 hours per week; nevertheless, numerous individual concerns, especially those working for the export market, are already working more than 40 hours per week. Again, in spite of the prevalence of unemployment in certain branches of engineering, an important motor manufacturing concern can only give delivery after an excessive delay. More than 10 per cent. of French workers in the large con-

cerns are already working more than 40 hours per week, in spite of the obstacles put in the way of all overtime working. And 81 per cent. of the same body of workers already work 40 hours per week. Moreover, in industries which are not subject to the 40-hour week the average number of hours worked per week is 45, notwithstanding the shrinkage of their market, due to the restriction of hours to 40 in other industries and the consequent reduction in the total wages paid in these industries.

The five-day week of eight hours per day, of which the first Prime Minister of the present Parliament himself declared that it was not the best method of applying the 40-hour week, has the enormous disadvantage of rendering machinery idle for two days out of seven, thus legalising, as it were, the amputation of one-sixth of France's industrial capacity. But if our production is to be increased by 30 or 40 per cent., how can this be done without an increase in working hours, given the fact that production could only be increased by 6 to 8 per cent. if unemployment were completely eliminated? It is clear that all branches of activity are inter-related. If industrial concerns are freed from the restrictions on working hours, the suppliers of these concerns will themselves have to produce more and, step by step, the whole industrial mechanism will be set in motion again.

We do not hesitate to say that the measures designed to increase the flexibility of the 40-hour week for the duration of our plan form one of the bases of our programme, and are as important as the price and credit policy from which they are inseparable. We believe that any plan which evaded this problem would be bound to fail. We admit that the sacrifices now demanded of the working classes must be accompanied by measures which guarantee them against abuse by employers. If we believe that it is necessary to restore the profit motive, the working classes must also be certain that the additional hours they agree to work will not give rise to excessive profits. In order to prevent this we have prepared a decree designed to tax the excess profits of limited companies. At the same time, as part of a long-term plan, we are attacking the problem of wages and unemployment. In this sphere, we have prepared decrees defining the status of workers' delegates, regulating the application of collective agreements and promoting vocational education and re-training, decrees which should provide still another guarantee of the improvement of industrial relations.

2. PRODUCTION AND CREDIT

There was no room for doubt in shaping the labour policy. But in formulating a policy of production and credit we had a choice, though we had no hesitation about the path dictated by the national interest.

(a) General Direction of Policy

Owing to the paucity of capital available in the market, exchange control has frequently been recommended as a means of putting the brake on the export of savings. This measure alone, it has been said, would make it possible to stanch the hæmorrhage of capital and then to proceed to the vast expansion of credit necessary to give an impetus to production and the growth of wealth. In support of this suggestion, which seems simple, the success and duration of the National Socialist experiment in Germany has been cited.

It is only too easy to dispel these illusions. Like all easy solutions, exchange control acts upon the symptoms rather than upon the cause. But can it be imagined that the cause will cease to operate when the consequences are eliminated?

Until 1936 capital left the country because the franc was over-valued and because it was only natural to discount an adjustment of the exchanges. Since then the flow of capital to foreign countries has continued because industrial activity has slowed down, profits have been jeopardised, and public finances have been unhealthy. For more than a year, however, though at the cost of considerable fluctuations in the rates of exchange, the flight of capital has ceased and gold movements, on balance, have not been unfavourable. We do not insist on the difficulty of applying exchange control in a country like ours, which is a market with wide international ramifications, a great empire with extensive frontiers, a land of liberty hostile to excessive regimentation. We confine ourselves to pointing out its probable consequences. At home the application of exchange control would lead to profound modifications in the realm of politics and economics; as far as our relations with foreign countries are concerned, our action has hitherto been in line with that of the great western democracies to whom we are linked by a thousand ties, of which the Tri-Partite Agreement signed on September 26, 1936, stands to-day as a symbol.

But is it really possible to believe in the advantages of exchange control in present conditions, when we have the task not of seeking salvation in a negative attitude (to prevent the outflow of capital), but of carrying out an active policy which would lead to the substantial and continuous repatriation for which our markets are waiting? What has to be done is to promote a return of prosperity in France by the return of capital on the one hand, and by the increase in production generated by the lengthening of working hours on the other. How can exchange control assist in the solution of this problem? To lock the stable door now is to give up all hope of a return of capital; and in the persisting disequilibrium of our economy with the inexorable necessity of securing a rapid inflation, in conditions of vacuum, the introduction of exchange control would have the double effect of precipitating a substantial depreciation of the franc abroad and a rapid increase in retail prices at home. How can one invoke the experience of the Dictatorships in Italy and Germany? Exchange control in the totalitarian States is designed, by severe restrictions, to increase the tension of the national energies for a constant effort. How would it be possible for France to continue her policy of freedom and *laissez-allier* in these conditions? The truth is that if the introduction of exchange control still has partisans, this is perhaps because, having not yet been tried, it has not yet failed. For ourselves, our mind is made up. France cannot allow herself the luxury of a new failure. We want neither a deceptive breathing space nor the terrible awakening which would follow.

(b) Organisation of Production

The State is responsible for giving a general direction to the national economy. Its monetary and financial policies, therefore, are of decisive importance. The State must do its utmost to restore the doctrine of risk and profit as well as that of work and output. Apart from this, its rôle is one of guidance and it should, in principle, intervene only when the importance of the enterprises concerned is such as to involve the national interest. The important problem to-day is to restore flexibility to our hamstrung economy and to give it every chance to expand. Too much legislation obstructs the necessary process of continuous adaptation to changing conditions. The present system of price control is particularly characteristic in this connection; it hinders movements which are justified and sometimes even desirable and prevents both upward and downward adjustments. We intend to modify this rigid mechanism which, by a strange paradox, now excludes only foodstuffs, that is, those commodities whose fluctuations have the greatest effect on the cost of living.

(c) Credit Policy

In the sphere of production, the wise course is to try not to do harm rather than to do good. So far as credit policy is concerned, Government action predominates; credit policy is the corner-stone of economic policy. And the state of the currency is itself the basis of that policy.

We are convinced that the conditions necessary for an improvement on the capital market are to-day fulfilled. The franc is at a level where there is no question of the parity of prices in France and abroad. On the contrary, our industry is in a more advantageous position in this regard than that of any other country. We do not see anything that is likely to change this position or consequently to impede the substantial reduction of the rate of interest which we envisage.

The money market must be nourished in the normal manner by the gradual repatriation of capital. It will be supported by a liberal monetary policy. It will be eased to the extent that the financial measures, which we are taking to-day, and the growth of revenue consequent upon economic expansion, will diminish the State's need of loans. And, for what will remain of this need, we intend, as far as possible, to spare the long-term market by having recourse to the money market for the financing of public expenditure. While we are hostile to inflation, we are anxious to combine an expansion of credit with a reduction in interest rates. And our reward, as well as the criterion of our success, in a future which, we hope, is very near, will be to see this favourable development of the market taking concrete form in a lasting alteration of the cost of the public debt.

Finally, no action in the economic sphere will be effective if we do not also concentrate on the creation of what, for a State, is the real source of plenty and of strength: a young and large population. We propose here and now to take the first steps. The task will have to be completed to-morrow, for all the foundations we can lay will be useless if we show ourselves incapable of ensuring the perennial life of the country.

V. The Financial Programme

THE situation is clear. There is a disequilibrium, amounting for the State to 38 milliards, and for the other public authorities, whose uncovered expenditure is in fact guaranteed by the Treasury, to 17 milliards. Total: 55 milliards.

The first necessity in undertaking to cure a disease is to know that the disease exists. If the country does not realise the mortal peril which is lying in wait for it, how can it find the impetus necessary for success? What the French people must also know is that the French financial disequilibrium, profound though it seems to us to be, is a problem that can be solved with perseverance and time.

The financial reform which we are realising to-day is only a first step. We consider that the immediate object to be attained for the year 1939 is to balance the ordinary budget of the State, and to produce a significant improvement in the financial situation of local authorities and the great public services. To do all that is immediately possible in the sphere of budgetary economies, to enter upon a continuous effort to secure profound reforms of our administrative organism, to adapt our fiscal levies to the new value of the franc and to the level of prices—that is the task of to-day. Thanks to greater flexibility in the conditions of labour and to the new economic impetus, we shall benefit from increased revenues which will reduce the recourse to borrowing.

(a) REDUCTION OF PUBLIC EXPENDITURE

Our first word in this sphere is to affirm that we shall not make a unilateral denunciation of the contract between the State and the investor. It is true that the burden of the borrowings of the Treasury and the local authorities has become so heavy that the object of any policy of reform must be substantially to reduce it; but it would be fundamentally contrary to the goal we have in mind to have recourse for this purpose to measures of compulsion. Our policy is intended to result in an improvement of public credit, and we feel confident that if we are allowed to continue our work we shall be able to undertake conversions which will greatly lighten the burden of public expenditure.

Our budgetary effort consists of two essential parts; and it will be complemented by the economies which will automatically follow from the changes in the conditions of work in the public services.

(i) Expenditure on Works

After revising the allocations of the ordinary budget of 1939 to the amount of 500 millions, we have decided to act vigorously in strictly limiting expenditure on civil works to what is imperatively necessary in the general interest. It is impossible at one and the same time to continue the armament policy imposed upon us by the international situation and also a policy of great public works. No country can engage in such a gamble without deliberately sacrificing the welfare of the working masses.

The present large schemes of public works were started as a remedy for the inadequacy of private initiative. At a time when we base all our hopes on a re-birth of the spirit of enterprise we are justified in believing that commerce and industry will be able, far better than the State, to undertake such schemes as have a remunerative character. The repeated experience of the last few years has been that when the State raised 10 milliards to finance large public works, 20 or 30 milliards of private works were abandoned as a result of the rises in interest rates and prices; thus the State indirectly diminished the turnover of business. We do not suggest—indeed, on the contrary—that the programmes which have been drawn up are not in the general interest, but we declare that they cannot be carried out so long as the financial position of the State and the local authorities requires repeated recourse to borrowing.

The decision taken with regard to public works represents for the year 1939 alone a net economy of 2½ to 3 milliards, and the figure will be considerably larger in 1940. The question will arise in due course whether the execution of certain programmes now to be interrupted should not be resumed according to the circumstances of each case. Even now provision has been made for exceptional treatment of small rural works and of urgent cases.

(ii) The Reorganisation of the Public Services

This task is difficult above all others. Numerous attempts have been made for nearly fifteen years past to lighten the burden of our administrative machine. All these efforts have been in vain, as is shown by the uninterrupted growth of the services and the continuous increase in the number of civil servants. At first sight, administrative requirements are so complex, and the different aspects in which public authority shows itself are so numerous, that State intervention

seems to-day to be an inescapable phenomenon. Nevertheless, all enquiries reach an identical conclusion: many of the administrative bodies are not well adapted to their task. Old-established services have not succeeded in modifying their methods. New services have developed without comprehensive plan and have trespassed on the functions of existing bodies. There is thus no doubt that an effort to secure rationalisation must be made.

Frequent promises have been made to the country and public opinion will not allow its legitimate expectations to be once more disappointed. We reject the easy solution of an arbitrary reduction in all appropriations; its inconveniences arise from its very simplicity. The most useful and best administered services are penalised equally with the bodies which are too extravagant. Obvious anomalies quickly appear. The economies secured in this way have been large, but they have not lasted long and real relief has remained illusory.

We have chosen another method. A "Comité Supérieur de Réorganisation administrative," with five members, which will devote itself to this task, is the mainspring of the scheme. This committee will make searching enquiries in all the essential fields of activity of the public authorities; the administrative machines of the Ministries; armaments; transport; the various examples of State participation in business activity; the local authorities will be simultaneously examined with the sincere desire for reform. The conclusions of these enquiries will be embodied, before December 31, 1939, in simple decrees to bring into effect the proposals and reforms that will be elaborated.

As an immediate mark of our firm resolution to secure fundamental reforms in this sphere we are arranging that all departments of the public service will be subjected within the next three months to a provisional plan to restrict recruitment, which will be applied in the interim period before each service is enquired into by the committee.

(b) FISCAL PROGRAMME

This programme, amounting to about 10 milliards, consists of two parts: the first refers to direct taxation, the second to indirect taxation.

(i) Direct Taxes

We are setting up for 1939 an emergency tax based on a twofold idea:—

A general tax on all wages, professional incomes and remuneration of the French people will serve as a symbol of the common national effort. It will be at the rate of 2 per cent. without any deductions for lower incomes. The expected yield is 2,500 millions.

An increase of 30 per cent. in the scale of the general income tax voted on December 31, 1936, on the proposition of the first Blum Government. We expect from this 750 millions.

In addition, it is necessary to co-ordinate and adjust the scales of the different scheduled taxes (impôts cédulaires). These re-adjustments, which will be at the rate of 16 per cent. for all the schedules except that on wages, for which the rate will be halved, will produce 550 millions. A similar measure concerning personal property (valeurs mobilières)—the rates being fixed at 18, 27 or 36 per cent. according to the different categories—will produce 450 millions.

The stamp duties are slightly increased, stamped paper rising from 5 francs 40 cents to 6 francs (100 millions).

Total for direct taxes and stamps: 4,250 millions.

(ii) Indirect Taxes

The rates of most of our specific indirect taxes are no longer in proportion to the level of prices and of the currency. Moreover, the measures which we intend to take in the economic field provide a further reason for proceeding to an adjustment of these taxes. The revision of the duties on liquor, sugar, combustible liquids and several duties of minor importance, a slight customs duty on exports and imports, will produce an increase of yield of 2,400 millions. As a general rule the specific rates are increased by 15 per cent. on the average. The production duty is slightly increased, the general rate rising from 8.7 per cent. to 9 per cent. and the tax on professional services from 2.2 to 3 per cent. Together with several measures intended to improve the incidence of this tax, the yield expected is 750 millions. We also propose the adjustment of postal rates on the basis of an ordinary letter rate of 90 centimes (800 millions), an increase of the price of tobacco (500 millions) and, finally, a measure which will permit of an immediate increase in transport fares in Paris (150 millions). Total, 4,500 millions.

(c) PUBLIC CREDIT AND THE TREASURY

In the estimates that we make for 1939 we intend to remove everything that stands in the way of efficient manage-

ment. We believe that the State must deserve the confidence of the French investor and that it has no right, when it appeals to him, to conceal the truth, or to try to attract his money by legal or accounting fictions. It is as a sign of this wish for a healthy management of public credit that we wish strictly to define the conditions of public issues and at the same time to prohibit all new borrowings from abroad with the aid of the gold clause.

The solutions that have been adopted as concerns the balance sheet of the Bank of France are inspired by the same desire. If the balance sheet is drawn in such a way as to take account of the present value of the currency the situation it reveals is favourable; this will make it possible for the public to form a correct estimate of the position of our note issuing institution. The various existing items of provisional advances to the State are to be abolished. The Bank will create a new item of advances which will consist of the balance of the existing advances not repaid out of the proceeds of the revaluation of the gold reserve; the repayment of these advances will be eventually assured by the liquidation of the exchange stabilisation fund and the fund for supporting Rentes and by any further sums that may accrue when the reserve is finally revalued. Apart from this, only the permanent item of advances, which has appeared since the beginning of the century and was continued by M. Poincaré in 1928, will normally remain. This item was fixed in 1928 at 3,200 millions. In order to adjust the item of permanent advances to the volume of the budget, to the level of prices and to the value of the currency, we are raising it henceforward to 10 milliards.

This measure leaves a net credit of about 6 milliards which comes in the normal way to the State. The resources of the Treasury are thus large.

The remedies which we have enumerated have made it possible to release about 10 milliards of revenue and about 5 milliards of economies which will be gradually realised, if our scheme is carried out with tenacity and perseverance. The total can thus be put at 15 milliards. In view of our economic reforms, it is not excessive to add 5 or 6 milliards to this figure to allow for additional receipts of every variety in the revenues of the State, the public services and the local authorities. Since the total of these revenues reaches 100 milliards, the increase thus discounted is only 5 per cent.

About 20 milliards in all will thus be provided by normal efforts. The national savings will make it possible for us to finance the remainder (essentially consisting of the armament programme), either by short-term or by long-term borrowing. We wish to avoid, at all costs, draining the resources of the financial market. Thanks to the balance in the Treasury at our disposal, we are in a position to declare a policy of avoiding competition in demand for capital with industry and commerce and to dispense with appeals to the long-term market for several months.

CONCLUSION

To summarise: our plan has a threefold form:—

A more liberal price regime which, however, does not preclude a close watch being kept over retail prices.

A more liberal credit regime facilitated by an economic administration of the public revenues and by a vigorous budgetary reform, thanks to which private enterprise will be recompensed a hundredfold, in the form of capital standing ready for investment, for the exceptional fiscal sacrifices imposed upon it.

Finally, a more liberal labour regime; for price elasticity and credit expansion would be useless if at the same time the working class did not give their generous co-operation in the common task.

It is, then, to the confidence of the entire country that we appeal, to the investor as to the worker. There has been a long search for the technical formula which would put the seal to the indispensable moral unity of the French people. In the world of to-day, in a Europe which is forging arms by day and night, we do not believe that France can follow any other path than that which we have pointed out. As, henceforward, we climb this road, side by side, day after day, we shall all together feel the pride of belonging to a great people which is resuming its proper rank. These are the principles which have inspired the Bills that we submit to your approval.

Please accept, monsieur le Président, the assurance of our profound respect.

Le président du conseil, ministre de la défense nationale et de la guerre,

EDOUARD DALADIER.

Le ministre des finances,

PAUL REYNAUD.

Topics of the Week

Mr Chamberlain and Colonies.—At Walsall on Wednesday the Government's stock suffered no slump like the setback at Dartford last week; in the by-election the Simonite party retained the seat with its majority reduced only from 8,969 to 7,158. At Westminster, on the other hand, Mr Chamberlain has not been doing so well during the last few days. As Sir Thomas Inskip stated in a public speech on Wednesday, the persecution of the Jews in Germany has proved a distinct check to the policy of appeasement. And the pogroms of the past week, reinforced as they have been by official decrees of a calculatedly draconic character, have for the moment knocked the bottom out of any plans the Prime Minister may have had to do a deal about colonies, ours or those of other powers. With the prospect of ensuring peace by the Munich method of diplomacy attenuated—to say the least—by Herr Hitler's onslaughts on British democracy and by the tirades of Dr Goebbels's Press against British Imperial policy, the Government's failure to offer adequate earnest of their intention or ability to provide security by intensified re-armament stands out starkly. In the van of this week's harassing of the Cabinet have been the Conservatives themselves, which may render election results unrepresentative of Parliamentary trends. On Monday, questions elicited a promise that Mr Chamberlain would not arrange the transfer of colonies or mandates without consulting Parliament and the interests of the colonial populations. Later in the week, Britain's obligation to protect the colonies of Portugal was officially admitted; M. Daladier reassured his own critical followers by disavowing any intention of giving away colonies; and General Smuts declared that the Union would fight for South-West Africa.

Political Trends.—Meanwhile unrest about the whole trend of the Government's policy has grown among its supporters. On Monday, Mr Eden, proclaiming that "re-armament was more than a matter of arms," called for a Government more broadly based upon public opinion of all party colours than the present, and a bold policy to reconstruct national life as well as shoring-up national defences. In the wide sweep of his Baldwinesque peroration, Mr Eden placed the state of industry and trade, the Special Areas and the condition of the people on a par with more airplanes, more men and more guns; and thirty-eight adherents of the Government (three of whom withdrew their names later) signed an amendment to the Address supporting the Eden line. Throughout the week, up to Thursday's crucial debate on the question of a Ministry of Supply, the Churchillite guerrillas were busy, and the work left to the official Opposition was small. In all, it became clear that concessions from Mr Chamberlain to his followers, no less than to Herr Hitler and Signor Mussolini, were imperative. A compulsory National Register would be easy to concede; the Ministry of Supply, the pivotal requirement for speedy and efficient arms output, less so. Yet the hero of Munich had to walk warily; the coming shadow of a new Conservative bloc, with a broad and complete policy of defence and social reform, was cast across his path. True, no break-away yet threatened Mr Chamberlain's Commons majority, and a loyal band even organised a motion of confidence. True, too, the Labour Opposition looked askance at Mr Eden's proposed all-party alliance. But the Conservative party itself, and the Conservative Press, were openly ill at ease. The Prime Minister will leave for Paris next week with the iron in his soul at the ungrateful behaviour of Herr Hitler. Downing Street is not yet Eden End, but Mr Chamberlain's copyhold is much less secure than it was.

Godesberg and Munich. Yet even now, the Government is not prepared to set up a Ministry of Supply to lessen the gap in air strength with the speed all parties in the country now look for. The substance of the Government's defence against its critics in this matter is, in fact, a series of paper plans, shuffled and dealt without regard to their industrial operation. The latest, announced at the end of last week, was surprising. Hitherto, it has been common ground between the Cabinet and their critics that priority in aircraft production was to be given to bombers. Now, Sir Kingsley Wood announces that the highest priority is to be given to fighter machines. Once more, as in the case of air raid precautions, the Government has suddenly and drastically reversed a policy tenaciously defended very many months against all objections. This means one of two things: either the technical advice upon which the Government acts in the first instance is hopelessly inefficient, or else the Government, having no will to stick to the policy it believes to be the right one, is ready to be overpersuaded for political reasons. Either explanation is gravely disquieting and scarcely conducive to confidence in the present administration. In the case of A.R.P., technically new ground, there was some excuse: in the case of the air arm, there is none. Sir Kingsley added that 5,000 to 6,000 fighters were on order or to be ordered (the usual basis of counting in official censuses of arms progress), which means, on paper, more than a fivefold increase in our strength. Bombers, which have now lost priority in home production, are to be augmented from Canada under the scheme arranged some months ago by a visiting mission. A large initial order to be fulfilled by 1940 has been placed with the central Canadian company recently formed for the purpose, and the participating firms have undertaken to maintain a capacity to meet all potential orders for planes and components for the next ten years. But it is at home where the real delays and deadlocks in output have still to be completely broken down.

"Death to the Jews."—The death in Paris of Herr vom Rath on November 9th from shots inflicted by the young Polish Jew whose parents had been victims of German persecution, was followed, on and after the night of the 9th-10th, by systematic pogroms that threaten the very existence of the Jewish community in Germany. The thing was done in cold blood. Storm-troopers were, it appears, called up from their beds by telephone in the small hours and set to the work of burning synagogues, smashing and looting Jewish shops, and hounding Jews out of their homes. Everybody saw the outrages; almost everybody hated them; hardly anybody dared to protest.



A
**COMPLETE
Foreign**
exchange service afforded by our
offices at Gothenburg, Stockholm
and Malmö.
**SKANDINAVISKA
KREDITAKTIEBOLAGET**

Air Armaments.—Britain's weakness in the air relative to Germany was a fatal handicap at Berchtesgaden,

The German Government then proceeded to impose on the Jewish community penalties proportionate to the degree of their victimisation at the Government's own hands. For the crime of having been harried and looted, the Jews are to pay a fine of the equivalent of about £80 millions sterling; they are to make good the damage done to their property before handing it over to Aryan usurpers; they are not to touch the insurance payments due to them; and for the future they are to do no business in Germany, attend no schools or universities, and resort to no places of entertainment. They are expelled from co-operative societies; and in many cases they have lost their homes. Most Jewish vocational training centres are in ruins and those for whom they catered in concentration camps or flight abroad. Jewish shops and businesses must disappear or be sold to "Aryans" at knock-down prices; those few Jews who remain in "Aryan" employment now lose all right to pensions at six weeks' notice without respect of contract; and rigid restrictions limit their ability to buy and sell securities. What wealth remains to them will apparently be seized within a few months for the Government's coffers. Jews in Germany may no longer live as citizens; they are to be underdogs consigned to a mental ghetto, barred off by scorn and hatred, out of which none of them may pass and lift his head.

The Jewish pogroms have been accompanied by anti-Catholic outrages at Munich, where the windows of Cardinal Faulhaber's palace were broken last Saturday. And on Sunday the Nazis, unhindered by the police, broke up the tercentenary celebration of the erection of a religious monument. It is as though the devotees of Leviathan were determined to bring about a defensive alliance between all the faiths that agree in worshipping God and abhorring idolatry. Their friends in Italy have carried on the work by issuing legislation which implements the Fascist Grand Council's recent anti-Jewish decisions. The marriage of an "Aryan" with a "non-Aryan" Italian is prohibited, and marriages celebrated in contravention of this law are to be without civil validity. This modifies the Vatican Concordat, for Canon Law knows nothing of racial distinctions, and the Pope has already made his protest.

The barbarism in Germany has evoked vehement expressions of disgust in other countries. Such criticism was vocal in Great Britain last week-end, and this has lashed the Nazis into a fury which they have vented in a Press campaign against the British Empire and all its works. There has been an official British protest in Berlin against the insinuation in the *Angriff* that the British Opposition leaders whom Herr Hitler has "put upon the spot" are implicated in the murder of Herr vom Rath. In the United States the feeling has, if possible, been even stronger. President Roosevelt has taken the unprecedented step of publicly announcing that American opinion has been deeply shocked, and that he himself "could scarcely believe that such things could occur in a twentieth-century civilisation." The American Ambassador in Germany has been recalled to report. It is cheering that democratic sym-

pathy should have provided plans for immediate assistance: the Evian Committee on political refugees is to be convened, the British and American Governments are collaborating, and the Dutch Government, greatly to its credit, has already organised relief camps for those who have struggled out of Germany. The need for refuge is so acute that rumours are current that some really impressive action, such as the opening of facilities for large-scale Jewish emigration to British Guiana, is in mind. But perhaps the best comment is provided by another American, Mr La Guardia, Mayor of New York, who has ordered as guards to the German Embassy a picked Jewish contingent of the New York police. In mingling dignity with contempt, that is a suggestive reply to Germany's strange overture to "appeasement."

The Anglo-Italian Pact.—This Wednesday, November 16th, at Rome, two pieces of Anglo-Italian business were transacted. In the morning the British Ambassador, Lord Perth, presented to the Italian Foreign Minister, Count Ciano, new credentials accrediting him to King Victor Emmanuel as "King of Italy and Emperor of Ethiopia." In the afternoon the same two statesmen signed a declaration that the Anglo-Italian Agreement initiated last April had now come into effect. This agreement, in itself, consists of little more than an agreed schedule of British and Italian interests in and around the Mediterranean and the Red Sea, with a profession of intention to respect these interests reciprocally. Similar schedules were part of the Anglo-French Agreement of 1904 and the Anglo-Russian Agreement of 1907. They are a necessary supplement to any entente; but they cannot in themselves create an entente, and they are not worth the paper that they are written on if there is no real union of hearts. What then, to-day, are the real relations between Great Britain and Italy? On the day of this week's ceremony in Rome, Signor Gayda put it on record that the Anglo-Italian Agreement does not alter in any way the main lines of Italian foreign policy, of which the Rome-Berlin Axis remains the basis. In the House of Lords on November 3rd Lord Halifax told us that Signor Mussolini had always made it plain, from the time of the first conversations between the British and Italian Governments, that, for reasons known to us all, whether we approved them or not, Signor Mussolini was not prepared to see General Franco defeated. He had always made it plain, on the other hand, that he would assist, as he had been assisting, the work of the Non-Intervention Committee. In other words, the Non-Intervention scheme is a device for enabling Italy and Germany to make General Franco win in Spain with Anglo-French connivance; and we now know what Signor Mussolini means by his promise to respect the integrity of Spain and what Mr Chamberlain means by saying that a "settlement" in Spain has been arrived at, inasmuch as there is now no danger of the Spanish war turning into a general war. In plain terms, the Anglo-Italian Agreement is a deal at the expense of two other parties; the essence of it is that Great Britain condones Italy's destruction, by unjust and lawless force of arms, of the independence of Republican Spain, as well as the independence of Abyssinia. Is this a foundation on which any genuine Anglo-Italian friendship can be built?

An Airways Merger.—A further step in the re-organisation of British civil aviation was announced by Sir Kingsley Wood on Friday. The assets both of Imperial Airways and of British Airways—the two lines with regular overseas services—are to be acquired for a new public corporation which will in future be the vehicle for the Government's subsidies to the industry. The reason given for this change is that it is necessary as a consequence of the Cadman Committee's widely-applauded enunciation of the principle that Government subsidies should not be used to pay high dividends. Limitation of dividends, however, makes private financing onerous, while new development

will require a large volume of new capital. The burden on the Exchequer can be reduced to a minimum only if the civil aviation industry is enabled, by Government guarantee, to borrow at low rates of fixed interest. The plan as a whole is one that should be welcomed, though it has its dubious points. Civil aviation—at least the foreign services—is eminently fitted for conduct in a socialised form. In view of the virtual certainty that it will need continuous subsidising, the objections that might ordinarily apply to the provision of the capital of a trading undertaking in fixed-interest form (objections which are receiving additional point from the difficulties of London Transport) can be waived. There will, in effect, be a considerable equity in the new corporation's capital—a negative equity held by the State. It is a little more questionable whether a merger of the two businesses was entirely necessary for the execution of the plan. The history of Imperial Airways does not encourage the belief that there are no virtues in competition, and public duopoly is not necessarily less practicable or wasteful than public monopoly. There are distasteful elements also in the arrangements for compensation. If agreement cannot be reached, the price will be fixed by independent arbitration. There can be no objection to this in principle; but, in practice, the announcement of the scheme led to an immediate rise in the Stock Exchange quotation of Imperial Airways shares from 25s. 6d. to 29s. There are, it is true, reasons arising from the past relations of the company with the Government which encourage the belief that a price of 30s. or even more will be paid. But the only element in the situation which was not known to the market before Friday and could not enter into its estimate of the future was the Government purchase. It would be disastrous if the notion ever received currency that the Government always pays a fancy price.

Important Penal Reforms.—There are two Sir Samuel Hoares: one, author of the Hoare-Laval pact, member of the Inner Cabinet, henchman of Mr Chamberlain and rival to Sir John Simon for reversion of the Premiership; the other, descendant of Elizabeth Fry, Home Secretary, and zealous reformer. The latter's Criminal Justice Bill, long-awaited and published this week, may well shine in the coming session like a good deed in a naughty world. Drastic reforms, such as the Bill proposes, come only once in a generation, and much credit must go to a succession of permanent officials and Secretaries of State who have worked towards the day when opinion would be ripe to replace obsolete and often barbaric penal practices by new methods to cure the most obstinate of social disorders by education and special treatment for particular classes of offenders, rather than by indiscriminate punishment in harshly conducted prisons. Sir Samuel has chosen the time to act. Already the details of prison life have been ameliorated by administrative measures. Now a programme of legislative reform is designed to make the punishment fit the criminal with the object of preventing him from becoming a hardened offender with a life-long stigma upon him. For adults, new categories of penalty, based upon the recommendations of a departmental report on persistent offenders, give Courts of Assize and Quarter Sessions power to sentence persons between 21 and 30 to periods of "corrective training" in specialised prisons and persons over 30 to "preventive detention," and abolish the terms "penal servitude," "convict," and "hard labour," already rendered largely obsolete by the gradual introduction of humaner and more curative methods of prison organisation and routine.

For young offenders, by whose treatment any penal system stands or falls, an attempt is made to devise appropriate penalties as a *via media* between the present unsatisfactory alternatives of imprisonment and probation. There will be remand centres for offenders between 14 and 23, the upper age limit being notably high;

regional remand homes for children and young persons presenting problems needing supervision; Howard Houses or hostels for the residential control of young offenders; and compulsory attendance centres where young offenders may be compelled to spend their leisure evenings and half-holidays without breaking into their normal working lives. In addition, courts of summary jurisdiction will be empowered to pass sentences of Borstal training upon persons between the ages of 16 and 21. The consequences of these proposals, all *prima facie* steps in the right direction of safeguarding society by saving the offender from a life of crime, will depend entirely upon the way they are applied. Specialised penalties require specialised institutions with specialised curricula; the educative regimen provided for the different classes of offenders in prisons, remand centres, remand homes, hostels and attendance centres will be vital. The extension of the age limit for Borstal sentences will place an appreciable strain upon the wisdom of magistrates not always conspicuously sage. Finally, corporal punishment has happily been abolished, except for serious prison offences, but capital punishment, condemned by a free vote in the Commons on Wednesday, is to remain to provide (if we are to believe Mr Geoffrey Lloyd) a safeguard against resort to "lynch law" in the case of brutal murders.

Palestine.—It has now been confirmed in the House of Commons by Mr MacDonald that the Mufti of Jerusalem will not be acceptable as one of the Palestinian Arab delegates at the forthcoming London Conference on the Palestinian problem. Nevertheless, the Mufti himself has given the Conference his blessing. For this apparent paradox there is perhaps a twofold explanation. In the first place, the Arabs see, in the calling of the Conference, a negative victory for themselves. It means the end of the partition scheme and, by implication, the end of all idea of establishing a Jewish sovereign State in Palestine, even on a miniature scale. In the second place, we may guess that the Mufti counts on being effectively represented at the Conference by proxy; and, indeed, it would be difficult for the Government to exclude all the Mufti's partisans without reducing the composition of the Palestinian Arab delegation to an absurdity of unrepresentativeness. For all that, the Mufti should not be assumed to be the only important Arab leader. That would be far from true. Some of his opponents have been killed by his henchmen, others driven abroad. Among the latter is Fakhri Bey Nashashibi; and in a letter to the High Commissioner of Palestine, published in the Press, this influential Arab suggests that the Government would do well to secure the representation of parties opposed to the Mufti. As for the representation of the non-Palestinian Arab States, there is something incongruous in the exclusion of the Syrians and the Lebanese, considering that Palestine is, from the

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Arab point of view, just a slice of Syria that has been arbitrarily lopped off. The ground given for the exclusion of these two Arab states is that they are not yet completely emancipated from the French mandate. In the four Arab countries that have been invited to participate, and specially in Iraq, the calling of the Conference has been hailed with relief; for all these now fully independent Arab States are in a dilemma. They do not want to exchange French and British whips for Italian and German scorpions; but at the same time they do not want to go on being whipped in public—and that is how they regard the present repression of the Arab insurgents in Palestine by the force of British arms. These non-Palestinian Arabs would no doubt welcome a compromise that would save their face by securing what they and the Palestinian Arabs would agree in regarding as the Palestinian Arabs' elementary rights. But we must not flatter ourselves that the Arabs' minimum demands will prove reconcilable with the Jews' maximum concessions. No doubt the first effect of the Conference will be to reveal the width of the intervening gulf. It remains to be seen whether British statesmanship will contrive to bridge it.

The Second Czechoslovakia.—Even Versailles conceived no frontiers so strangely shaped as those of the new Czechoslovakia, shown on our map on this page; but this unlikely product is the first-born of what might be called "geo-ethnological" power-politics—and as such it is not perhaps so surprising. The Republic is still adulterated by some hundred thousand Germans and Magyars. Well over one million Czechs and Slovaks live outside its frontiers. Internal rail communications are practically non-existent: and Ruthenians wishing to go to Slovakia will have to take horse and go over the mountains. Slovakia is denuded of Kosice and the important commerce of its riparian plain; as sizeable towns only Bratislava, with 123,000 inhabitants, and Ruzomberok, Zilina, and Nitra, each with about 20,000, are left. According to the 1930 census, which differed from that of 1910 chiefly by showing Jews as a separate nationality instead of as Magyars, Kassa (Kosice) has 42,000 Slovaks and only 11,500 Magyars, Ungvar (Uzhorod) 3,000 Czechs and Slovaks, 4,500 Magyars, and 6,300 Ruthenians, while Munkacs (Mukacevo) has 2,700 Czechs and Slovaks, 5,600 Magyars, and 6,500 Ruthenians. Nevertheless, all three towns are now in Hungary. Some idea of the magnitude of the Jewish problem in eastern Europe will be gathered from the fact that, in these three towns alone, there are 20,500 Jews. As agreed at Zilina on October 6th, Slovakia is to become an autonomous province with a Diet of its own linked to Prague by a common president and by the central Government's control of foreign affairs, national

defence, and communications. To the Federal Treasury Slovakia will contribute a proportion comparable with that paid by it to the Czechoslovak Treasury in 1937. In the north frontier alterations are now completed, in some small instances to the credit of Polish generosity; and in Prague a two-party system for Bohemia-Moravia, purged of all "undesirables," is already in course of formation. The German appetite seems still unsatisfied, for the Czechs are now reported to be facing new territorial demands. This "sixth zone" includes a suburb of Bratislava, the town of Theben on the Slovak side of the Danube, "for the purpose of building a harbour," and several small districts in Bohemia. These concessions would still further increase Bratislava's dependence on German goodwill for its economic wellbeing. What is to become of Ruthenia is not certain, but meanwhile Mgr. Voloshin's Government is carrying on its duties at Chust, apparently with the support of a contingent of the Czechoslovak army. The Poles at least would probably favour a *coup* by Hungary for the absorption of Ruthenia; and it seems that the chances of this are not yet past.

Mexican Oil and Land Decisions.—British and American oil companies which were appealing against the Mexican Government's expropriation before the Mexican Supreme Court recently had their appeal dismissed. The Court would not agree to consider it until a decision was made on the administrative recourse filed by the companies with the Ministry of National Economy. As this was only a technical point, the importance laid upon this dismissal by the Court is probably far less than the importance laid upon it by the Mexican Government, for it gives the Government an excuse for pointing out that the expropriated companies have not yet come to the end of their means of legal redress. While it is true that the policy of expropriation with due compensation can be justified up to the point of making sure that Mexico *resurgens* shall not be burdened by overmuch foreign investment and kept poor by the profits of her soil being constantly shipped overseas, beyond that point, where his policy becomes one of undisguisedly fleecing the foreigner, the President is likely to meet all the resistance of a hard-headed and hostile world. He would be wise to stop short of that point, and it seems that he is coming to appreciate this. During the past days the interest has shifted from the controversy over foreign oil companies to the controversy over foreign owners of Mexican land. Tension increased as inconclusive negotiations in Washington and energetic expropriations in Mexico went forward *pari passu*. Happily, however, an agreement on the question of compensation was reached on the 12th as far as United States interests in Mexican land are concerned. The value of the



expropriated American lands is to be determined before May 31, 1939, by two commissioners, one appointed by each government. On the latter date the Mexican Government is to make an initial payment of one million dollars, and this is to be followed by further annual payments of the same figure until the full amount of compensation has been paid up. Claims on which the two national commissioners fail to reach agreement are to be submitted to an umpire chosen—in accordance with the Gondra Pact—by the Permanent Commission at Washington that exists for this purpose, and the umpire is to deliver his awards within 60 days of the date of his being called in in each case. The United States Government is well pleased with this agreement; and though the outstanding oil question is not directly affected, it can at least now be approached in a more favourable atmosphere.

The L.C.C.'s Lambeth Walk.—Four and a-half years ago the London County Council declared that a scheme for the south bank of the Thames in Central London was long overdue. On Tuesday last the Council moved one step nearer to the realisation of a river-bordered open space and Lambeth Walk there by deciding to obtain powers of compulsory purchase from Parliament. Already practically all the area bounded by the river, Westminster Bridge Road, the Southern Railway and Waterloo Road has been acquired, including the Red Lion Brewery, the ancient shot tower and many wharves, but not the property of Jesus College, Oxford. It is necessary that all the area should be in one ownership if it is to be properly redeveloped; and it is just, as well as expedient, that the whole of the betterment that will accrue to the property should go to offset the cost of the improvement that will have caused it. The net cost of extending the present promenade in front of County Hall to beyond Waterloo Bridge, of realigning and widening roads, and indeed of making the South Bank a delight to the eye and a credit to London, is estimated at £1,629,000, of which property will cost in all £610,000, rehousing £194,000, and works £825,000. But this figure takes no account of the surplus lands that will remain in the Council's hands on the completion of the scheme. It may indeed prove virtually self-financing in the long run, as did that other great improvement, the driving of Kingsway through the slums of Clare Market, from which the Council now derives rents of

£146,000 a year in return for a net capital cost of £4½ millions. Some critics maintain that the present is no time to beautify London. But it is perhaps a barren pessimism that would deny Londoners a beautiful city and the money to enjoy it because of the grim need for underground shelters.

The Bressey Plan.—Sir Charles Bressey has passed into history as the author of a scheme to remodel the highways in and around London to meet the needs of the next generation's traffic. Sir Charles is not anxious that his report, published six months ago, should follow him. Turning on Tuesday last to the problem of putting his plan into practice, he expressed strong doubt whether its execution by the collaboration of the authorities concerned was even possible. Deliberations between the more than two hundred authorities affected, including districts as well as counties and boroughs, are indeed likely to promote delay tantamount to deadlock; each local authority is constitutionally determined not to further schemes which are not directly beneficial. Meanwhile development goes on around and across the proposed new routes; fresh housing estates spring up; and land values rise to raise the cost of the Bressey projects above the official estimate of £200 millions. Sir Charles suggested a way out. He would cut across fractionalism in the London region by setting up an Improvement Trust with few members and directive authority to impose the master-plan of his report upon planning and highway authorities, finance committees and spending departments. Here Sir Charles's eagerness to get the job done brings him into line with the planners who seek a single regional authority for the London area with executive powers. They too despair of the local authorities who, in the great complicated conurbation of the capital at least, have proved strikingly incapable of remoulding urban and industrial growth nearer to the general desire. Here also he joins the strategic experts who look upon clear exits from London as a first item among defence requirements. The planners are not wholly at one with Sir Charles because they regard his plan as designed to foster rather than check London's unhealthy growth; and the strategists would re-assess the particular importance of the different parts of his plan in the light of evacuation and war-time transport needs. But all are very properly agreed that action should be taken by some authority competent to do so.

Overseas Correspondence

From Our Special Correspondents

United States

The Causes of Recovery

NEW YORK, November 7.—Preliminary estimates of the index of production for October put the figure at 95, or five points higher than in September. This estimate is about the same as might be inferred from current automobile and steel production; and reaffirms the opinion that the hesitation of September was mere hesitation—partly due to war scare, partly to labour troubles, and partly, perhaps, to "digestion" of the rapid rise in July and August. From 77 in June to 95 in October is an almost explosive recovery—an ascent nearly as abrupt as the decline last autumn.

Yet, abrupt as it has been, it seems to be of a substantial character; and the index at 95 still represents a level far below prosperity. It is, for example, approximately the level recorded in the fourth quarter of 1935. The fly in the ointment is earnings. It does not appear that the earnings of the third quarter rose commensurately with the increase in the volume of production, though one should be cautious in generalising on the basis of such fragmentary data, and from a single three-month period.

Looking back at the genesis of the recovery, it is possible to enumerate a number of factors that seem to have been

influential. In point of time, the first index to show a decided upturn was residential building; and the upturn in residential building came immediately after the revision of the Federal Housing Act. While the most advertised feature of this Act was the sanction given to 90 per cent. instead of 80 per cent. mortgages on individual houses, the real innovation in the Act was the facility provided for building houses to let. It seems justifiable to believe that the Housing Act was a directly influential force in stimulating residential building.

The second factor in recovery, in point of time, was the release of the Inactive Gold Fund. Under that scheme, some \$1,400 millions of Treasury gold was monetised, and a great part of it put rapidly into the credit machine by the retirement of maturing Treasury Bills. The effects of this manoeuvre were (a) to increase bank cash, (b) to increase demand deposits in the commercial banks, and (c) to make a sort of vacuum in the investment market.

Probably certain psychological effects should also be taken into account. From conversations, it is hard to avoid the conclusion that the banking community never really understood the nature or function of the Inactive Fund. They were afraid of it; and the announcement of its abolition gave a sense of relief. Second among the psychological effects of the monetisation comes the beginning of the "inflation-mindedness" which dates from that period, and which has

become more influential this autumn. No matter what its ultimate consequences may be, the change last spring from "deflation-mindedness" to "inflation-mindedness" must probably be regarded as an important stimulating or enervating factor.

Taxation, Stocks and Expenditure

The third factor was the Tax Act, which became law about the end of May. This Act virtually abandoned the undistributed profits tax and modified the capital gains tax. It had the twin effects of allowing corporations a freer hand in their own spending programmes and permitting certain categories of individuals to invest in corporate securities, where they had formerly been forced by taxation into tax-exempt securities or idle cash. The Tax Act of May made shares more attractive as investments than they had been under the previous law; and it is at least a defensible opinion that this was a factor in the sensational share market advance that followed almost immediately. And the rise in the share market itself exercised a stimulating or encouraging influence on business.

All these three factors in recovery operated speedily. The Housing Act was almost immediately followed by an upturn in building. The release of the Inactive Fund caused an immediate increase in commercial bank deposits. The reduction in the capital gains tax made shares more attractive to individual investors, and the behaviour of the share market suggests that they were at once attracted.

Two other influences may be noted, both of them less tangible. Inventories were certainly reduced between December, 1937, and June, 1938; probably the reduction started earlier. There is good reason to suppose that, whatever the inventory position in general, a good many specific inventories were low enough to make their holders nervous, and therefore receptive to any factor suggesting the advisability of enlarging their stocks. And such influences as the rise in the share market, the reduction in steel prices and the first impact of the embryonic war scare on the non-ferrous metals were such factors.

The other intangible influence was the spending programme. Formally, this got under way only in the third quarter, but it actually began in the second quarter, or even at the end of the first. In its early phase, the distributions of Government money were largely in the form of farm benefits and increased outlay on relief projects. By the end of the third quarter, the programme was taking the form of non-residential building contracts and now there are signs that the revival of industry will soon cause relief expenditure to fall. The main impact of the spending programme may not yet have been felt, and it too has had an appreciable psychological influence.

The Role of Profits

A catalogue of causes like this is bound to be highly tentative and debatable. Some people would no doubt give much greater emphasis to the spending programme; others to the monetary factor; others to the "natural forces of cyclical recovery"; others to the flow of foreign capital; and still others to political prospects, labour relations and so on. The point is that the mid-year brought one of those abrupt reversals of trend which are characteristic of the American

economy, and whose analysis is always baffling and never completely satisfactory. At any rate the recovery seems to be genuine, in spite of its abruptness and in spite of the fact that its timing in mid-summer was unexpected.

The disappointing character of the reported earnings for the third quarter has given rise to a revival of the phrase "profitless prosperity." This term came into use in the middle 'twenties just prior to a period of very large profits, and is therefore somewhat suspect. Nevertheless, the question of the profitability of the American corporate economy is by no means answered. In any system largely based on mass production, it is scarcely to be expected that there will be much of a profit-margin except during periods of relatively full employment of the industrial plant. But such periods have, in recent years, been brief and infrequent, and the average earnings record has generally been mediocre. This is no proof that it will be so in the future, but, at the present time, one hears more doubts expressed about the profit margin than of the volume of employment in coming months. Yet, in the end, the profit margin must be the determinant of a continued and balanced recovery, since only a profitable economy is capable of maintaining its productive plant and equipment, or, in other words, its demand for capital goods.

France

[The French political and economic scene is entirely dominated this week by M. Reynaud's plan to bring about recovery. Since the Government's published decrees, as well as the official report on France's financial and economic situation which prefaced them, are dealt with *in extenso* on earlier pages of this issue, a letter from Paris would necessarily involve considerable duplication. Accordingly, no letter has been included.—Ed., *Econ.*]

Holland

A Warning Note

AMSTERDAM, November 13.—A group of prominent men, including Dr Trip, the President of the Netherlands Bank, and several directors of big Dutch banks, recently submitted a memorandum to Dr Colijn, the Prime Minister, emphasising the grave state of the country's finances. The stated deficit of 61 million guilders on the 1938 Budget should, according to them, have actually been recorded at a far higher figure, at least as high as 198 million guilders. Further, the group states that the national debt has risen by 1,380 millions since 1930, a portentous increase when set against the enormous decline in national assets and income. In addition, State expenditure is constantly growing, and the burden of taxation is in consequence increasingly heavy. This cannot, in the view of the group, but diminish employment and activity, and the memorandum comes to the conclusion that the pursuance of the present policy must necessarily lead to disaster.

All classes of the community, the memorandum states, are living at too high a standard. The nation fails to realise the disproportion between that high standard of living and the unsatisfactory economic and financial circumstances prevailing throughout the world. If the nation is not brought to realise this, and if it is not convinced by its leaders of the need to concentrate all its efforts on placing production once more on a remunerative basis and restoring sound State and municipal finances, the sacrifices to be made in the long run will become much heavier; and it is the poorer classes of the community who will have to shoulder the heaviest burdens.

On the whole, it was a recognised fact in the Netherlands that the country's finances were in none too satisfactory a state, as a result, in part at least, of the great expenditure entailed in coping with unemployment and augmenting the national defences. Nevertheless, despite the gloomy view taken by some people, it is generally considered that the Netherlands can well bear comparison with other countries on this score; and it is unfortunate that the above-mentioned memorandum should fail to suggest any precise means for solving the present difficulties. Under existing circumstances, a drastic reduction in State expenditure would clearly be quite impracticable.

Moreover, the memorandum probably presents an over-pessimistic picture of the situation. Encouraging reports have

been coming in from several quarters; and, according to an estimate of the Amsterdamsche Bank, for instance, the net profits of 360 Dutch companies during the past fiscal year rose by 57.8 million guilders, or 37 per cent., while their distributed dividends increased by 39.6 millions, or 51.1 per cent.

Recession Averted?

Other indications give the general impression that the retrograde movement which began in the autumn of 1937 came more or less to a standstill during the third quarter of this year. According to a publication of the Central Statistical Bureau and the Netherlands Institute of Economics, some branches of activity even showed a slight improvement, though most of them are of course still below the level of the corresponding quarter of 1937; and it should be remembered that seasonal influences are most beneficial to business during the third quarter of the year.

There has been a marked fall in unemployment, due partly to increased activity in the building trades. The various military measures taken during the crisis and the employment of some Netherlands abroad also affected the figures. While the metal industry and a few smaller trades report some progress, there has been a further setback in ship-building, and no pronounced change either way in agriculture. On the other hand, the foreign trade returns show that the decline in the value of exports has come to a standstill, and reports from shipping quarters remain fairly satisfactory.

There are two factors which have a definite bearing on the somewhat improved economic situation. In the first place, there is the increased expenditure proposed by the Government for armaments and the execution of public works, the stimulating effect of which has been further enhanced by the recent Budget, which provides for additional measures of this kind. Secondly, there has been the direct and indirect effect of the recovery, slight though it may have been as yet, in the United States. But monetary uncertainty in Europe still constitutes a disturbing influence. Employment is usually on the wane during the autumn and the first months of winter, so that any decrease in activity in coming months need not be taken as indicating a definite worsening of the economic situation.

More Exports

In September the value of exports was much higher than in August, amounting to 101,317,000 guilders, or 11.8 millions more than in the previous month. The value of imports, on the other hand, was almost the same as in August. In September some 2,086,000 tons were imported to the value of 116,904,000 guilders, compared with 2,043,000 tons, valued at 115,522,000 guilders, in August. Thus the import surplus was only 15,587,000 guilders, compared with 26,011,000 guilders in August.

Foreign trade in recent years is summarised, quarter by quarter, in the following table:—

	IMPORTS				EXPORTS			
	Value (In millions of guilders)				Value (In millions of guilders)			
	1935	1936	1937	1938	1935	1936	1937	1938
1st quarter ...	226	233	336	357	160	156	246	254
2nd " ...	229	234	410	344	159	163	286	245
3rd " ...	228	243	398	352	174	194	314	268
4th " ...	253	307	406	...	182	233	302	...
	Volume (In thousand tons)				Volume (In thousand tons)			
1st quarter ...	4,508	4,847	5,135	3,137	3,789	3,555	3,479	3,650
2nd " ...	4,841	5,951	5,523	3,093	4,022	3,479	3,650	3,650
3rd " ...	5,407	6,591	6,208	3,347	4,081	3,650	3,650	3,650
4th " ...	5,602	6,124	...	3,961	4,131	...	...	...

Quarterly trade with England has fallen appreciably. Imports from England have declined from 994,000 tons to 711,000 tons since the third quarter of last year, and exports to that country have dropped from 1,139,000 to 957,000 tons. The value of imports from England has fallen from 99 to 84 million guilders, if the third quarters of this and last year are compared, but since the value of exports to England fell far less, from 184 million to 180 million guilders, the balance of exports over imports in trade with England has actually risen from 85 million to 96 million guilders.

Poland

Government's Election Success

WARSAW, November 14.—The elections for a new Sejm (Lower House) on November 6th produced a poll of 11,844,704 out of a total electorate of 17,585,385, or 67.36 per cent. Only 45.9 per cent. of the electorate voted at the last

election in September, 1935. The figure of 11,844,704 includes, it is understood, a large number of unmarked or spoilt ballot papers. It also includes the votes cast by the German minority, which for the first time went to the polls as "A United German Front" to support the candidates belonging to the National Unity Camp, and all those who voted for the Jewish and Ukrainian candidates. Of the 208 Deputies elected, 161 owe allegiance to the National Unity Camp, five are Jews, fourteen Ukrainians from Galicia, and five pro-Government Ukrainians from Volhynia.

Making due allowance for unmarked ballot papers and what may be described as anti-Government votes, as well as for the fact that the principal Opposition parties (Peasant, Socialist and National Democratic) were not allowed—as they were in 1935—to advocate an electoral boycott, the result is nevertheless accepted by unprejudiced observers as a real success for the governing regime. The position of the Opposition parties, widely divided as they are, is probably weaker to-day than at any time since the Pilsudski *coup d'état* in May, 1926.

The "dynamic diplomacy" of which Colonel Beck, the Foreign Minister, has this year given several manifestations, has evidently found a full measure of popular approval; while the promise that one of the first tasks of the next Parliament, which meets early in December, will be to enact new electoral laws undoubtedly made a good impression. The duration of this good impression, however, will largely depend on how the new laws are framed, and then on how long the new Parliament lives. If it stays in for its allotted span of four years, the promise of electoral reform may not be worth much. The expectation at present, however, is that the new Parliament will be dissolved after passing the Budget for the next fiscal year and the new electoral laws.

Fresh Economic Problems

The popular acclaim with which the Polish public welcomed, early in October, the recovery from Czechoslovakia of "the lands beyond the Olza" with their mines, blast-furnaces and steel mills has now given place to serious economic study of the problems which the "rich dowry" has brought. As so often happens in history, the political preparations for an event are far in advance of the economic, and the newspapers are already recording economic discontent in Teschen-Silesia.

The position in regard to coal—with exports from Poland determined to a great extent by the Anglo-Polish Coal Marketing Agreement—is that the Polish production of 36.2 million metric tons (in 1937) may be increased by 7.5 million tons from the "redeemed" Teschen-Silesian mines. Polish steel production last year, which amounted to 1,450,000 metric tons, of which about 250,000 tons were exported, can now be increased by 550,000 tons from the Teschen district; while the pig iron production of 724,000 tons is increased by 480,000 tons—assuming in all cases that the Teschen mines and foundries will be allowed to maintain their output at the 1937 level.

But the further problem arises of equalising production costs, which in Teschen-Silesia—when it belonged to Czechoslovakia—were 30 per cent. below Polish costs in Upper Silesia. If the Czechoslovak market had been kept open for the coal and metallurgical output of Teschen-Silesia, the necessary economic adjustments would have been made easier, but it is understood that Czechoslovakia will import these commodities, as she may need them, only from Germany. Economists are accordingly sending out warnings that "within a few months our coal industry will be faced with a serious over-production problem."

Domestic consumption of coal fluctuates widely. In 1929, it was 31.5 million metric tons; in 1933, only 18.1 millions,

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Books and Publications

Money and Government

In this volume* Dr Paris recounts in a brief 115 pages of text and a further useful 70 pages of dates and reprints of laws, the main events in the monetary history of the United States since 1932. He gives a clear description of each stage of President Roosevelt's policy, from the banking crisis of 1933 to the de-sterilisation of gold in the spring of 1938. This book is an excellent compendium of facts, worthy to be put on the shelves beside Kemmerer and Hartley Withers. With an easy hand Dr Paris guides the reader through each Banking Act, each "fireside talk" and each international agreement.

But as a criticism of President Roosevelt's policies this book is not wholly reliable. Dr Paris's own point of view is at once too uncertain and too dogmatic to make his pronouncements on policy of any great value. On pages 33-34 he deprecates

fears that this pouring of gold into the United States may ultimately make this nation a dumping-ground for a commodity which will eventually lose its monetary value . . . it would be hard to believe that such a situation could ever come to pass.

Yet, on page 108, he warns his readers not to dismiss "too summarily" the same possibility—that the world may abandon gold as a standard.

Again, on page 8, the author quotes approvingly Dr Kemmerer's view that changes in the gold content of the dollar will affect commodity prices sooner or later. "Commodity prices," writes Dr Paris,

will lag somewhat behind the price of gold but unless sufficient offsetting factors develop, they will catch up eventually.

It is therefore astonishing to search in vain elsewhere in the book for any recognition of the efficiency of President Roosevelt's gold-price-raising policy; instead Dr Paris, in the teeth of his own principle, belittles the effect of that policy (on pages 105 and 106).

An explanation of Dr Paris's uncertain basis of criticism is not far to find. He nurses an unrelenting and uncritical hatred of any kind of governmental control of economic affairs. He pushes this attitude so far as quite intemperately to denounce exchange equalisation accounts as "dependent upon governmental whim" (page 114). He accuses economic planners (page 7) of aiming at State control of the "whole economic structure."

The weakness of this approach is that, lacking any sympathy whatever for anything that a government does, the critic is quite unable even to distinguish the worse from the better forms of State policy. "We do not know," complains Dr Paris on page 113, "upon what principle [the currency] is being managed." But it is also clear that he does not want to know. He makes no attempt to see the situation as the United States Government saw it from year to year, or to appreciate how they acted, sometimes successfully and sometimes not, with the set general purpose of smoothing out economic fluctuations and relieving the depression. Dr Paris's point of view ignores the fact that the exchange relationship between countries, the banking relationships between American individuals, and the relationship between the economic needs of the country and its actual production had all reached the point of utter breakdown, and that businessmen themselves were clamouring for the Government to provide a remedy.

Dr Paris does not comprehend that the art of government is the art of compromise; that without claiming omnipotence or universal knowledge, officialdom may effect good results by controlling some of the controllable factors in the economic situation; and that they may sometimes do this wisely, as well as sometimes with culpable foolishness.

Nevertheless, the author's ability in the exposition of

facts outweighs the pointlessness of his critical remarks, which are fortunately not many. He is especially good in his chapter on the silver-buying policy. But that chapter should have been used not to adorn a text on governmental interference with industry but as an example of private interference with government.

Shorter Notices

"Accounting for Economic Management." By D. S. Blacklock. Jackson, Son and Co., Glasgow. 8s. 6d. net.

This small and attractively printed book presents some interesting ideas developed as a result of the author's experiences in financial and cost accounting, backed by an earlier training in economics. It is not meant to be an exhaustive study of business management and accounting practice, but, as the author himself puts it, "a small haystack in which the experts can search for those brass tacks—valuable suggestions." The most prominent of these is what the author calls "differential costing," which he claims is more informative than "standard costings," more easily checked, and, most important, that it is applicable to non-standardised products and varying conditions of production. For his own illustrations of the system, however, the author maintains normal standard costs "under hypothetical and pre-determined conditions" as the basis, so that, in the case of variable material cost, the technique consists in analysing separately (a) the extra cost due to the extra quantity of a material used, (b) the extra cost due to the price of that material increasing, and (c) in cases of a group of materials, the change in the cost due to variations in the quantitative proportions of materials used. A similar technique analyses variable labour costs, "oncost," i.e. fixed costs and the remaining variable cost, and profit variation. As a study in accounting practice this is certainly a book to be read and examined, for it has many suggestive diagrams and statements in addition to its main thesis.

"Can Chamberlain Save Britain?" By Collin Brooks. Eyre and Spottiswoode. 247 pages. 7s. 6d.

Earlier this year Mr Brooks painted a foreboding picture of the perilous plight into which British industry, commerce, farming and indebtedness were plunging. Now, when there are signs that, in the economic field, the collapse upon which these oracular warnings were based has been arrested and the crisis Mr Brooks foretold at least postponed, this modern Cassandra has turned his attention to foreign policy. This book is a political pamphlet; it is pro-Chamberlain and anti-everyone else. The author calls for discipline and a simpler life, for appeasement on the Munich model backed by the economic and military might of Britain fully organised. Mr Brooks rightly says that there is no reason why wealthy Britain should not be stronger than the less well-to-do totalitarian States; and that gaps in our defences are fatal to diplomatic integrity; but his extreme partisanship rather mars the appreciable modicum of common sense which is simply and forcibly stated.

"The Gilds and Companies of London." By George Unwin. Third Edition. Allen and Unwin. 401 pages. 10s. 6d.

The late Professor Unwin was one of the most learned and humane of scholars. This book, first put out thirty years ago, is a classic in the roll of economic history, and with the same author's book on industrial organisation in Tudor and Stuart times, has blazed several new trails in the study of the past of the people. Mr F. J. Fisher has brought the appendices and list of sources up to date with care and skill, an essential addition; but the main body of the book still stands, as it did a generation ago, a monument of erudition—and of absorbing interest.

Books Received

Natalité et Progrès. By K. A. Wieth-Knudsen. (Paris) Recueil Sirey. 139 pages. 35 frs.

Labor in the United States. By W. S. Woytinsky. (New York) The Social Science Research Council. 333 pages. \$3.50.

Trade Associations in Law and Business. By B. S. Kirsh. (New York) Central Book Company. 399 pages. \$5.00.

THE BUSINESS WORLD

Britain's Markets

TWELVE months ago an examination of the returns of British overseas trade in these columns provoked a comment on the "slight but perceptible tendency towards regression" which, after four years of steady recovery, was revealed by the trade returns for the third quarter of 1937. The rate of expansion in the volume of our imports and exports was, it was then noted, smaller than in the earlier months of 1937, though the increase in average values had been accelerated. In particular, the volume of our exports was affected; the increase in 1937 over the corresponding period of 1936 fell from 18.6 per cent. in the second quarter to 8.4 per cent. in the third, while the corresponding percentages for the volume of our imports were 7.5 and 5.8 per cent. respectively.

Twelve months ago the clouds of trade recession appeared on the economic horizon. In succeeding months

The Economist has reported the steady downward trend in British exports and imports. The decline in business activity in many industrial countries, notably the United States, the fall in commodity prices which affected the purchasing power of the raw material producing regions, wars in China and Spain and rumours of war elsewhere, have left their mark on Britain's foreign trade. Some of these changes are revealed in the tables given below, which show the geographical distribution of our imports and exports in the third quarter of 1938 and in the corresponding quarter of three earlier years.

Compared with a year ago, the fall in the value of British exports has been larger than the fall in the value of our imports. The greater part of this fall in our exports has been due to the reduced purchases of other industrial countries, such as the United States, France, the Netherlands

TRADE WITH FOREIGN COUNTRIES OUTSIDE EUROPE
July to September
(£'000)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1937	1938	% change since 1937	1929	1933	1937	1938	% change since 1937
Turkey ...	560	151	365	181	-50.4	993	326	379	552	+46.1
Egypt ...	3,488	1,999	1,521	1,899	+24.8	2,829	1,506	1,983	2,084	+5.2
Iraq ...	365	123	954	705	-26.1	577	414	834	624	-25.2
Iran ...	2,013	2,014	2,889	2,616	-9.5	466	227	713	1,237	+74.4
China ...	3,347	1,816	2,975	1,802	-39.5	3,584	1,707	1,454	1,062	-26.1
Japan ...	1,914	1,345	2,785	2,068	-25.8	3,661	838	1,077	395	-63.3
U.S.A. ...	39,269	17,813	26,434	25,121	-5.0	11,723	6,552	7,326	4,893	-33.2
Depndcs.	523	212	429	319	-25.6	330	159	212	181	-14.8
Cuba ...	3,458	1,746	1,835	1,654	-9.8	486	147	331	160	-51.7
Mexico ...	661	512	1,022	402	-60.7	641	321	423	139	-67.1
Colombia ...	523	256	35	54	+54.2	785	557	805	331	-58.9
Peru ...	2,369	1,685	1,847	1,384	-25.1	467	180	267	249	-6.8
Chile ...	2,578	900	2,576	2,183	-15.1	2,299	208	523	405	-22.6
Brazil ...	1,811	1,372	2,770	2,156	-22.1	3,082	1,457	1,884	1,244	-34.0
Uruguay ...	1,162	708	824	858	+4.3	935	456	670	567	-15.4
Bolivia ...	1,511	442	887	737	-16.8	129	152	56	57	+1.8
Argentina ...	20,807	10,605	11,652	8,477	-27.2	8,105	3,398	5,641	5,581	-1.1
Other Non-European Countries	2,105	1,338	1,898	1,654	-12.8	2,648	1,379	1,513	1,064	-29.6
Total ...	88,464	45,202	63,797	54,417	-14.7	43,789	20,097	26,219	20,849	-20.5
As % of total of all groups	30.3	27.0	24.6	24.4		23.7	21.6	19.5	18.3	

TRADE WITH BRITISH COUNTRIES
July to September
(£'000)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1937	1938	% change since 1937	1929	1933	1937	1938	% change since 1937
Eire ...	12,308	4,347	5,715	6,654	+16.1	9,314	4,694	5,044	4,751	-5.8
W. Africa ...	1,948	960	2,584	2,676	+3.5	2,864	1,466	3,708	2,289	-38.3
S. Africa ...	3,943	2,359	5,047	3,219	-36.2	8,224	6,023	10,670	9,325	-12.4
India ...	18,877	12,371	19,849	18,570	-6.4	20,316	8,455	10,466	9,546	-8.8
Burma & Ceylon ...	4,119	831	2,651	1,731	-34.8	3,003	1,113	2,182	1,700	-22.1
Straits Settlements ...	10,325	8,361	15,292	14,697	-3.9	14,603	5,471	10,326	9,210	-10.8
New Zealand ...	8,563	9,197	11,469	11,523	+0.5	5,980	2,619	5,792	4,697	-19.4
Canada ...	12,419	11,587	23,203	17,895	-23.0	8,641	4,910	7,556	5,556	-26.5
West Indies ...	1,510	2,000	3,187	3,340	+4.9	1,146	1,059	1,500	1,491	-0.7
Other Possessions ...	5,769	5,476	10,699	9,623	-10.0	7,864	5,067	7,776	7,528	-3.1
Total ...	79,781	47,489	99,696	89,928	-9.8	81,955	40,877	65,020	56,093	-13.7
As % of total of all groups	27.3	34.3	38.4	40.4		44.4	43.9	48.4	49.4	

TRADE WITH EUROPEAN COUNTRIES
July to September
(£'000)

From or to	IMPORTS					BRITISH EXPORTS				
	1929	1933	1937	1938	% change since 1937	1929	1933	1937	1938	% change since 1937
U.S.S.R. ...	8,547	6,003	10,397	7,876	-24.2	968	602	921	1,348	+46.4
Finland ...	5,634	4,831	8,263	5,855	-29.2	870	742	1,829	1,535	-16.1
Latvia ...	1,675	960	1,509	1,417	-6.1	544	381	473	445	-5.6
Sweden ...	7,665	4,962	7,775	5,772	-25.8	2,610	1,889	3,612	2,940	-18.6
Norway ...	3,606	1,821	2,886	2,259	-21.7	3,027	1,354	2,478	1,689	-31.2
Denmark ...	15,133	9,834	9,597	10,356	+7.8	2,880	2,971	4,278	3,888	-9.1
Poland ...	2,308	1,893	3,194	2,528	-20.9	1,159	755	1,390	1,252	-10.0
Germany ...	17,982	7,569	9,627	7,179	-25.4	9,468	3,981	5,458	5,280	-3.2
Netherlands ...	11,801	5,389	9,287	8,493	-8.6	5,657	3,113	3,946	3,251	-17.6
Dep. ...	4,787	2,762	6,510	4,955	-24.9	2,386	742	1,400	980	-30.0
Belgium ...	11,338	3,290	5,555	3,989	-28.2	4,607	1,995	2,522	1,791	-29.0
Dep. ...	142	5	92	72	-21.7	199	84	145	88	-39.4
France ...	14,077	4,559	5,809	5,173	-11.0	7,649	4,104	5,028	3,323	-34.2
Dep. ...	1,603	651	1,592	1,240	-22.1	1,803	837	978	732	-25.1
Switzerland ...	3,351	1,252	1,916	1,663	-13.3	1,467	986	1,222	839	-30.7
Portugal ...	1,140	731	1,162	1,045	-10.0	815	1,092	736	880	+19.5
Dep. ...	231	76	180	111	-38.4	1,172	624	634	556	-12.3
Spain ...	3,408	1,777	1,323	868	-34.4	2,935	1,046	736	705	-4.9
Italy ...	4,020	2,463	2,133	1,787	-16.3	3,808	2,247	1,449	1,299	-10.3
Dep. ...	24	19	5	5	-75.0	34	23	3	3	-93.5
Austria ...	744	321	703	295	-58.0	673	240	439	270	-41.2
Czechoslovakia ...	1,803	806	1,869	1,771	-5.3	512	231	626	623	-0.4
Greece ...	294	174	373	256	-31.4	1,400	443	789	1,145	+45.1
Roumania ...	648	924	972	679	-30.1	533	484	450	294	-34.7
Other European countries	1,720	1,617	3,509	2,679	-23.7	1,322	795	1,828	1,431	-21.7
Total ...	124,089	64,795	96,390	78,425	-18.6	58,924	32,127	43,154	36,655	-15.1
As % of total of all groups	42.4	38.7	37.0	35.2		31.9	34.5	32.1	32.3	

RE-EXPORTS
July to September
(£'000)

To	1929	1933	1937	1938	% change since 1937
U.S.S.R. ...	935	426	5,224	1,636	-68.8
Germany ...	4,376	2,086	1,534	1,252	-18.2
Netherlands ...	1,509	447	434	368	-15.2
Dependences ...	43	21	20	19	-5.0
Belgium ...	1,788	787	1,082	844	-22.0
Dependences ...	8	5	6	4	-33.0
France ...	2,693	1,314	1,660	1,578	-5.0
Dependences ...	51	38	30	18	-36.0
United States ...	3,994	2,212	2,834	2,850	+0.6
Dependences ...	5	1	3	3	-33.3
Other Foreign Countries ...	2,737	1,771	2,638	2,320	-12.0
Irish Free State ...	2,354	1,214	1,677	1,358	-18.2
Other British Countries ...	3,183	1,636	1,568	1,362	-13.1
Total ...	23,876	11,940	18,710	13,612	-27.2

* Monetary Policies of the United States, 1932-1938. By J. D. Paris. Columbia University Press. 198 pages. 14s.

and Switzerland, which are important customers for British goods; our imports from these countries have been better maintained than our exports to them. The reverse is generally true of the group of countries including Scandinavia and the Argentine, whose exports to us are affected by our agricultural protection and whose purchases from Britain are partly regulated by trade agreements.

But apart from these general developments, there are the more limited changes in our trade with individual countries. The policy of exchange control recently adopted by Japan reduced her purchases from Britain to nearly one-third of the level ruling a year ago, while her exports to us have fallen by a quarter. The war in China has affected British imports and exports in nearly equal proportions, but the war in Spain has caused in the last twelve months a proportionately greater fall in our imports. The absorption of Austria into the Greater Reich has been followed by a fall, compared with 1937, of 58 per cent. in our imports from that province and a fall of 41.2 per cent. in its imports from Britain. As a result, perhaps, of the recent British loan to Turkey, exports to that country nearly doubled between the third quarters of 1937 and 1938, although British imports from Turkey fell by half. The lifting of the Anglo-Irish economic war has been followed by a marked expansion in our purchases from Eire, though our exports continue to decline slowly.

It will be seen that the Empire continues to absorb an increasing proportion of our overseas trade. Almost half of Britain's exports are now bought by British countries, compared with 44.4 per cent. in 1929. Only 40 per cent. of the value of our imports is drawn from the Empire, but this compares with 27.3 per cent. in 1929. The proportion of our exports bought by Europe has shown little change, but we have bought from the Continent a relatively smaller part of our total imports.

These details of our overseas trade are an interesting commentary on the effects of the trade policies of different countries, including our own. But beneath these individual fluctuations there are signs which point to a change in the governing trend of our trade, a change more welcome than that which was foreshadowed a year ago.

The total value of both our imports and exports in the

third quarter of 1938 had, indeed, declined more when compared with the corresponding period of 1937 than in the second quarter. But changes in value are a compound of changes in average price and changes in volume. As the table below shows, the rate of fall in the volume of our imports declined from 9.5 per cent. in the second quarter to 4.1 per cent. in the third, while the proportionate fall in the volume of our exports declined from 15.8 per cent. to 14.4 per cent. And, for

OVERSEAS TRADE IN EACH QUARTER OF 1938 COMPARED WITH CORRESPONDING QUARTER OF 1937

	Value Per cent.	Volume Per cent.	Average Price Per cent.
<i>Imports</i>			
1st quarter	+ 6.8	+ 4.2	+ 2.4
2nd "	- 11.7	- 9.5	- 6.3
3rd "	- 14.3	- 4.1	- 10.7
<i>Exports</i>			
1st quarter	- 0.2	- 7.9	+ 8.4
2nd "	- 13.7	- 15.8	+ 2.5
3rd "	- 15.7	- 14.4	- 1.2

the first time, the average price of our exports, as calculated by the Board of Trade, has fallen below that ruling a year ago. As our exports become more competitive in price their volume may be expected to increase, though it must be noticed that the fall in average import values was intensified in the third quarter of 1938; the margin between import and export prices—the terms of trade—has again increased, in spite of the fall in average export values.

It seems therefore, that the gleams of a trade revival, as seen through the medium of the foreign trade returns, are considerably less definite than were the shadows, a year ago, of the trade recession. And, while the depression of 1937 appeared as a normal phenomenon to economic theorists and students of the trade cycle, a revival in 1938, after barely a year of declining activity, must be regarded as an abnormality whose existence should be doubted until it is conclusively proved. But there are already signs that the sustained recovery in the United States, by lifting commodity prices, is gradually increasing the purchasing power of primary producing countries.

Arms and the Investor—I.

Outlook for Gilt-Edged

GILT-EDGED security prices, after falling heavily during the September crisis (when for a time special minimum price arrangements were in force among dealers on the Stock Exchange), and recovering a considerable part, although not the whole, of their decline after the signature of the Munich Agreement, showed signs of incipient strength last week. In the last few days, however, the trend has again been downwards. Altogether, the recent course of the market suggests that international politics are playing a larger part in the determination of prices than at any time since the Great War. The market naturally welcomed Mr Chamberlain's strong re-statement of his policy of international appeasement and ultimate disarmament. By the same token, it marked prices down when the unfavourable international reaction to the rabid persecution of the Jews in Germany suggested strong doubts of the practicability of any real and lasting *rapprochement* with a country whose leaders were so minded. Clearly, the market is right in regarding questions of peace or war and of the extent and speed of Britain's re-armament as major influences governing rates of interest in the next few years. Equally clearly, the market has not yet made up its mind on their solution; for both the rise of gilt-edged prices at the re-opening of Parliament and the fall this week would have been far greater if there had been either universal confidence in the success of Mr Chamberlain's appeasement policy or a general conviction of its impracticability.

If political factors could be ruled out, the outlook for

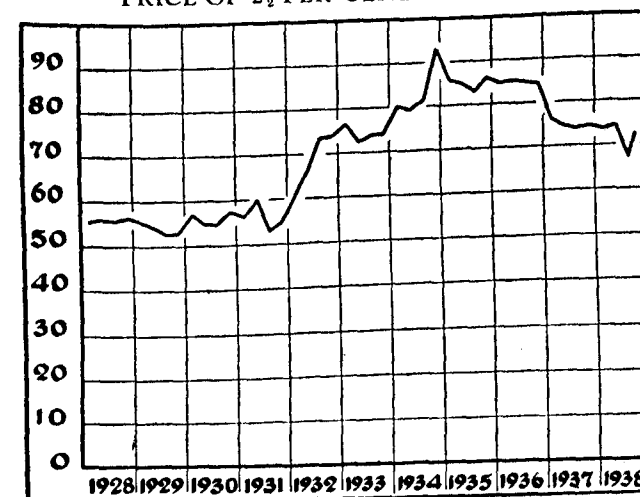
gilt-edged would in many ways be encouraging. Recent economic indices go some way to bear out the views of those commentators who prophesied that the trade recession which began in the summer of 1937 would be less deep and prolonged than its predecessor. Gilt-edged prices, which normally tend to move downwards in company with industrial share values in the initial phase of a cyclical depression, usually become firmer as recession immobilises industrial funds, and continue to rise even during the early days of trade recovery. Normally, therefore, a steady to firm market could be expected during the next few months, whether they were viewed, optimistically, as a probable first stage in industrial convalescence or, more pessimistically, as a secondary phase of a recessionary period.

If normal factors alone were relevant, moreover, the experience of the last six years might be regarded as reassuring testimony of the permanence of the regime of lower interest rates on which the War Loan Conversion operation of 1932 set the official seal. As the attached chart of the price of 2½ per cent. Consols since 1928 shows, the substantial appreciation in gilt-edged values which occurred between 1929 and 1932 has been fully maintained, for 2½ per cent. Consols, which before the War Loan Conversion operation were quoted at 66, are worth 72 to-day. Another long-term stock, 4 per cent. Consols, stood at 101 in June, 1932, and is now quoted at 107½, while 3½ per cent. Conversion, which were worth 93, now stand

at 99½. It is true that in the meantime 2½ per cent. Consols have been as high as 94½, while 4 per cent. Consols have touched 120 and 3½ per cent. Conversion has been as high as 112½. The suggestion, however, that the Treasury in 1932 had merely taken advantage of the low point of an interest cycle to effect a conversion scheme, has certainly not been borne out. The course of the market is at least as consonant with the view that, though interest rates are still liable to short-term fluctuations, something like 3 per cent. to 3½ per cent., instead of 4½ per cent. or more as in the 1920's, would be the characteristic yield basis for long-term British Government stock, in the absence of abnormal non-cyclical forces.

How far are those abnormal influences likely to affect the outlook in the near future? Obviously, if Great Britain were involved in actual war, a considerable rise in the rate of interest, with a corresponding fall in gilt-edged values, would be hard to avoid. Between 1914 and 1920 over £6,000 millions was added to Britain's national debt and the yield on 2½ per cent. Consols, which averaged 3.4 per

PRICE OF 2½ PER CENT. CONSOLS



cent. in 1913, was as high as 5.3 per cent. in 1920. To that extent, ownership of gilt-edged stocks to-day must be a gamble on the success of Mr Chamberlain's appeasement policy, if in fact there is no alternative to war in the event of its breakdown. The decision will ultimately depend on factors entirely beyond the gilt-edged market's control, and it may be more profitable, at this stage, to examine the problem rather in terms of the cost of the re-armament measures to which this country is already committed and its probable expansion under any practicable scheme of intensified defence preparation which falls short of war itself.

Broadly, defence expenditure for the financial year 1938-39—including Budget estimates and supplementaries—is £370 millions, of which, in round figures, £255 millions is to be covered by taxation and £115 millions by borrowing. Already it is known that the Air Force total will increase by about £80 millions next year. If the programme for all other services (including air-raid precautions) is not greatly increased beyond the present programme, something like £500 millions might cover total defence requirements next year. On the other hand, if the programme were extended and expedited, another £100 millions, making £600 millions in all, might represent the limit of practicable expenditure without putting the nation on a quasi-war basis. In either case, part of the increased expenditure of next year could, and should, be financed from taxation and, to a less extent, from economies in non-defence expenditure. The national revenue will be less buoyant in 1939-40 than in 1938-39, but there has, as yet, been no really considerable falling off in many forms of national consumption which contribute largely to the Exchequer, and although industrial profits appear to have passed their peak about the middle of this year, their decline is so far fairly moderate. If by increased taxation and economies it were found practicable to raise the share of total defence expenditure provided by taxation by, say,

BRITISH GOVERNMENT AND GUARANTEED STOCKS
In Order of Appropriate Redemption Date

Stock	Redeemable	Price Nov. 16, 1938	Yield %
4½% Conversion Loan	1940-44	105	4 17 6
L.P.T.B. 4½% T.F.A. Stk.	1942-72	104½	3 12 0
5% Conversion Loan	1944-64	111	3 1 0
2½% Nat. Def. Bonds	1944-48	99	2 12 6
2½% Conversion Loan	1944-49	97½	2 15 0
3½% War Loan	from 1952	99½xd	3 11 3
Railway Finance Corp. 2½% Gtd. Stk.	1951-52	91½	3 6 4
3% Conversion Loan	1948-53	100	3 0 6
3% Austrian Internat. Gtd.	1933-53	98½	3 3 0
Lond. Elec. Trans. Finance Corp.	1950-55	90½	3 5 7
2½% Gtd. Deb. Stk.	from 1957	108	3 9 6
4% Consol. Loan	1952-57	93½xd	3 4 3
2½% Funding Loan	1952-57	93½xd	3 4 3
3% Nat. Def. Loan	1954-58	98	3 3 0
4% Funding Loan	1960-90	109½	3 8 0
3½% Conversion Loan	from 1961	99½	3 11 0
2½% Funding Loan	1956-61	88½	3 4 8
Newfoundland 3% Gtd. Stk.	1943-63	96½	3 5 0
3% Funding Loan	1959-69	95½	3 4 9
3% Redemp. Stk. (Tithe)	1986-96	88	3 10 0
2½% Annuities	...	71	3 10 9
2½% Annuities	...	78	3 10 9
2½% Consol. Stk.	...	72	3 9 6
4% Victory Bonds	...	108½	3 14 1
Gtd. 2½% Stock (Irish Land Act)	...	81½	3 8 0
Local Loans 3%	...	85	3 11 3

about £50 millions net, the amount to be raised by borrowing would be approximately £200 millions a year on the more, and £300 millions on the less, optimistic of our two assumptions. If the additional amount raised by taxation and economies were £100 millions, the respective borrowing limits would be £150 millions and £250 millions. If the total normal national savings, under all headings, can be put at upwards of £400 millions a year, it is obvious that new gilt-edged borrowing on these dimensions can hardly be effected in any case without some resort to the weapons—restriction on non-Government borrowing and even a deliberate broadening of the basis of credit—which

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to-day are at the Treasury's disposal. The higher the total of actual borrowing, the greater the prospect that, despite the cushioning effect of these expedients, there will be some rise in effective interest rates and the greater the likelihood that the Treasury, in fixing the terms of any issue, will give practical recognition to that tendency, since the dimensions of future interest payments will be of secondary importance as compared with the necessity of obtaining prompt and complete subscription of the new money. On the other hand, it is evident that, so long as even armed peace is preserved, the amount of new borrowing will be only a fraction of the total raised during the last war, and any rise in interest rates to the heights, say, of 1918-20 will be wholly improbable.

The evidence, altogether, supports the conclusion that, even if war is ruled out, Britain's re-armament programme is unlikely to be completed without some further fall in gilt-edged prices, though the decline may, if all goes well, be relatively moderate. Even a limited further depreciation in values would, of course, be a serious matter for the many institutions and trustees which are large holders of Government stocks. They have, however, one means of mitigating its ill-effects, which was not open to them five or six years ago. For some time after the War

Loan Conversion of 1932, the gilt-edged market was compelled largely to go "long," but more recently the Treasury has issued a number of "dated" stocks which allow investors a wide choice of maturities during the next thirty years. In the table on page 381 we show the present prices and yields of gilt-edged stocks (including issues guaranteed by the Treasury) according to dates of maturities on the usual assumption that those standing above par will be redeemed at the earliest, and those below par at the latest, date provided in the bond.

It will be seen that the yields obtainable vary from about $2\frac{3}{4}$ to $3\frac{1}{2}$ per cent. In some instances a moderate fall in prices might, by bringing the stock below par, postpone its assumed date of repayment. Even if investors choose to omit these stocks from their list (or alternatively to assume the later repayment date) it is clear that they have still an opportunity for spreading the time risk factor in such a way as to ensure the ultimate return of their capital intact, at any average date, broadly, from 1948 onwards. If, in fact, any decline in prices is limited to a few points, then the probability of repayments in the early 'forties reduces the "uncovered" period to four or five years. For "hedging" purposes, the possibilities suggested by this table deserve close consideration.

Finance and Banking

The Fall in Sterling.—Last Monday's sudden drop in sterling from \$4.75 to \$4.70, details of which are given on another page, was due to a combination of causes. The chief influence probably was a fresh flight of funds from Europe to the United States, inspired by the hardening of world opinion against Germany and the consequent reaction upon the international political outlook. This movement of funds may have been bigger than some people suspect. Simultaneously there was a sudden though temporary movement of funds back to France, inspired by the first impression of M. Reynaud's programme. This replenished the sterling resources of the French Control, and it appears that the French authorities decided to transfer part of this sterling into dollars. The British control made no attempt to resist Monday's drop in sterling, but on Tuesday it gave energetic support, and the market estimates that on that day it lost about £5,000,000 of gold. This week's Bank return certainly does not controvert this view. International support was also given on Wednesday. Granted that Monday's pressure was bigger than was generally expected, the British authorities must have been faced with the choice between immediate and sustained resistance and the course actually adopted, namely that of letting sterling fall to a point of natural resistance and then intervening. The latter alternative possibly minimises the Exchange Account's gold losses, but only at the cost of permitting a fall in the rate. On the other hand, with the exchanges so much at the mercy of political influences and capital movements, it is difficult to say that there is an appropriate rate for sterling, and \$4.70 may be just as good, or as bad, as \$4.75.

French Gold Revaluation.—Apart from the main purport of the new French financial changes, which are described in full elsewhere in this issue, the new convention between the Treasury and the Bank of France possesses certain points of technical interest. Briefly, the Bank's gold is to be written up from a basis of 43 to one of 27.5 grammes, nine-tenths fine, per franc, and the profit on this revaluation is to be applied to a reduction of the Bank's provisional advances to the Treasury. It is further agreed that the repayment of the balance of these advances shall ultimately be a first charge upon (a) the proceeds of the liquidation of the Exchange Fund and Rentes Fund; (b) the profit resulting from the immediate and conse-

quential revaluation of the Bank's *devisen* on the same basis as above; and (c) any profit from a future revaluation of the Bank's gold and *devisen*. It is further agreed that the State's permanent debt to the Bank shall be increased from Frs. 3,200 millions to Frs. 10,000 millions, the difference of Frs. 6,800 millions to be placed to the credit of the French Treasury forthwith. The profit on the Bank's gold holdings of Frs. 55,808 millions, as shown in recent returns, will amount to Frs. 31,455 millions. Thus, neglecting any profit on the Bank's *devisen*, the net effect on the Bank's position will be to raise its gold stocks to Frs. 87,263 millions; to reduce provisional advances from Frs. 48,134 millions to Frs. 16,679 millions; to raise permanent advances to Frs. 10,000 millions; and to increase public deposits from Frs. 3,451 millions to Frs. 10,251 millions. M. Reynaud will look to this last sum to help him through the next six months, during which he has promised to refrain from approaching the capital market. The memorandum accompanying this decree says that the basis of revaluation was fixed so as to correspond to an exchange rate of Frs. 170 to the pound sterling. This rate is chosen so as to leave some margin for a possible appreciation of the franc from the Daladier limit of Frs. 179. This decision is also an implicit recognition that France is virtually on the sterling standard; while a simple calculation shows that the French authorities have assumed the sterling price of gold to be about 147s. 6d. per fine ounce.

French Control Operations.—The recovery of the franc during the first two days of the week, following upon the publication of M. Reynaud's measures, provided the French authorities with an excellent opportunity to replenish their depleted gold and foreign exchange reserves. On Monday, they took full advantage of their opportunity. They rigidly resisted the tendency of the franc to appreciate as a result of the buying pressure caused by bear covering and some repatriations. Consequently, the inducement to buy francs at a rate close to the declared lowest level was strong. On the following day, however, the French control was unable to resist the temptation to give a visible display of the strength of the franc and allowed it to appreciate in relation to sterling. At one time, the sterling-franc rate was permitted to decline to 178½. Since M. Reynaud declared on Saturday that the franc would stick to sterling in all

circumstances, the appreciation of the dollar against sterling should not in itself have led to an appreciation of the franc. As soon as the franc had departed from its officially-declared minimum level, however, it became vulnerable, and the anticipation of political opposition to M. Reynaud's scheme produced renewed weakness on Wednesday. As a result, the French authorities, who had to support the rate, relinquished much of the foreign exchange acquired during the two previous days. Nor is this the only respect in which the tactics adopted by the French authorities are open to criticism. On Monday and Tuesday, strong buying pressure on dollars developed in London on French account, simultaneously with the improvement of the franc. To a large extent, this is known to have been due to operations by the French authorities, who, having bought sterling from French nationals, promptly resold it in order to acquire dollars. It is, of course, understandable that the French authorities should wish to build up a gold reserve in the United States, but it may well be asked why this could not be done without causing selling pressure on sterling in the open market. The technical co-operation between the members of the Tripartite Agreement can scarcely be adequate if such triangular transactions cannot be arranged behind closed doors in order to avoid disturbance to the market.

Irish Banks' Returns.—The returns for the banks operating in Eire for the September quarter, published by the Currency Commission, are as follows:—

	Sept. quarter, 1937	June quarter, 1938	September quarter, 1938		
			In Eire	Elsewhere	Total
Liabilities:—					
Capital, reserves, etc.	17,389	17,463	10,289	7,212	17,501
Notes in circulation	8,883	8,975	5,120	3,743	8,863
Current deposit and other accounts	161,285	162,626	113,319	43,288	156,607
Other liabilities	5,225	6,086	2,832	2,241	5,073
Total	192,783	195,133	131,560	56,485	188,045
Assets:—					
Cash and balances with London agents and other banks	11,536	13,366	5,022	9,803	14,825
Money at call and short notice	10,454	13,431	8	8,680	8,688
Bills	6,590	6,579	4,817	935	5,752
Loans and advances	70,230	73,225	47,127	25,447	72,574
Investments—					
(a) Government	75,658	70,835	3,862	65,066	68,928
(b) Other	10,694	9,827	3,821	5,824	9,645
Other assets	7,619	7,867	3,229	4,401	7,630
Total	192,783	195,133	67,888	120,157	188,045
Excess of assets outside Eire over liabilities outside Eire	69,082	67,298	...	...	63,672

The decline in the volume of deposits is to some extent the result of the flotation of the Financial Agreement Loan, which attracted funds from deposit accounts. The increase in cash probably reflects the desire of the banks to secure exceptional liquidity in the difficult period of the international crisis, and it will be observed that this additional liquidity was obtained by reducing the amount of money at call and short notice. The increase in loans and advances reflects the growing confidence caused by the resumption of normal export conditions following the Anglo-Irish agreement. The fall in investments is partly explained by the additional demand for loans, but it is also due to the persistent disequilibrium in the balance of payments, the existence of which is demonstrated by the decline in the banks' net sterling assets, which have reached the lowest level yet recorded. This matter was fully dealt with in the Report of the Banking Commission, whose anxiety is proved by the above statistics not to have been unfounded.

French Guilder Bills.—Activity in the gold market has recently been stimulated by operations arising out of the coming repayment of French Railway bills to the amount of 150,000,000 guilders placed in Amsterdam.

These bills, which were marketed last year by the Mendelssohn group, contained a gold clause giving the holder the option of taking repayment either in guilders or in gold at a parity of 48.89975 kilos of fine gold per 100,000 guilders. The present price of gold in Holland works out at about 48.66 kilos per 100,000 guilders and consequently every holder is exercising his gold option. A certain number of holders took advantage of the premium on forward gold which developed a few months ago to sell forward the gold to which they would become entitled on the maturity of the bonds. They have probably gained less advantage than those holders who are now selling in the spot market the gold taken by way of repayment, for the rise in the guilder price of gold over the past three months has been greater than the premium on forward gold which then obtained. Holders of these guilder bills have therefore earned the $3\frac{1}{2}$ per cent. interest at which the bills were placed, together with the yield on the guilder "swap" (for those outside Holland), and the premium of about $\frac{1}{2}$ per cent. flat on gold redemption. In the circumstances, it is not surprising that a new line of 100,000,000 guilders French Government bills placed with the same group at $2\frac{1}{2}$ per cent. for 15 months should be meeting with considerable success. The new bills, which are dated November 30, 1938, and will therefore provide part of the funds needed to repay the Railway bills maturing on that day, also have a gold clause, but in their case the optional gold parity is fixed at 48.33 kilos of fine gold to 100,000 guilders. Another rise of 0.7 per cent. in the guilder price of gold would have to take place before this option became advantageous.

British Insurance and the Pogroms.—There has been considerable discussion this week of the liabilities falling on British insurance concerns from damage to Jewish properties during the recent "riots" in Germany.

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Two aspects of the problem tend to dull the clear-cut outlines of legal issues involved—firstly, the alleged official inspiration and organisation of the outbreaks against Jews and their property, and secondly the announcement by the German authorities that the payments in respect of claims must be made by the insurance companies not to the insured parties but to the Government. The first is obviously a highly debatable point. The second seems at first sight to tamper fundamentally with the insurance contract, but since the direct claims will fall very largely on German companies it may be assumed that the will of the authorities will prevail over the subtleties of the legal position—that in fact the claims will be paid, and in the manner ordered by the Government. The liabilities of Lloyds' underwriters and British companies arising out of the direct placing of insurance against riot risks in Germany must be virtually nil. Formerly such business attained some magnitude, but it has been drastically reduced since 1933. The greatest liability to British insurance interests, indeed, is likely

to arise through the reinsurance here of riot risks underwritten by German and Swiss companies. In judging such claims the exceptional aspects of the riots which led to the damage and the deflection of the claim payments do not enter into consideration. The general principle is that the reinsurer's liability arises as soon as the direct insurer has paid. It is true that British reinsurers of riots and civil commotion risks in Spain have not yet paid, but in this case the clarification of legally established claims awaits a final decision as to which is the established Government of the country. No such complication arises from the anti-Jewish riots in Germany. Fortunately, the amount of German riot risk business reinsured in this country appears to be exceptionally small. For this reason, the German insurance companies directly involved may decide to waive their claims on reinsurers abroad. Their foreign reinsurance facilities are decidedly valuable to them and they may decide not to spoil this market by exercising the claims arising out of the abnormal occurrences of the past ten days.

MONEY MARKET NOTES

The Bank Return

THIS week's decrease in the note circulation is a normal movement for the middle of November. The Christmas expansion in the circulation is not due to begin until the end of the month. By this time last year, however, the seasonal enlargement of the fiduciary note issue, from £200 to £220 millions, had been announced, but no similar increase has yet taken place this year.

	Nov. 17, 1937	Nov. 2, 1938	Nov. 9, 1938	Nov. 16, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold	326.4	326.4	326.4	326.4
Notes in circulation	481.1	483.9	482.7	478.6
Banking Dept.:				
Reserve	66.8	42.5	43.7	47.8
Public Deps.	33.2	14.1	15.9	35.0
Bankers' Deps.	86.7	109.5	109.5	89.5
Other Deps.	36.1	36.4	35.5	35.0
Govt. Secs.	76.6	102.4	101.6	95.2
Discounts & Advances	9.0	10.4	11.1	12.4
Other Secs.	21.3	21.1	21.0	20.6
Proportion	42.8%	27.3%	27.9%	30.7%

In the banking department, the rise of £4.1 millions in the Reserve, due to the contraction in the note circulation, has been offset by a reduction of £6.4 millions in Government securities. This is the normal practice, and has the effect of keeping the total resources of the banking department at a constant level. The main movement this week is a change-over of about £20 millions from bankers' to public deposits. Public deposits usually have a rising trend during November, as cash is being accumulated in readiness for the War Loan dividend payment. This week the trend has been reinforced by discrepancies between the dates of Treasury bill payments and maturities.

Foreign Exchanges

AFTER remaining around \$4.73½ until the week-end, sterling rallied to \$4.75 early Monday morning, as the result of the repatriation of funds to France, following the announcement of M. Reynaud's programme. This rally was short-lived, for on the same day sterling dropped to \$4.70. Since then the rate has hovered around \$4.70 or a shade under, Thursday afternoon's quotations being either side of \$4.70½. Spot francs were firm early in the week at a rate which ultimately fell to Frs. 178½. This appeared too low a rate to some oper-

ators, who saw a chance of making a profit through sales of francs. The rate consequently rose on Wednesday to Frs. 178½, but strengthened again on Thursday to Frs. 178½. The repatriation movement is now less in evidence than it was early in the week. Forward francs, however, have been relatively strong, with the three months' rate at Frs. 2½ discount. There has been a marked appreciation of the Amsterdam rate from Fl. 8.74 to Fl. 8.65½. Originally this movement was in sympathy with the dollar, but it has lately been reinforced by purchase of guilders in connection with the repayment of a maturing Dutch loan to France. Belgas have followed the dollar, the spot rate falling from bel. 27.89 to bel. 27.81, while the New York cross-rate keeps well inside the gold point. Forward belgas were strong, except for a short time on Thursday, when they eased as the result of Swiss selling. One month's belgas are now quoted at par to a slight premium, and three months' belgas were for a time practically down to par.

The Money Market

THE renewed transfer of funds to New York and the temporary accumulation of cash in public deposits has made money a little less plentiful. Bond money was quoted every morning up to ½ per cent. instead of ¾ per cent., and

	Nov. 18, 1937	Nov. 10, 1938	Nov. 17, 1938
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	2	2	2
Short Loan Rates:			
Clearing Banks	1½-3½-1*	1½-1*	1½-1*
Others	1½-5½	1½-5½	1½-5½
Discount Rates:			
Treasury bills	1½	1½	1½
Three months' bank bills	1½-5½	1½-5½	1½-5½

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

cheaper afternoon money did not begin to emerge until a later hour than usual. A little money is already being lent into the New Year, at ½ per cent. against bills and 1½-¾ per cent. against bonds. The clearing banks were not buying bills quite so freely this week, but fair lines of January and early February Treasury bills were taken at ½ per cent.

The Bullion Market

THE weakening tendency of sterling naturally created a fair arbitrage demand for gold early in the week, and on Tuesday in particular there was a big turnover. In some cases those who need dollars find it better to buy gold at the fixing and re-sell in New York. The argument is that a direct purchase of dollars in the foreign exchange market may cause the rate to move before the purchase is completed; whereas a purchase of the gold at the fixing can be made at a determinate price. On Wednesday, gold touched its highest price since March, 1936. By Thursday the better tendency for sterling caused the demand for gold to ease.

Last Monday's depreciation of sterling stimulated the American demand for cash silver, and with supplies on the short side the London price strengthened, particularly after the fixing. This was reflected in the jump shown at Tuesday's fixing, when there was also a widening of the margin between the cash and forward prices. Wednesday's price is the

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Dis-count *	Amt. dealt in †	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Nov. 11 ...	146 7½	1½ pm	851	195½	195½
" 12 ...	146 9	1½ pm	337	195½	195½
" 14 ...	146 8	1½ pm	1,223	191½	195½
" 15 ...	148 3	1½ pm	881	191½	195½
" 16 ...	148 1	1½ pm	749	20	195½
" 17 ...	147 10½	1½ pm	367	197½	191½

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing. The New York price of silver remained at 43 cents per ounce .999 fine during the week.

highest since last March's reduction in the New York price from 45 to 43 cents. It is noticeable that India has not followed this week's advance. Current London prices, in fact, are now only maintained by American buying, and as these prices are too high for trade or arbitrage purchases, there is at least a suggestion that recent American demand has been official.

Investment

Markets Waver.—It is doubtless true that some degree of technical reaction was to be expected from Wall Street after the vigorous advance of last week. But it is no less true that the anti-Semitic outbreaks in Germany at the end of last week and their official extension in the form of heavy "fines" sharply challenged the market's hopeful assumption that the policy of "appeasement" would have a favourable atmosphere in which to develop. It is fortunate, perhaps, that the London market has mingled hope with certain reservations on this question, and in consequence the resulting falls were not of a serious nature. Declines in gilt-edged reached their maximum of half a point on Tuesday, but they were due largely to the withdrawal of buying support, and to the opening of a number of "bear" positions. Throughout the market the former factor, of reduced support, was largely responsible for any reaction in prices, which was not attributable to any significant selling pressure. Some observers professed to detect foreign selling arising directly from the German decrees, but the general view was that such direct operations were small. As a qualitative factor in the relations between Germany and the rest of the world, however, the recent outbursts cannot be ignored, and not least by the stock markets. Even the imminence of the Anglo-American Trade Agreement did not produce any considerable increase in business from mid-week onwards, although it made for a welcome improvement in the tone. A weaker pound and an uncertain franc provide sufficient cause for the quiet condition of the investment markets, in which home rail stocks remain the Cinderella. And among industrial shares the prevailing mood is marked not by dramatic changes in prices—on the whole, movements have been extremely small—but by limited buying interest.

The Share-Pushing Bill.—The revised version of the Prevention of Fraud (Investments) Bill, which was the subject of brief comment on page 331 of last week's issue of *The Economist*, has created much less heart-stirring than the first Bill, introduced last July. It will be recalled that under the original Clause 9 of the Bill, a person inducing or attempting to induce another to invest money by a statement "which he knows or could reasonably be expected to know to be false or by a promise or forecast which he has no reasonable ground for supposing to be likely to be fulfilled or verified" would be guilty of an offence punishable with a maximum penalty of seven years' imprisonment. Apprehension was felt that the reference to "reasonable grounds" in the definition of the offence would expose the *bona fide* broker's recommendation of shares, or investment advice in the Press, to the penalties of the clause. As re-drafted in Clause 10 of the new Bill, the offence is now defined to penalise only those statements, promises and forecasts which are known by the maker to be misleading, false or deceptive, or the "reckless" making of such statements. This change of language brings the new offence into line with the definition of fraudulent misrepresentation which has long been accepted in the civil courts—a false statement made with knowledge of its falsity or "recklessly," that is, without caring whether it is false or true. In view of its history in the civil courts the introduction of the word "reckless" into the revised Bill sets up no new legal concept. Some investment advisers still feel concern that promises and forecasts remain within the scope of the offence of inducement. In particular, the fringe of speculative gossip in Throgmorton Street, which provides a useful incentive to business, is nevertheless close to the definition of "reckless," or at least not easy to defend from the charge. The onus, however, would presumably lie with the prosecution to establish any complete disregard of truth when such statements are made. The difficulty is that the worst type of share-pushing frauds have flourished in the past because adequate

weapons to proceed against fraudulent forecasts or promises, as distinct from misrepresentations of existing facts, have not been available under the criminal law.

"Outside" Dealings.—For the third time, the Committee for General Purposes of the London Stock Exchange has postponed its decision on the changes in the rules which passed their first stages on July 25th. To represent the various stages in this deferment of final ratification (which were recorded in *The Economist* of October 22nd and are now extended for four weeks) as due to any inefficiency, would be quite unjust. The postponements have provided the fullest opportunity for all shades of "House" opinion to crystallise on this important controversy of non-member dealings. It is somewhat ironical that it is not the rule itself which is new, but rather the particular terms of obedience which the Committee has proposed. Whether the effect of the rules for "testing the market" would be such as to reduce the volume of business available for the broker as well as the jobber is still a question of hot debate. Some observers suggest that the interests of private and institutional investors would in all probability be prejudiced under the new rules. Perhaps it is impossible, under the existing organisation of the Stock Exchange, to express any general intention to secure the best terms for clients and fair dealing for jobbers in the form of mechanical rule. If that is the conclusion, it has an important bearing on the perennial question of a Stock Exchange Charter.

Peru and Brazil.—The foreign bondholder gets many kicks, but a few ha'pence. This week the latter consist of the offer to resume service on the Peru 7½ per cent. (Guano) loan of 1922, of which £869,500 is outstanding. This loan has received irregular remittances since 1932. The Peruvian Government's proposals involve cancellation of interest arrears to the end of 1937, and the resumption of regular service as from June 1, 1938, at 4 per cent. plus a cumulative 2 per cent. sinking fund allocation. While the annual service moneys will only amount to £52,170, including sinking fund, the Council of Foreign Bondholders regards the terms as the best obtainable, and recommends acceptance of the offer. This Peruvian example might be observed by other debtors. A year has elapsed since Brazil suspended her debt service. In an interview last week President Vargas declared that resumption of the service based on the Aranha plan was impossible. Without attempting to condone Brazil's default, it is true to say that her trade figures confirm President Vargas's view.



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From January to June, 1938, the weight of all exports rose by 19 per cent., but their f.o.b. value fell by 2½ per cent. as compared with the first half of 1937, owing to the sharp drop in coffee prices. For the first six months of the year 40 per cent. more coffee was sold, but the proceeds were only 2 per cent. higher. A leading dealer has offered specific suggestions for relieving the present state of chronic default. He proposes that, after July next, the sums hitherto required for repaying the 4 per cent. stock of 1936 should form a nucleus for resuming some payment on the senior loans, and that a small part of the 8,600,000 bags of coffee now held as security for the 7 per cent. Realisation Loan 1930 should be released annually for the benefit of bondholders. It would be dangerous for the creditor to make the path of default easier by undue readiness to agree to beggarly terms, but in Brazil's case there is a strong argument for ending the *impasse* and working out a final settlement at a later stage.

Industrial Profits in October.—A decline of only 1.06 per cent. in the profits of 163 companies announced in October, compared with their results in their previous financial years, is more reassuring than the 10.31 per cent. fall recorded in September. But the movement in any particular month is always somewhat arbitrary, and the figures show, for the third month in succession, that the decline in industrial earnings still continues. The following table shows the recorded profits for each month over the past two years:—

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
Oct.	146	8,104,438	18.09	Nov.	206	23,579,407	20.25
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49	1938			
1937				Jan.	107	13,832,382	19.90
Jan.	110	13,222,882	15.92	Feb.	202	29,792,378	5.52
Feb.	208	27,956,588	8.95	March	337	56,721,336	9.19
March	307	53,554,168	12.52	April	225	28,481,318	17.19
April	245	31,712,217	23.36	May	320	45,915,238	11.42
May	255	25,053,946	14.09	June	260	38,076,115	11.09
June	265	43,924,563	21.19	July	181	16,530,811	3.14
July	193	15,260,299	19.62	Aug.	181	8,300,386	at 16
Aug.	62	6,042,402	9.41	Sept.	112	7,962,024	at 31
Sept.	81	7,269,607	27.80	Oct.	163	14,279,785	at 98
Oct.	177	14,884,260	26.97				

* After debenture interest.

(a) Decrease.

Heavy industrial companies are still making a better show than miscellaneous industrial concerns. The low percentage fall recorded for October is, in fact, largely due to the satisfactory results achieved by the iron, coal and steel group, whose latest profits of £3,298,000 are 26 per cent. higher than those recorded in their previous financial years. The exclusion of this group would result in a 7 per cent. fall in profits for the remaining companies, and if shipping companies' earnings were also excluded the fall would amount to as much as 12 per cent.

"Flexing" the Fixed Trust.—In May, 1937, sub-unit holders in the British Empire "A" Fixed Trust were invited to exchange their holdings into the shares of a managed investment trust company. At that time *The Economist* pointed out that most of the advantages claimed for the offer would have been provided by an exchange into a flexible unit trust. The fate of subsequent conversion offers, and the relatively unfavourable market performance of the new shares, was examined on pages 22 and 23 of *The Economist's* Unit Trust Survey, published on May 28th last. It was, indeed, necessary to write off the conversion movement as a confession of

failure in principle and performance. In view of the special advantages of the unit method for the small investor, it remained surprising that no group, recanting its initial faith in fixity, was prepared to offer fixed trust sub-unit holders the opportunity to exchange into a flexible unit trust. The National Group (which last October sponsored an offer of conversion of National "A" Fixed Trust sub-units, which was accepted by less than one-fifth of the sub-units outstanding) has met this deficiency in a scheme for "flexing" the Universal Fixed Trust. A new trust, Universal Second Unit Trust, is to be set up, with a similar general portfolio to that of the Universal Fixed Trust, but with wide management powers. The latter, however, will be exercised only when considered desirable, and with the express approval of the trustee. Sub-units in the new trust will be available for exchange, free of cost, to existing sub-unit holders of Universal Fixed Trust, and also to the public. This offer, it is stated, would enable holders of some £4½ millions of sub-units to enjoy flexibility of management. Thus the offer is considerably larger in scope than any of the seven conversion offers made between May, 1937, and January, 1938. It is to be presumed that sub-unit holders who convert will pay a semi-annual management charge, since their initial loading charge did not cover management services.

Imperial Airways' Future.—On Monday last Sir John Reith made his first speech to the shareholders of Imperial Airways in annual meeting. But his thunder had already been stolen, three days earlier, by Sir Kingsley Wood in the House of Commons, who then announced an impending Bill to merge Imperial Airways and British Airways into a public corporation, financed by the issue of Treasury-guaranteed fixed-interest stocks. Shareholders were therefore more anxious to obtain light and assurances regarding the possible purchase basis for their shares than to discuss the achievements and shortcomings of the past. Sir John made the point (long apparent to the thoughtful investor) that the company's present position is neither commercially nor constitutionally satisfactory. The oil of Government subsidy policy has refused to mix with the water of private enterprise. Hence it is extremely difficult to divine the "fair and reasonable price" to be agreed for the undertaking, failing which the matter will go to arbitral award. Sir John assured his audience that the directors would seek the best possible terms for the shareholders, and that another meeting would be held before terms were agreed. The Stock Exchange response to the public corporation announcement was at first uncertain, but the shares later advanced from 25s. 6d. to 29s. Two points are relevant in connection with this valuation. First, it is only slightly below the price of 30s. at which, after much discussion, 1,000,000 £1 ordinary shares were issued in July last year. Secondly, it is clear that an equivalent amount of Treasury-guaranteed stock would provide a smaller return than the present 7 per cent. dividend affords on the shares. It may be argued, on the extreme view, that the shares have no income expectation apart from the subsidy. Last year the company received £535,000 in subsidies, which covered ordinary dividend, obsolescence and some £307,000 of general and operating expenses. Somewhere between the extreme view and the disingenuous suggestion that the Empire Air Mail scheme guarantees a 10 per cent. dividend return, the basis for settlement appears to lie. And shareholders who have hitherto received an average return of 4½ per cent. on their nominal capital would obtain somewhat more, on the basis of 30s. of Government-guaranteed stock (carrying, say, 3½ per cent. interest) per £1 share, although the optimistic speculators who bought the shares at 67s. 6d. in 1936 may well feel deflated.

Dorman Long and South Durham.—It would be unwise to draw final conclusions from the increased profits of Dorman Long and the reduced ordinary and "B" ordinary dividends of its neighbour, South Durham Steel

and Iron, until the full reports of each concern are available. First impressions of the Dorman Long figures, however, are decidedly favourable. Trading profits for the year to September 30th have increased from £1,388,026 to £1,498,517, and even after substantially higher provision for taxation (which in 1936-37 absorbed £152,208) profits have increased from £1,223,210 to £1,239,583. Dividends are maintained at 18 per cent. on the preferred ordinary and 10 per cent. on the ordinary shares. As in the previous year, £300,000 is provided for depreciation and £200,000 to general reserve. In short, the dividends are covered in each case with a generous margin of the order of 13 per cent., as in the previous year. Such results do not reflect the recent fall in steel output for the North-East Coast district to the same extent as South Durham Steel's reduced dividends. The latter concern is to pay 10 per cent. on the ordinary and 4 per cent. on the "B" ordinary—in each case a reduction of 3 per cent. During the year to September, 1937, output for the district amounted to 2,722,000 tons, and in the latest year to 2,530,000 tons. It would appear, from further examination of the figures, that Dorman Long fared extremely well during the first half of the year, to March last. During that period North-East Coast Steel output amounted to 1,469,000 tons, compared with 1,326,000 tons for the corresponding period of 1936-37, but in the second half of the financial year output was no higher than 1,061,000 tons, compared with 1,396,000 tons for the second half of 1936-37. Dorman Long, however, is an integrated concern, whose costs would not necessarily reflect market prices for steel-making materials. It is probable, therefore, that profit-margins have been favourable during the past year. But in view of the recent fall in District output, it is evident that the current year's results may be distinctly less favourable unless demand is encouraged. And despite the arguments of Sir Walter Benton Jones at the United Steel meeting last month, some reduction in steel prices may be the only solution for stimulating demand. The highly geared ordinary shares stand at 29s. to yield £7 8s. per cent.

Brewery Profits.—During October, brewery shares were affected by fears of increased taxation and by the threatened increase in rating liabilities under the "Robinson" decision. The latest brewery reports, although they reflect the consequences of recession and rising costs, have done something to correct this price weakness. The results of Bass, Ratcliff and Gretton and Ansell's Brewery are summarised below:—

Company years ended Sep. 30)	Total profits	Earned for prior charges	Earned for equity		Div.	Current	
			Amt.	Rate		Price	Yield
Bass, Ratcliff & Gretton—							
1936	1,403,573	849,334	584,512	26.1†	24†	115/-	4.6†
1937	1,474,681	873,883	611,185	27.3†	25†	(£1)	
1938	1,412,569	873,897	613,441	27.4†	25†		
Ansell's Brewery—							
1936	620,237	540,159	478,427	55.1	25	64/6	5.4
1937	758,688	647,966	586,235	36.3	17½	(£1)	
1938	754,160	625,142	563,412	32.2	17½		

† Tax free.

The 4 per cent. reduction in the total earnings of Bass, Ratcliff and Gretton is more than offset by a reduction in depreciation, and in consequence tax-free earnings for the ordinary stock are practically unchanged. Total profits of Ansell's are within ½ per cent. of the previous year's total, though in this case the increase in taxation further depresses earnings on the ordinary stock. These represent 32.2 per cent. on the increased capital of £2,000,000, on which in 1936-37 only the final dividend was paid. Some increase in the price of materials is reported, and although turnover reached a new record, and higher profits were recorded in the first half-year (*vide* the Holt Brewery prospectus), the cost factor evidently accounts for the small reduction in profits for the year as a whole. A decrease in total profits of less than 2 per cent. is shown by Peter Walker and Son, Warrington and Burton, whose revenue was £552,398 in 1937-38, while the profits of Northampton Brewery Company,

at £244,837, actually record a modest rise of £3,700. For a year of recession, the maintenance of brewery share dividends is welcome. But, for the future, fiscal and rating problems may play a larger part in the market performance of the shares, even if consumption is reasonably well maintained.

Aircraft Expansion.—Criticism may be levelled against the speed of rearmament, but no evidence of inertia is to be found in aircraft company balance sheets. Hawker Siddeley Aircraft have been compelled by the rapid growth of orders to make four important capital issues in three years, and a fifth is now being made. In 1937-38 alone, £2,603,000 gross of new money was raised (of which £2,000,000 was represented by an issue of redeemable preference shares) and a £3,500,000 4 per cent. debenture issue has been underwritten this week at 99. The temporary nature of these financial requirements to finance work in progress is emphasised by the fact that the new debentures will be repaid by 1946 at the latest. They will, in effect, be self-liquidating, and there will be no necessity to provide heavy amortisation out of profits. The consolidated balance sheet, available for the first time, shows that stock and work on hand amount to £6,398,000 gross or £3,658,000 net after progress payments. The growth of disclosed profits last year, however, is only of a moderate order. Total profits amount to £821,954, against £783,438, but as they represent only dividends and interest from subsidiaries sufficient to cover the maintained 42½ per cent. distribution, the real expansion of profits cannot be measured. Preference dividends absorb £100,289 net, against £145,000 net required in a full year. After allowing for the redeemable preference dividend, earnings on a slightly increased amount of ordinary stock are about 1 per cent. lower at 46.8 per cent. Rapid expansion is shown by Boulton Paul Aircraft. For the nine months to July 31, 1938, total profits amounted to £38,938, against £21,369 for a full year. The increased activity of the company, however, is marked by a rise in total stocks from £297,000 to £679,889. No ordinary dividend is being paid, though 9.7 per cent. actual was earned. A loss of £31,062 sustained by Airspeed (1934), Ltd., in 1936-37, was due largely to expenditure written off and losses of a special nature, and the profit of £35,827 for the latest year is in satisfactory contrast. Whatever may lie in store for the aircraft industry when re-armament is "completed," Sir Kingsley Wood's forecast of an £80 millions increase in the Air Force estimates suggests that satisfactory profits in the immediate future are assured.

The Week's Company Profits.—Brewery companies are particularly well represented in the week's profit and loss accounts, which are analysed on page 407, and some satisfactory results come from machine tool companies. Reports received this week from 47 companies (excluding four for which comparable figures are not available) show net profits of £5,393,000, against £5,618,000, a decline of 4 per cent. The cumulative profits total for 2,132 companies this year are £270,741,000, as compared with £248,967,000, the increase still being 9 per cent. We discuss the week's results in preceding Notes and on page 389 under the heading "Shorter Comments."



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Company Meetings of the Week.—In this issue reports of company meetings begin on page 398. Sir John Reith's references to the future of *Imperial Airways* are discussed on page 386. At the *Argentine Great Western Railway* meeting, Mr J. A. Goudge pointed out that while the prospect of some capital rearrangement had come one year nearer, they were not yet in a position to present any sort of scheme. At the *Mitchells and Butlers* meeting, Sir William Waters Butler referred to the serious consequences for breweries of a recent decision in the King's Bench Division, as a result of which the cost of public-house improvement would become prohibitive. Their own company had spent over £1,000,000 in the past seven years on improvements and new licensed houses. Sir Edmund Davis, at the *South West Africa* meeting, referred to the transfer of sterling to England by arrangement with the German Government and the bankers in Berlin, and reported that £100,000 had been received. After discussing

certain aspects of the public finances of Australia and New Zealand, the Hon. Edmund W. Parker, chairman of *Dalgety and Company*, said there were indications that the price of wool might harden. Reviewing the prospects of *Sudan Plantations Syndicate* for the current year, Sir Alexander MacIntyre anticipated an average crop (although the area planted would be 167,000, against 168,000 feddans), and referred to the substantial rise in Egyptian cotton prices. At the *Kassala Cotton* meeting, the Hon. A. M. Asquith emphasised that the company was fortunate in having had a bumper crop in a year of poor prices. The chairman of *S. Smith and Sons (Motor Accessories)* discussed important developments in the corundum plug and in aircraft plugs. At the *Second Industrial Trust* meeting Mr W. Sandford Poole remarked that the setback in the investment valuation in the year under review had been only 22 per cent.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
NOVEMBER 22 NOVEMBER 24

AFTER two days in which the market measured the practical politics of appeasement with a country whose leaders had acquiesced in measures of medieval severity against the Jews, the Stock Exchange managed to find some power of recovery in mid-week. The Jew-baiting was called off, but the major factor was undoubtedly the imminent signing of the Anglo-American Trade Pact on Thursday. Some early "bear" operations in the gilt-edged market were thereupon promptly reversed, and the tone of the market improved.

Fears lest the policy of appeasement might be prejudiced by the German excesses were rife on Monday and Tuesday. In the *gilt-edged market*, as elsewhere, the reaction in prices, limited to 1/8 on Monday and 3/8 on Tuesday in the undated stocks, was attributable less to any significant volume of selling than to the drying-up of buying support. Some "bear" selling operations were evident, and the closure of these positions was a contributory factor in the quarter-point recovery in mid-week. The slight improvement continued on Thursday.

In the *foreign bond* list, Peru Guano loan improved sharply on the new service arrangement (discussed on page 385), but that was the limit of interest in the South American list. German and Czech bonds were initially depressed on political nervousness, but recovered in mid-week. Far Eastern bonds remained heavy, and were no better than steady in mid-week.

★

Home rail stocks opened unfavourably, and although some buying support was prompted at lower levels, further falls followed on Tuesday, particularly heavy among the guaranteed stocks. The disappointing traffics prevented the market from sharing in the mid-week improvement, and once again the guaranteed and debenture stocks were singled out for attack. Argentine rail stocks were encouraged by the formation of the minimum grain price scheme.

Under the influence of bad news from Germany and Wall Street's reverse, the *industrial market* began the

week with an unsettled tone and a downward trend in prices. Sentiment improved towards mid-week, but the volume of business remained on a small scale. Iron and steel shares were dull to start with, Thornycroft being the most prominent among the exceptions, but prices hardened on the Dorman Long and Brown Bayley's Steel profits announcements. John Brown were supported on Thursday. Clarke Chapman were in demand in an otherwise irregular coal section, and similarly no pronounced trend emerged among engineering issues. Electrical equipment shares were irregular or slightly easier, and Lancashire Dynamo, after an initial advance, reacted on profit-taking. Motors on the whole were easier, the chief victims being the heavy vehicle group on the reduced Dennis dividend. Among aircraft shares, Hawker Siddeley fell at first on news of the debenture issue, rallied temporarily, and then turned dull again. Textiles made a mixed showing, though rayon shares hardened towards mid-week. Except for Bass, breweries lost a little ground, and Benskins fell on the reduced dividend. Tate and Lyle were again in some request in the provisions and catering group, but reacted on the 2 in 5 share bonus. Store shares led by Woolworth were lower early in the week, but an improvement occurred on Wednesday. Miscellaneous shares continued to show an uncertain tendency.

★

In the first part of the week, *oil shares* were depressed slightly by the absence of investment buying and the limited volume of professional support. The tendency then improved, as in other sections, and there was a little Continental buying, but prices eased again on Thursday. Rubber shares were as listless as ever, though such changes as occurred after the Restriction Committee's decision were downwards.

After a weak start, the *mining market* recovered a little on Wednesday, but turnover failed to improve despite the rising gold price, and the undertone became irregular again on Thursday. Kaffirs fell back generally on Monday, but there was some recovery later. Prices were helped by Paris support for the dividend-payers. The Cape bought developing mines (especially New Central Wits, and Western Reefs), but on only a small scale. Rhodesian copper shares rallied temporarily after

a disappointing start. Other base metal shares were irregular and featureless.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 11	6,275	7,365	85.1	126.0
Nov. 14	6,445	7,365	84.6	125.8
Nov. 15	5,970	7,565	84.2	125.5
Nov. 16	5,815	7,710	84.6	125.4
Nov. 17	5,660	8,400	84.3	125.1
High...	...	...	97.2	131.0
Low...	...	...	73.7	119.9
			Jan. 12	Feb. 4
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial ordinary share prices stood on Tuesday, November 15th, at 63.8, compared with 63.2 a week ago and 62.3 a month ago. The respective average yields are 5.83, 5.90 and 6.03 per cent. We give below a selection of the component indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Oct. 18, 1938	Nov. 8, 1938	Nov. 15, 1938	
Bldg. mats. (6)	76.2	76.2	78.6	87.1
Coal (9)	76.4	81.7	82.3	106.7
Elec. mfg. (12)	115.3	118.5	120.2	129.7
Iron and st. (17)	50.4	55.2	56.0	66.4
Motors (6)	33.5	34.2	35.6	39.0
Oil (4)	81.2	82.9	80.9	92.1
Brew., etc. (20)	116.7	111.1	112.9	133.6

Group	Yields %			Prices 1938 Low
	Oct. 18, 1938	Nov. 8, 1938	Nov. 15, 1938	
Bldg. mats. ...	7.27	7.27	7.05	69.1
Coal ...	6.79	6.29	6.25	69.0
Elec. mfg. ...	5.83	5.66	5.59	108.0
Iron and steel ...	8.18	7.40	7.28	45.4
Motors ...	6.36	6.24	5.99	30.5
Oil ...	7.43	7.28	7.49	67.1
Breweries, etc. ...	5.80	5.98	5.89	111.1

New York

THIS week Wall Street has been in orderly retreat. The causes, however, have been mixed. It was considered that the advance during the week to Novem-

ber 12th, when election buying was in evidence, was too rapid: the Dow industrial index advanced six points in as many days, and some profit-taking was only to be expected. But the downward movement was initiated by the anti-Semitic outbreaks in Germany, and fresh impetus was given to Wednesday's bad break by fears that the atmosphere would be further charged by a speech from Herr Hitler on Thursday, although he actually remained silent. Another contributory factor lay in the weakness of sterling, and sentiment was also damped by reports of a fresh anti-trust drive. Home business news, however, continued good, and at times exerted a welcome steadying effect. Steel and motor shares, which were well supported in the previous week, were the first to suffer in Monday's wave of profit-taking. Steel output for the current week is estimated by *Iron Age* at 62.5 per cent. of capacity, against 61 per cent. Aircraft shares were strong almost throughout the week, and resisted the downward trend. Rails and utilities did not escape the general weakness, and were a shade lower than at the beginning of the month.

New York Prices

	Close Nov. 10, 1938		Latest Nov. 17, 1938		Close Latest Nov. 10, 1938		Latest Nov. 17, 1938	
1. Rails and Transport								
Atchafalaya	44 1/4	40 1/4	41 1/4	37 1/4	35 1/4	32 1/4	35 1/4	32 1/4
Balt. & Ohio	8 1/4	7 3/4	8 1/4	7 3/4	8 1/4	7 3/4	8 1/4	7 3/4
B.M.T.	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2
Can. Pacific	6 1/4	6 1/4	6 1/4	6 1/4	9 1/8	8 1/2	9 1/8	8 1/2
Ches. & Ohio	36	34 1/4	36	34 1/4	10 7/8	9 1/2	10 7/8	9 1/2
G.N. Ry. Pl.	28 1/2	26	28 1/2	26	5 1/2	5	5 1/2	5
Ill. & N. Y. Cent.	16 1/2	15 1/4	16 1/2	15 1/4	24 1/2	22 1/4	24 1/2	22 1/4
Norfolk Pac.	21 1/4	19 1/4	21 1/4	19 1/4	27 1/8	25 1/8	27 1/8	25 1/8
Pennsylv. R.	13 1/4	12 1/4	13 1/4	12 1/4	6 1/2	6	6 1/2	6
Southern Pac.	24 1/4	22 1/4	24 1/4	22 1/4	37	36 1/4	37	36 1/4
Southern Ry.	21 1/2	19 1/4	21 1/2	19 1/4	41	38 1/2	41	38 1/2
Southern Ry.	21 1/4	18 1/4	21 1/4	18 1/4	103 1/2	103 1/2	103 1/2	103 1/2
Union Pac.	99 1/4	95 1/4	99 1/4	95 1/4	96 1/2	96 1/2	96 1/2	96 1/2
Greyhound	20 1/4	19 1/2	20 1/4	19 1/2	151	147 1/2	151	147 1/2
2. Utilities and Communications								
Am. W.orks	15 1/2	13 1/2	15 1/2	13 1/2	20 1/2	18 1/2	20 1/2	18 1/2
C. with. & S.	2 1/8	1 3/4	2 1/8	1 3/4	2 1/2	2 1/8	2 1/2	2 1/8
Con. Edison	34	30 1/2	34	30 1/2	52 1/4	49 1/4	52 1/4	49 1/4
Col. Gas & El	8 1/4	7 1/4	8 1/4	7 1/4	47 1/2	46 1/2	47 1/2	46 1/2
El Bond & Sh.	13 1/2	11 1/2	13 1/2	11 1/2	51	49 1/4	51	49 1/4
Nat Pwr & Lt.	25 1/2	22 1/4	25 1/2	22 1/4	29 1/2	28 1/2	29 1/2	28 1/2
N. American	25 1/4	22 1/4	25 1/4	22 1/4	47 3/4	44 3/4	47 3/4	44 3/4
Pac. Gas & El	29 1/8	27 1/8	29 1/8	27 1/8	124 1/8	117 1/4	124 1/8	117 1/4
Pac. Lighting	42 1/4	42 1/4	42 1/4	42 1/4	102 1/4	97 1/4	102 1/4	97 1/4
Pub. Serv. N.J.	34 1/8	33 1/8	34 1/8	33 1/8	26 1/2	25 1/2	26 1/2	25 1/2
Stan Gas & E.	44 1/4	41 1/4	44 1/4	41 1/4	42 3/4	41 1/4	42 3/4	41 1/4
United Corp.	41 3/8	38 1/4	41 3/8	38 1/4	96 1/4	91 1/4	96 1/4	91 1/4
Un. Gas Imp.	12 1/4	11 1/4	12 1/4	11 1/4	28	25 1/2	28	25 1/2
Amer. Tel.	148 1/4	148 1/4	148 1/4	148 1/4	55 1/2	53 1/2	55 1/2	53 1/2
Internat. Tel.	10 1/8	9 1/4	10 1/8	9 1/4	13 1/2	12 1/2	13 1/2	12 1/2
West. Union	29 1/4	26 1/2	29 1/4	26 1/2	26 1/2	23 1/4	26 1/2	23 1/4
Radio	8 1/4	8 1/8	8 1/4	8 1/8	167 1/2	167 1/2	167 1/2	167 1/2
B. Pref	65 1/4	65 1/4	65 1/4	65 1/4	186 1/2	186 1/2	186 1/2	186 1/2
3. Extractive and Metal								
Am. Rol. Mill	23 1/4	22 1/4	23 1/4	22 1/4	91 1/2	89 1/2	91 1/2	89 1/2
Beth. Steel	75 1/4	74 1/4	75 1/4	74 1/4	62	59 1/4	62	59 1/4
Beth. Steel P.	113 1/4	113 1/4	113 1/4	113 1/4	27 1/2	26 1/4	27 1/2	26 1/4
Republic St.	23 1/4	24 1/4	23 1/4	24 1/4	29 1/2	28 1/2	29 1/2	28 1/2
U.S. Steel	69 1/4	67 1/4	69 1/4	67 1/4	118 1/4	119 1/4	118 1/4	119 1/4
U.S. Steel P.	118 1/4	119 1/4	118 1/4	119 1/4	9 1/4	9 1/4	9 1/4	9 1/4
Alaska P.neu	9 1/4	9 1/4	9 1/4	9 1/4	44 1/4	40 1/4	44 1/4	40 1/4
Am. Metal	57 1/4	54 1/4	57 1/4	54 1/4	53 1/4	50 1/4	53 1/4	50 1/4
Am. Smelting	38 1/4	35 1/4	38 1/4	35 1/4	29 1/4	27 1/4	29 1/4	27 1/4
Anaconda	53 1/4	49 1/4	53 1/4	49 1/4	10 1/4	9 1/4	10 1/4	9 1/4
Int. Nickel	57 1/4	53 1/4	57 1/4	53 1/4	47 1/4	44 1/4	47 1/4	44 1/4
Kennecott	11 1/4	11 1/4	11 1/4	11 1/4	34 1/4	32 1/4	34 1/4	32 1/4
Tex. Gif. Sul.	45 1/4	43 1/4	45 1/4	43 1/4	68 1/4	65 1/4	68 1/4	65 1/4
Vanadium	28 1/4	26 1/4	28 1/4	26 1/4	24 1/4	22 1/4	24 1/4	22 1/4
Atlantic Refg.	24 1/4	22 1/4	24 1/4	22 1/4	43 1/4	40 1/4	43 1/4	40 1/4
Phillips Petr.	15 1/4	14 1/4	15 1/4	14 1/4	104 1/4	103 1/4	104 1/4	103 1/4
Soc. V. C.	137 1/4	128 1/4	137 1/4	128 1/4	53 1/4	52 1/4	53 1/4	52 1/4
Stan. Oil Cal.	53 1/4	52 1/4	53 1/4	52 1/4	45 1/4	43 1/4	45 1/4	43 1/4
4. Manufacturing								
Briggs	35 1/8	32 1/4	35 1/8	32 1/4	86 1/2	82 1/4	86 1/2	82 1/4
Chrysler	34 1/4	32 1/4	34 1/4	32 1/4	53 1/4	50 1/4	53 1/4	50 1/4
Elec. Autolite	10 1/4	9 1/4	10 1/4	9 1/4	27 1/8	25 1/8	27 1/8	25 1/8
Gen. Motors	53 1/4	50 1/4	53 1/4	50 1/4	24 1/4	22 1/4	24 1/4	22 1/4
Hudson Mtr.	5 1/4	5 1/4	5 1/4	5 1/4	27 1/8	25 1/8	27 1/8	25 1/8
Nash Kelvin	27 1/8	25 1/8	27 1/8	25 1/8	69 1/4	67 1/4	69 1/4	67 1/4
Packard Mtr.	24 1/4	22 1/4	24 1/4	22 1/4	37	36 1/4	37	36 1/4
Bendix Avtr.	27 1/8	25 1/8	27 1/8	25 1/8	41	38 1/2	41	38 1/2
Boeing Airplan	103 1/2	103 1/2	103 1/2	103 1/2	96 1/2	96 1/2	96 1/2	96 1/2
Douglas Airfr.	151	147 1/2	151	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2
United Aircraft	20 1/2	19 1/2	20 1/2	19 1/2	28 1/2	25 1/2	28 1/2	25 1/2
Air Reduction	29 1/2	28 1/2	29 1/2	28 1/2	26 1/2	23 1/4	26 1/2	23 1/4
Allied Chem.	96 1/2	96 1/2	96 1/2	96 1/2	167 1/2	167 1/2	167 1/2	167 1/2
Col. Carbon	97	96 1/2	97	96 1/2	186 1/2	186 1/2	186 1/2	186 1/2
Dupont	151	147 1/2	151	147 1/2	91 1/2	89 1/2	91 1/2	89 1/2
Un. Carbide	20 1/2	19 1/2	20 1/2	19 1/2	28 1/2	25 1/2	28 1/2	25 1/2
U.S. Ind. Alc.	29 1/2	28 1/2	29 1/2	28 1/2	118 1/4	119 1/4	118 1/4	119 1/4
Allis Chalmr	52 1/4	49 1/4	52 1/4	49 1/4	27 1/2	26 1/4	27 1/2	26 1/4
Gen. Electric	47 3/4	44 3/4	47 3/4	44 3/4	13 1/2	12 1/2	13 1/2	12 1/2
West' Elec. Inc.	124 1/8	117 1/4	124 1/8	117 1/4	26 1/2	23 1/4	26 1/2	23 1/4
American Can	102 1/4	97 1/4	102 1/4	97 1/4	167 1/2	167 1/2	167 1/2	167 1/2
Caterpillar	51	46 1/2	51	46 1/2	186 1/2	186 1/2	186 1/2	186 1/2
Case Corp.	42 3/4	41 1/4	42 3/4	41 1/4	91 1/2	89 1/2	91 1/2	89 1/2
Int. Harvester	67 1/2	62 1/2	67 1/2	62 1/2	29 1/2	28 1/2	29 1/2	28 1/2
Johns Manvil	108 1/2	102 1/4	108 1/2	102 1/4	26 1/2	23 1/4	26 1/2	23 1/4
Am. Radiator	18 1/2	17	18 1/2	17	167 1/2	167 1/2	167 1/2	167 1/2
Con Prods.	68	65 1/4	68	65 1/4	118 1/4	119 1/4	118 1/4	119 1/4
J.I. Case & Co.	96 1/4	91 1/4	96 1/4	91 1/4	45 1/4	43 1/4	45 1/4	43 1/4
Glidden	28	25 1/2	28	25 1/2	55 1/2	53 1/2	55 1/2	53 1/2
Am. Gr. Trans	55 1/2	53 1/2	55 1/2	53 1/2	13 1/2	12 1/2	13 1/2	12 1/2
Allied Stores	26 1/2	23 1/4	26 1/2	23 1/4	26 1/2	23 1/4	26 1/2	23 1/4
Col. Rayon	26 1/2	23 1/4	26 1/2	23 1/4	167 1/2	167 1/2	167 1/2	167 1/2
Celotex	167 1/2	167 1/2	167 1/2	167 1/2	186 1/2	186 1/2	186 1/2	186 1/2
Eastm'n Kdk.	186 1/2	186 1/2	186 1/2	186 1/2	91 1/2	89 1/2	91 1/2	89 1/2
Gillette	91 1/2	89 1/2	91 1/2	89 1/2	62	59 1/4	62	59 1/4
Loews	62	59 1/4	62	59 1/4	27 1/2	26 1/4	27 1/2	26 1/4
20th Cen. Fox	27 1/2	26 1/4	27 1/2	26 1/4				

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938		Name of Security	Price, Nov. 16, 1938	Change since Nov. 9, 1938	Yield Nov. 16, 1938	Prices, Year 1938		Name of Security	Price, Nov. 16, 1938	Change since Nov. 9, 1938	Yield Nov. 16, 1938
High	Low	High	Low					High	Low				
84 1/2	73 1/2	79 1/4	64	British Funds			£ s. d.	84 1/2	73 1/2	79 1/4	64		£ s. d.
113	105 1/2	111 1/4	98	Consols 2 1/2% 1950-70	72	-1 1/2	3 9 6	113	105 1/2	111 1/4	98		3 9 6
101 1/2	94 1/2	100 1/4	90	Do. 4% (aft. 1957)	108	-1 1/4	3 9 6	101 1/2	94 1/2	100 1/4	90		3 9 6
103 1/2	97 1/2	103 1/4	92	Conv. 2 1/2% 1944-49	97 1/2	-1 1/2	2 15 0	103 1/2	97 1/2	103 1/4	92		2 15 0
106 1/2	99 1/2	105 1/2	90 1/2	Do. 3% 1948-53	100	-1 1/2	3 0 6	106 1/2	99 1/2	105 1/2	90 1/2		3 0 6
108	105 1/2	100	90	Do. 3 1/2% after 1961	99 1/2	-1 1/2	3 1 0	108	105 1/2	100	90		3 1 0
117 1/2	111 1/2	115 1/2	102	Do. 4 1/2% 1940-44	105	-1 1/2	3 1 0	117 1/2	111 1/2	115 1/2	102		3 1 0
92 1/2	89	91 1/2	81	Fund. 2 1/2% 1956-61	88 1/4	-1 1/4	3 4 3	92 1/2	89	91 1/2	81		3 4 3
96 1/2	89 1/2	97 1/2	88 1/2	Fund. 2 1/2% 1956-61	93 1/2	-1 1/2	3 4 3	96 1/2	89 1/2	97 1/2	88 1/2		3 4 3
101 1/2	94 1/2	99 1/2	90	Fund. 3% 1959-69	95 1/2	-1 1/2	3 8 0	101 1/2	94 1/2	99 1/2	90		3 8 0
116 1/2	108 1/2	114 1/2	98	Fund. 4% 1960-90	109 1/4	-1 1/4	3 8 0	116 1/2	108 1/2	114 1/2	98		3 8 0
99 1/2	96	100 1/4	93	Nat. D. 2 1/2% 1944-48	99	-1 1/2	2 12 6	99 1/2	96	100 1/4	93		2 12 6
114 1/2	107 1/2	112 1/2	100	Do. 3% 1954-58	98	-1 1/2	3 4 3	114 1/2	107 1/2	112 1/2	100		3 4 3
105 1/2	99 1/2	103 1/2	90 1/2	War L. 3 1/2% at 1952	108 1/4	-1 1/4	3 14 1	105 1/2	99 1/2	103 1/2	90 1/2		3 14 1
102 1/2	94 1/2	98 1/2	88 1/2	Local Loans 3%	95 1/2	-1 1/2	3 11 3	102 1/2	94 1/2	98 1/2	88 1/2		3 11 3
72	68 1/2	72	65	Austria 3% 1933-53	98 1/2	-1 1/2	3 16 11	72	68 1/2	72	65		3 16 11
85 1/2	82 1/2	85 1/2	78	India 2 1/2%	85	-1 1/2	3 16 11	85 1/2	82 1/2	85 1/2	78		3 16 11
98 1/2	95 1/2	98 1/2	90	Do. 3 1/2%	92	-1 1/2	3 16 11	98 1/2	95 1/2	98 1/2	90		3 16 11
112 1/2	107 1/2	112 1/2	110	Dom. & Col. Govts.	115	-1 1/2	3 8 11	112 1/2	107 1/2	112 1/2	110		3 8 11
109 1/2	105 1/2	108 1/2	97	Austr. 5% 1945-75	105 1/2	-1 1/2	4 9 6	109 1/2	105 1/2	108 1/2	97		4 9 6
110 1/2	107 1/2	110 1/2	109 1/2	Canada 4% 1940-60	102 1/2	-1 1/2	2 13 9	110 1/2	107 1/2	110 1/2	109 1/2		2 13 9
118	110 1/2	115 1/2	109 1/2	Nigeria 5% 1950-60	112 1/2	-1 1/2	3 16 0	118	110 1/2	115 1/2	109 1/2		3 16 0
107 1/2	103 1/2	107 1/2	95 1/2	N. Zealand 5% 1946	102 1/2	-1 1/2	4 18 6	107 1/2	103 1/2	107 1/2	95 1/2		4 18 6
114 1/2	110 1/2	112 1/2	107 1/2	Queens. 5% 1940-60	102 1/2	-1 1/2	4 1 6	114 1/2	110 1/2	112 1/2	107 1/2		4 1 6
103	93	96 1/2	78	Foreign Governments	109 1/2	-1 1/2	3 10 0	103	93	96 1/2	78		3 10 0
105 1/2	97 1/2	102	23	Arg. 4 1/2% 1914	87	-3	5 4 8	105 1/2	97 1/2	102	23		5 4 8
102 1/2	94 1/2	98 1/2	38	Austria 1930 5%	50 1/2	-1	9 18 0	102 1/2	94 1/2	98 1/2	38		9 18 0
100	92 1/2	96 1/2	80	Do. 4 1/2% 1934-59	60 1/2	-1	8 13 3	100	92 1/2	96 1/2	80		8 13 3
89 1/2	84 1/2	88 1/2	31	Belgian 4% (36) 1970	91	-1	4 12 0	89 1/2	84 1/2	88 1/2	31		4 12 0
28	15	19 1/2	13	Bulgaria 7 1/2%	33 1/2	-1	7 11 6	28	15	19 1/2	13		7 11 6
95 1/2	89 1/2	93 1/2	40	Brazil 5% Fd. 1914	14 1/2	-1	4 15 0	95 1/2	89 1/2	93 1/2	40		4 15 0
101 1/2	94 1/2	98 1/2	40	China 5% (1912)	40 1/2	-1	10 19 9	101 1/2	94 1/2	98 1/2	40		10 19 9
108 1/2	101 1/2	105 1/2	20	Do. 5% (1913)	56 1/2	-1	8 17 0	108 1/2	101 1/2	105 1/2	20		8 17 0
100	92 1/2	96 1/2	94	Czechoslovakia 8%	58 1/2	-1	13 13 6	100	92 1/2	96 1/2	94		13 13 6
106 1/2	100 1/2	104 1/2	87	Denmark 3%	97 1/2	-1 1/2	4 5 7	106 1/2	100 1/2	104 1/2	87		4 5 7
118	111 1/2	115 1/2	91 1/4	Egypt Unified 4%	93 1/2	-1 1/2	5 9 0	118	111 1/2	115 1/2	91 1/4		5 9 0
49 1/2	46	49 1/2	20	French 4% (British)	11 1/2	-1 1/2	5 9 0	49 1/2	46	49 1/2	20		5 9 0
40 1/2	37 1/2	39 1/2	25	Gr. Dawes Lm. 5%	49	-3	10 10 0	40 1/2	37 1/2	39 1/2	25		10 10 0
88 1/2	84 1/2	88 1/2	38	Do. Young Lm. 4 1/2%	39	-1	11 10 0	88 1/2	84 1/2	88 1/2	38		11 10 0
94 1/2	90 1/2	94 1/2	35	Green 5% 1913	42 1/2	-1	11 10 0	94 1/2	90 1/2	94 1/2	35		11 10 0
83	79 1/2	83	35	Hungary 5% 1922	34 1/2	-1	9 16 6	83	79 1/2	83	35		9 16 6
20 1/2	16	19 1/2	10	Japan, 5 1/2% 1936-65	56	-1	10 0 0	20 1/2	16	19 1/2	10		10 0 0
96 1/2	92 1/2	96 1/2	75	Do. 6% (24) 1922	60	-1	10 0 0	96 1/2	92 1/2	96 1/2	75		10 0 0
101 1/2	97 1/2	101 1/2	90 1/2	Peru 7 1/2% 1922	65	-1	8 0 0	101 1/2	97 1/2	101 1/2	90 1/2		8 0 0
104 1/2	100 1/2	104 1/2	94 1/2	Roman. 4% 1922	12 1/2	-1	8 9 3	104 1/2	100 1/2	104 1/2	94 1/2		8 9 3
118	111 1/2	115 1/2	101	U.K. & Afr. C. 3%	81 1/2	-1 1/2	3 13 7	118	111 1/2	115 1/2	101		3 13 7
118 1/2	112 1/2	117 1/2	104 1/2	Corporation Stocks				118 1/2	112 1/2	117 1/2	104 1/2		
101 1/2	97 1/2	101 1/2	90 1/2	Bircham 5% 1946-56	111 1/2	-1 1/2	3 6 10	101 1/2	97 1/2	101 1/2	90 1/2		3 6 10
104 1/2	100 1/2	104 1/2	94 1/2	Bristol 5% 1948-58	113	-1 1/2	3 10 5	104 1/2	100 1/2	104 1/2	94 1/2		3 10 5
				L.C.C. 3%	82 1/2	-1 1/2	3 12 9						3 12 9
				Liverpool 3% 1954-61	93	-1 1/2	3 8 0						3 8 0
				Middx. 3 1/2% 1957-62	102 1/2	-1 1/2	3 6 3						3 6 3

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4 1/2% basis. (i) Based on payment of 2 1/2%. (j) To redemption at par, in year shown. (k) Yield on 15 1/8% basis. (l) Yield worked on a 5 1/2% basis. (m) Yield based on 40% of coupon. (n) Free of Income Tax. (o) Yield worked on a 14% basis. (p) Yield worked on a 10% basis. (q) Yield worked on a 12% basis. (r) 1% paid free of income tax.

Prices, Year 1938				Prices, Year 1938				Prices, Year 1938				Prices, Year 1938			
Jan. 1 to Nov. 16, inclusive				Jan. 1 to Nov. 16, inclusive				Jan. 1 to Nov. 16, inclusive				Jan. 1 to Nov. 16, inclusive			
Last two Dividends		Name of Security		Price, Nov. 16, 1938		Yield Nov. 16, 1938		Last two Dividends		Name of Security		Price, Nov. 16, 1938		Yield Nov. 16, 1938	
High	Low	(a) %	(b) %	Change since Nov. 9, 1938	High	Low	Change since Nov. 9, 1938	High	Low	(a) %	(b) %	Change since Nov. 9, 1938	High	Low	Change since Nov. 9, 1938
34/3	20/9	Nil	8 c	Iron, Coal, &c.—cont.	33/9x	+3/9	£ s. d.	28/9	17/-	10 c	112/2 c	Fairey Aviation 10/-	28/-	+2/-	4 5 0
875	838/2	1 c	Nil c	Thornycroft, John £1	273/2	+3/9	4 14 10	56/9	45/-	10 c	71/2 c	50/- & Co. £1	47/6	-2/6	4 5 2
27/84	20/-	3 a	7 b	U. States Steel \$100	26/9	+8d	7 10 0	62/32	59/8	30/12	Nil c	Gallaher Ltd. Ord.	61/4	+1/4	4 8 0
27/84	17/6	10 c	4 a	U. Steel Cos. Ord. £1	24/9	+2	4 1 0	20/6	7/3	16 c	Nil c	Gaumont-Brit. 10/-	4/6	-3d	Nil
29/9	17/6	10 c	4 a	Vickers 10/-	23/9	+2	10 0 0	35/3	22/6	15 a	25 b	Gen. Refract's 10/-	13/-	+1/-	12 6 0
43/6	33/11/2	12 c	17 c	Ward (Thos. W.) £1	25/-	+7 1/2d	8 0 0	90/71/2	68/9	5 a	20 b	Gestetner (D) (5/-)	27/6	...	7 5 5
51/16	31/8	22 1/2 b	12 1/2 a	Wardale S. Co. £1	43/-	+5 1/2	7 0 0	76/6	55/-	13 1/2 b	5 a	Harrisons & Cros. Df. £1	87/6	-7 1/2d	5 18 4
66/-	40/7 1/2	15 c	20 c	Whitehead I. & S. £1	60/-xd	...	6 13 3	10/19	10/9	16 a	27 1/2 c	Hawker Siddley 5/-	27/3	-9d	7 10 0
				Yarrow & Co. £1				29/9	20/-	9 c	7 c	Imp. Airways £1	28/9xd	+3/9	4 17 6
				Textiles				35/3	27/-	5 1/2 b	3 c	Imp. Chem. Ord. £1	32/3	+1/-	5 5 2
5/9	2/7 1/2	Nil	Nil	Bleachers £1	2/10 1/2	-3d	Nil	13/9	6/3	5 c	Nil c	Imp. Smelting £1	13/11/2	-1 1/2d	Nil
5/6	2/6	Nil	Nil	Bradford Dyers £1	3/-	-1 1/2d	Nil	73/4	57/8	117 1/2 b	17 1/2 c	Imp. Tobacco £1	61/6	...	3 13 0 1/2
7/4 1/2	1/9	Nil	Nil	Brit. Cel. Ord. 10/-	3/6	...	Nil	860/8	838/8	c82 25/-	c82 00/-	Inter. Nickel n.p.	858/2	...	3 8 5 1/2
3/6	3/6	Nil	Nil	Calico Printers £1	4/11/2	...	Nil	12/9	8/-	5 a	5 b	International Tea 5/-	26/6	...	4 11 0
41/9	30/9	10 c	10 c	Coats, J. & P. £1	35/-	+7 1/2d	5 14 3	40/3	27/6	10 c	Nil a	Lon. & Th. OilWk £1	27/6	+1/3	7 5 4
48/11/2	26/-	7 1/2 b	11 1/2 a	Courtauld & £1	30/6	+9d	6 16 3	46 1/2	36/6	22 1/2 c	20 c	London Brick £1	51/3	...	7 16 3
39/9	25/-	7 1/2 b	21 1/2 a	English Sew. Cn. £1	29/6	+9d	6 2 0	51/3 1/2	5	14 1/2 b	8 a	Lyons (J.) Ord. £1	53/xd	...	4 3 9
6/9	2/-	Nil	Nil	Fine Cotton Spin. £1	24/2	...	6 2 0	60/7 1/2	42/6	15 a	27 1/2 b	Marks & Spen. A 5/-	56/3	+7 1/2d	3 15 0
33/9	25/-	5 1/2 b	3 a	Linen Thread Stk. £1	48/11/2	...	4 3 0 1/2	41/16	33/8	71/2 a	12 1/2 b	Murex £1 Ord.	31/7	...	5 0 0
36/6	36/3	11 1/2 b	10 c	Patons & Baldwins £1	7/3	...	Nil	37/-	30/-	99 1/2 b	21 1/2 a	Phillips (Godfrey) £1	31/7 1/2	-3d	6 13 0
18/9	5/6	Nil	Nil	Whitworth & Mit. £1				35/6	21/3	10 b	71/2 a	Pinchin Johnson 10/-	36/3xd	+1/3	6 18 0
				Electrical Manufact.				42/9	26/3	12 1/2 a	37 1/2 b	Radiation Ord. £1	52/6	...	5 14 3
45/3	32/-	10 c	5 a	Associated Elec. £1	39/-	+1/6	5 2 0	59/9	42/6	11 1/2 b	3	Ranks Ord. 5/-	17/6	-6d	...
95/6	77/6	15 b	10 c	British Insulated £1	88/9	...	4 15 6	18/14	16/3	3	14 b	Reckitt & Sons Ord. £1	51/6	...	4 8 0
103/3	78/6	15 b	5 a	Callenders £1	83/9	+1/3	2 6 3	515/32	47/8	22 1/2 c	22 1/2 c	Sears (J.) Ord. 5/-	10/6	...	8 0 0
32/10 1/2	18/9	6 1/2 b	6 c	Crompton Park A 5/-	27/6	+6d	6 4 0	14/3	9/-	18 1/2 b	5 a	Smt. Hld. & Arg. Mt. £1	8/6	+3d	9 8 4
32/10 1/2	24/-	Nil	10 c	English Electric £1	32/6	+8d	5 2 6	14/6	8/-	21 1/2 c	4 c	Spillers Ord. £1	26/11/2	+1 1/2d	Nil
21/3	16/-	17 1/2 c	20 c	General Electric £1	20/-	...	5 0 0	60/6	51/6	12 1/2 b	21 1/2 a	Swed. Match. Bkr. 25	84/4 1/2	+1/10 1/2	4 6 9
41/3	26/6	7 1/2 b	5 a	Henleys (W. T.) £1	36/3xd	...	6 18 0	85/3	60/2	14 b	41 1/2 a	Tilling. Thos. £1	43/9	-1/3	4 12 9
30/6	20/6	7 1/2 c	7 1/2 c	Johnson & Phillips £1	23/9	...	6 6 4	30/4 1/2	21/6	Nil	Nil	Tob. Secrs. Ord. £1	63/9	+1/3	5 0 6
				Siemens £1				88/6	60/5	11 b	5 a	Triplex Safety G. 10/-	35/9	+1/10 1/2	2 9 9
				Electric Light, &c.				68/4 1/2	52/6	11 b	5 a	Tube Investments £1	82/6xd	...	5 15 0
81 1/2 b	87 3/8	Nil	\$1 c	Brazil Trac., no par.	81 1/2 b	-7/8	8 11 9	53/-	24/-	35 c	25 c	Turner & Newall £1	78/9	-1/3	4 12 9
68/-	62/6	9 b	6 a	Bournmouth & Pte.	67/6	...	4 9 0	89/4 1/2	70/-	10 a	133 1/2 b	United Dairies £1	37/6	...	4 12 9
34/3	24/6	5 b	2 a	British Pow. & Ele.	28/6	...	4 17 6	87/6	63/9	16 1/2 b	35 a	United Milksheds 5/8	23/12	+7 1/2d	6 9 6
42/-	28/6	4 b	3 1/2 a	City of London £1	31/6	+7 1/2d	4 8 3	57/4 1/2	46/3	5 a	71/2 b	Willparr. Mrs. Def. £1	35/7 1/2	-7 1/2d	7 1 0
51/-	32/6	5 b	3 a	Clyde Valley Elec. £1	36/3	+7 1/2d	4 7 6	39/8 1/2	30/-	5	71/2 b	Woolworth Ord. 5/-	58/11/2	+1 1/2d	5 3 0
27/9	18/9	4 b	3 a	County of London £1	27/-	+6d	4 12 0	39/3	31/3	3 a	7 b	Asanti Goldfields 4/-	80/-	...	4 15 0
35/-	26/-	5 b	2 1/2 a	Edmundsons £1	31/5	...	4 11 0	70/-	45/-	15 a	45 b	Burma Corp. Rs. 9/-	9/9	-1 1/2d	8 10 0 1/2
32/4 1/2	28/9	4 b	3 a	Lancashire Elec. £1	30/7 1/2	+7 1/2d	4 19 0	81/6 1/2	52/6	95 c	95 c	Comma Corp. £1	72/6	+6d	5 10 0
30/9	41/-	5 1/2 b	3 a	London Ass. Elec. £1	48/11/2	+7 1/2d	4 19 0	31/6	31/3	Nil c	Nil	Crown Mines 10/-	17	...	5 12 0
39/2	33/-	5 1/2 b	2 1/2 a	Midland Counties £1	36/3	...	4 8 0	81/6	52/6	95 c	95 c	De Beers (Def.) £2 1/2	9	-1 1/4	8 6 9
33/10 1/2	33/-	5 1/2 b	2 1/2 a	North-East. Elec. £1	31/-	...	4 4 3	12/10 1/2	8/-	26 a	4 1/2 b	Jo'burg. Cons. £1	51/3	...	5 17 0
49/-	42/6	4 1/2 b	2 1/2 a	North Metro. £1	46/3	...	4 6 6	31/6	31/3	Nil c	Nil	Randfontein £1	107/8	-1 1/4	11 1 9
38/9	36/6	6 b	3 a	Scottish Power £1	36/3	...	4 8 3	81/6	52/6	95 c	95 c	Rhokana Corp. £1	1412	...	4 19 0
41/10 1/2	37/-	5 1/2 b	3 a	Yorkshire Electric	40/-	...	4 0 0	13/-	6	30 a	Nil b	Rio Tinto £1	18/6	-6d	5 8 0
				Gas				69/4 1/2	41/10 1/2	20 c	15 c	Roan Antelope Cpr. 5/-	18/6	-6d	5 8 0
25/-	17/-	2 1/2 a	2 1/2 b	Imp. L. & C. £1	22/9	+9d	4 19 0	48/3	30/10 1/2	11 1/2 b	11 1/2 a	Sub Nigel 10/-	81/16	...	4 18 0
138	100	6 b	4 a	Gas. L. & C. £1	110/2	...	4 18 0	131/4	9	25 a	37 1/2 b	Union Cpr. 12 1/2 p. pd.	7/-	-1 1/2	6 5 0
23/9	20/-	2 1/2 b	2 1/2 a	Newcomer £1	22/6	...	5 5 3	197/8	10	Nil	Nil	W. Witwatersrand 10/-	7/-	-9d	Nil
109 3/4	90	3 1/2 b	2 1/2 a	Metropolitan Stk.	104/2	...	5 5 3	21/7 1/2	13/7 1/2	10 a	10 b	Wiluna Gold £1	15/9	-9d	Nil
				Motors and Cycle				127/6	9 1/2	75 a	7 b				
51/3	36/3	15 c	12 1/2 c	Albion Motors Ord. £1	47/6	...	5 5 0	915/32	7	6 1/2 b	2 1/2 a				
39/4 1/2	31/-	12 1/2 a	+5 b	Assoc. Equip. Ord. £1	30/4 1/2	+7 1/2d	3 16 3 1/2	929/32	4 1/2	Nil	Nil				
32/6	21/10 1/2	50 c	30 c	Austin 5/-	24/4 1/2	+1/3	6 3 2 0	19/9	5/24	10 c	Nil c				
26/9	18/3	Nil	10 c	Birm. Sml. Arms £1	26/9	...	5 11 0								
24/0 1/4	17/6	33 1/2 a	66 1/2 b	Dennis 1/-	17/6	-2/6	5 14 0								
53/12	13/3	6 c	5 a	Ford Motor £1	57/6	...	5 4 4								
53/12	47/6	2 1/2 a	12 1/2 b	Lucas, J. (C.) £1	92/6	...	5 8 0								
94/7 1/2	20/-	70/-	20/-	Leyland Motors £1	92/6	...	5 8 0								
33/3	23/9	45 c	45 c	Morris Motors 5/- Od.	30/-	+7 1/2d	7 10 0								
61/3	32/6	20 5	5 a	Rai. Cycle Hold. £1	45/-	+7 1/2d	11 2 3								
110/7 1/2	81/3	6 a	16 1/2 b	Roll-Royce £1	107/6	+1/3	6 19 0								
16/7 1/2	9/6	40 c	22 1/2 c	Stan. Motor 5/-	16/-	...	6 19 0								
				Shipping											
75 1/8	37/8	15 b	5 a	Clan Line Steam. £1	41/2	...	4 9 0								
4/6	2/-	Nil	Nil	Conard £1	23/9	...	5 16 0								
24/6	14/3	3 c	3 c	Furness, Withy £1	23/6	+6d	6 16 0								
26/-	17/-	2 1/2 a	5 1/2 b	G. & O. Def. £1	18/6	...	5 2 0								
23/7 1/2	16/6	4 1/2 c	5 c	Royal Mail Lines £1	15/-	+6d	Nil								
22/3	13/-	Nil	Nil	Union Castle Ord. £1	15/-	+6d	Nil								
				Tea and Rubber											
18/6	9/6	2 1/2 c	5 c	Allied Sumatra £1	16/-	...	6 5 0								
30/-	18/1 1/2	4 a	5 b	Anglo-Dutch £1	28/9	-9d	6 8 6								
30/-	18/3	5 a	10 b	Bah Lias £1	28/9	...	5 4 4								
27/-	21/-	2 a	6 b	Jhancie Tea £1	32/6	-1/3	7 13 7								
38/6	31/6	5 a	7 1/2 b	Jorehaut Tea £1	31/3	...	8 0 0								
37/6	29/6	2 1/2 a	10 c	Jokal (Assam) £1	17/-	+1 1/2d	5 17 6								
18/10 1/2	10/-	5 c	7 1/2 c	Lingpi Plant. £1	37/12	...	6 15 0								
3/10	2 0 1/4	5 a	7 1/2 c	Madon Asiatic 2/-	30/-xd	...	6 13 3								
30/10 1/2	17/6	6 b	4 a	Rubber Trud £1	30/-xd	+1d	6 13 3								
3/6 1/4	2/-	6 b	4 1/2 a	United Serding 2/-	34/2	...	6 4 6								
				Oil											
113/11/2	67/-	20 b	5 a	Anglo-Iranian £1	95/-	-1/3	5 5 2								
32/6	21/9	32 1/2 a	12 1/2 b	Apex (Trinidad) 5/-	27/6	-6d	8 6 9								
47/7 1/2	25/-	Nil	Nil	Attock £1	46/-	-3d	10 6 1/2								
61/6	35/4	25 b	5 a	Burmah Oil £1	51/6	-3d	4 19 0								
12/10 1/2	3/-	10d 35/-	11d 35/-	Mexican Eagle M. \$4	£38	-10/-	4 19 0								
4 1/2	£33/8	6 a	11 b	Royal Dutch £100	41/-	-3d	4 14 0 1/2								
5 1/2	31/2	7 1/2 a	11 1/2 b	Shell Transport £1	47/6	-5 1/2	4 14 0								
				Trinidad Lease £1											
				Miscellaneous							</				

Industry and Trade

Britain's Industrial Production.—The volume of industrial production, as measured by the Board of Trade's index, fell by 4.3 per cent. between the second and third quarters of this year, compared with a decline of 2.6 per cent. during the corresponding period a year ago. The quarterly average of *The Economist* index of business activity, which is adjusted for seasonal variations, on the other hand, was almost as high in the third quarter of this year as in the second. Compared with the corresponding quarter in 1937, the official index for July-September shows a fall of 10.5 per cent., against a decline of 9 per cent. registered by *The Economist* index:—

BOARD OF TRADE INDEX OF PRODUCTION
(1930=100)

Group	1937			1938		
	Sept. quarter	Dec. quarter	March quarter	June quarter	Sept. quarter	
Mines	95.6	103.9	104.0	89.3	86.0	
Iron and steel	165.5	177.3	168.4	131.6	106.3	
Non-ferrous metals	173.7	166.2	153.3	147.4	142.8	
Engineering	134.9	135.3	132.7	128.8	122.4	
Building	160.3	148.3	146.1	152.5	148.7	
Textiles	127.5	125.8	116.9	106.4	106.3	
Chemicals, etc.	123.8	125.5	123.5	115.0	113.5	
Leather and shoes ..	110.6	108.4	111.6	102.2	97.9	
Food, drink and tobacco ..	120.3	123.2	116.0	123.5	123.0	
Gas and electricity ..	137.1	189.9	186.0	145.5	143.4	
Total of mfg. industries*†	135.6	141.5	136.5	126.8	121.3	
Total of all groups*†	130.1	136.4	132.1	121.7	116.5	

* Revised figures. † Includes also various industries not specified above.

With the exception of the indices relating to food, drink and tobacco, and to gas and electricity, all the group indices for the third quarter of this year are lower than a year ago. The fall has been most marked in the case of iron and steel, non-ferrous metals, and textiles. The indices for mines and quarries, and for leather, boots and shoes, exceptionally, are below the average for 1930. The figure for building materials and building, though 7.2 per cent. below that for the third quarter of 1937, is still 48.7 per cent. above the level of 1930. More recent information points to a revival in a number of industries, including coal, iron and steel, and textiles. It is probable therefore, that the Board of Trade's index of production for the fourth quarter will show an improvement.

The "Closed Shop" in Coal Mines.—Industrial relations have been more friendly in the South Wales coalfield during the past two years than probably at any other period in the history of the coalfield, due partly to the decline in rivalry between trade unions. Between 1927 and 1937 the differences between the South Wales Miners' Federation and the Miners' Industrial Union were often the cause of violent disturbances in the coalfield, but in January this year an agreement was reached by which the non-political Industrial Union was amicably absorbed by the Federation. This step has been followed in recent months by a similar agreement between the Federation and

the Monmouthshire and South Wales Enginemen, Boilermen, and Craftsmen's Associations. It is significant that both these mergers have obtained the sympathy and co-operation of the associated owners, who are now considering proposals for the establishment of a "closed shop" in the coalfield. The South Wales Federation contend that only an inclusive organisation can effectively assume the obligations of the miners under the Conciliation Board Agreement, and they have accordingly applied that membership of the South Wales Miners' Federation shall be made a condition of employment. In a memorandum which the Monmouthshire and South Wales Coal Owners' Association has addressed to the South Wales Miners' Federation, the Association agrees to the necessity for an arrangement that will deal "conclusively" with the question of non-unionism, but lays down the following conditions: (1) The exclusion of winding enginemen, colliery officials and technical staffs; (2) an agreement that none of the contributions to the Union collected by the employers shall be used directly or indirectly for political purposes, either of a local or national character; (3) the exclusion from offices other than those which are full time and fully paid of persons who are not in employment at the collieries; (4) the refusal of any financial support to workmen who have ceased work with or without notice before the Conciliation Board procedure for the investigation and settlement of disputes has been exhausted; and (5) an understanding that the South Wales Miners' Federation has, and will retain, complete authority to enter into and maintain agreements with the employers, so that if the Federation should become subject to the over-riding control of any other authority the agreement will be null and void. The miners are also asked to give certain assurances with the object of advancing the safety, welfare and prosperity of the industry.

It will be seen that the South Wales coal owners are prepared to consider favourably a "closed shop" in so far as it can be established on a locally autonomous, independent, and non-political basis. Their conditions are thus irreconcilable with the draft scheme for a national organisation of miners which is at present under consideration by the Miners' Federation, and which provides "that all the separate and individual miners' unions, together with their branches, now affiliated to the Federation, either direct, through a district, or through a group, be dissolved." The Executive Council of the South Wales Miners' Federation will, it is understood, submit in due course a recommendation on the Welsh coal owners' memorandum to a local delegate conference.

Overseas Trade Maintained.—The statistics for our overseas trade in October reveal no striking change compared with those for September. The values of British imports and exports improved slightly, but compared with the corresponding months of 1937 the decline in the value

(£28,000). Ordinary dividend reduced from 16 to 15 per cent. Carry forward reduced from £138,826 to £130,212.

Bowmaker, Ltd.—Trading profit year to October 31, 1938, £213,728 against £177,010. Interest £91,812 (£60,978). To taxation £30,434 (£21,843). Net profit £84,004 (£87,557). Ordinary dividend maintained at 10 per cent. To staff fund £2,000. To general reserve £25,000 (£30,000). Carry forward raised from £12,041 to £15,040.

Brown Bayley's Steel Works.—Net profit year to July 30, 1938, £154,449 against £138,368. Ordinary dividend raised from 10 to 15 per cent. tax free. To general

reserve £50,000 (£25,000). To obsolescence reserve £25,000 as before. Carry forward raised from £28,492 to £37,941.

Butler Machine Tool.—Report for year to September 30, 1938, shows trading profit £85,418 against £70,267 for period January 18th to September 30, 1937. To depreciation £11,000 (£9,234). Ordinary dividend 17½ per cent. against 10 per cent., equal to 14½ per cent. for full year. Carry forward £14,412.

Fine Cotton Spinners.—No dividend is recommended on the preference, preferred ordinary or ordinary stocks for half-year to September 30, 1938. (The rejection of the capital scheme is discussed in *The Economist* of October 8, 1938, on page 81.)

of British exports was the same both in September and October, while the value of imports showed a slightly greater fall in October. There was a welcome improvement

U.K. IMPORTS AND EXPORTS
(£'000)

	1936	1937	1938	Change between 1937 and 1938	
October					
Total Imports	80,532	96,199	79,035	-17,164	-17.8
British Exports	41,764	47,216	42,560	-4,656	-9.9
Re-exports	4,560	5,699	5,446	-253	-4.4
Total Exports	46,325	52,915	48,006	-4,909	-9.3
Excess of Imports over Exports ..	34,207	43,284	31,029	-12,255	-28.3
Transshipments under bond	2,736	3,233	2,781	-452	-14.0
Ten Months ended October					
Total Imports	688,109	838,319	769,577	-68,742	-8.2
British Exports	361,786	432,859	389,165	-43,694	-10.1
Re-exports	50,270	65,022	51,725	-13,297	-20.4
Total Exports	412,056	497,880	440,891	-56,989	-11.4
Excess of Imports over Exports ..	276,053	340,439	328,686	-11,753	-3.5
Transshipments under bond	23,310	30,976	26,649	-4,327	-14.0

in the value of re-exports, which was within 5 per cent. of the corresponding figure for October, 1937. The increase in the volume of raw material imports is reflected in the rise of our index, from a revised figure of 105½ in September to 106½ in October. The index of the volume of exports of manufactures, however, declined in October by 4 points to 99½; at this level it is still considerably above the low point of 90 reached in August of this year.

Overseas Trade by Commodities.—Compared with a year ago, the imports of almost all of the eighteen important commodities included in the table below showed a fall. Compared, however, with the preceding month of September, imports of all textile raw materials increased, together with imports of petroleum, iron and steel scrap

RETAINED IMPORTS—MONTH OF OCTOBER

Item and Measure	1936	1937	1938
Wheat	8,811	8,712	7,117
Beef and veal	1,224	1,263	1,007
Mutton and lamb	392	529	365
Sugar (unrefined)	4,305	4,621	4,669
Iron ore and scrap	554	671	900
Raw cotton	1,391	1,637	842
Sheep's and lambs' wool	348	375	322
Flax, hemp and jute	23,765	25,856	20,016
Crude petroleum	26,991	48,249	45,878
Hides, wet and dry	145	170	113
Wood pulp	207	170	138
Rubber	2	266	69
Unwrought copper	26,452	31,178	29,520
Pig lead	25,431	29,686	31,838
Tin: Ore and concentrates	3,668	3,778	3,577
Blocks, ingots, slabs and bars ..	243	109	258
Iron and steel manufactures	101	220	40
Machinery	10,307	11,797	8,721

BRITISH EXPORTS—MONTH OF OCTOBER

Item and Measure	1936	1937	1938
Coal	3,226	3,885	3,393
Iron and steel scrap	13,604	17,927	21,165
Pig-iron and ferro-alloys	9,844	10,557	13,082
Railway materials	13,408	13,863	13,466
Total, iron and steel manufactures ..	194,360	206,916	159,069
Textile machinery	4,207	7,110	5,034
Total machinery	32,565	40,606	37,096
Cotton yarns	13,048	13,048	11,515
Cotton piece-goods	177,917	154,283	116,330
Wool tops	4,620	2,341	4,864
Worsted yarns	2,650	1,764	2,102
Woollen tissues	2,290	6,085	4,541
Worsted tissues	7,097	5,394	4,774
Linens piece-goods	41,577	37,956	33,579
Leather boots and shoes	21,922	26,610	15,723
Leather	397,966	390,959	325,406
Paper and cardboard	892	689	1,754
Locomotives and parts	9,294	9,480	6,412
Motor vehicles and chassis			

and some non-ferrous metals; but imports of the four principal foods were smaller than in September. The increased imports of wool were associated with an expansion in the exports of wool tops and worsted yarns, which were higher in October than in either October, 1937, or in September,

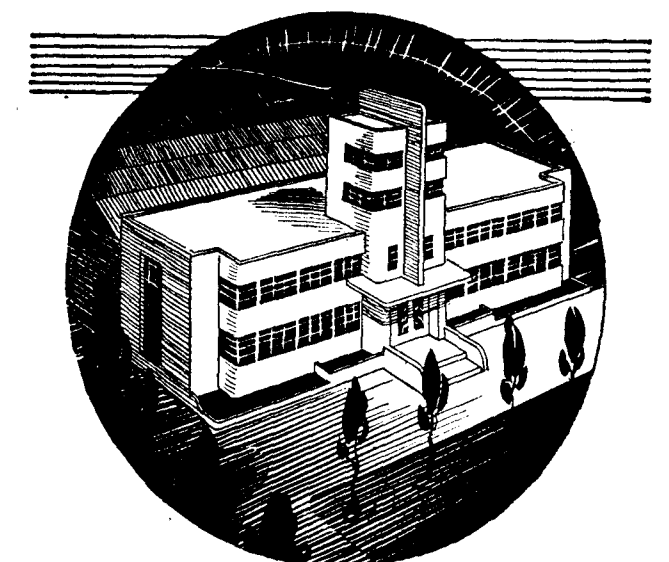
1938. Exports of cotton, woollen and worsted piece-goods declined further, however, but compared with September there was an improvement in the exports of railway materials, other iron and steel manufactures, pig iron, machinery and locomotives and their parts.

Improved Steel Output.—The statistics for the October output of pig iron and steel were published too late last week to be given more than a brief reference in the introduction to our industrial reports. As will be seen from the table here given, the output of steel ingots and

PRODUCTION AND TRADE IN IRON AND STEEL
(In thousands of tons)

Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	638.6	185.9	414.1
1929	632.4	803.0	235.2	364.9
1932	297.8	438.5	132.7	157.4
1936	643.5	982.1	123.6	183.8
1937	708.0	1,080.3	170.0	214.7
1938—				
January	726.7	1,163.0	226.2	193.6
February	769.6	1,133.6	220.5	206.9
March	762.3	1,178.3	272.5	198.0
April	783.8	1,103.8	288.3	196.8
May	761.1	1,081.4	308.7	191.2
June	693.3	1,057.6	230.4	156.7
July	714.6	1,115.8	276.8	176.1
August	661.0	938.6	61.5	168.3
September	633.9	957.0	55.7	167.5
October	541.5	776.1	60.9	150.9
November	507.8	683.2	65.0	135.1
December	443.0	658.9	50.6	135.1
1937	429.8	754.7	61.8	138.0
1938	469.4	854.0	52.4	159.1

castings has increased by 100,000 tons for the second month in succession; the output of pig iron, which fell slightly between August and September, increased in



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October by 40,000 tons. Imports still remain at the low level to which they fell in April of this year, but exports of British manufactures of iron and steel rose by 20,000 tons to 159,100 tons in October. Our index of iron and steel consumption, which is adjusted for seasonal influences but not for changes in stocks, rose by 10½ points between September and October, the first increase after a continuous fall from last December. This rise confirms the more hopeful tone which has appeared in the industrial reports during the last two weeks, although considerable uncertainty will persist in the iron and steel markets until the Federation has announced the prices which will rule after the end of December.

* * *

Increase in the Rubber Quota.—The Regulation Committee decided on Tuesday to increase the rubber export quota for the first quarter of 1939 from 45 per cent. to

50 per cent. of the basic allowances. The recent revision of the basic allowances, which takes effect on January 1, 1939, will raise world shipments by about 24,000 tons per quarter; this increase, combined with the rise in the export quota, will raise the level of exports from about 175,000 tons per quarter to about 215,000 tons per quarter. This higher level is slightly less than the estimated world consumption in the third quarter of 1938; consumption in the last three months of the present year is likely to rise further, and will probably reach about 230,000 tons. Provided, therefore, that consumption does not relapse, there should be a considerable reduction in stocks during the next quarter even at the higher rate of output, and reports from America indicate that consumption there is more likely to increase than to remain stationary. Consequently, the Committee's decision has met with approval from the consuming interests, although the London market was disappointed in its expectation of an unchanged quota.

INDUSTRIAL REPORTS

THE volume of new business in coal has declined a little; output, after a vigorous increase in the first three weeks of October, has also tended to decline. The tone on the iron and steel markets remains fairly optimistic, though many consumers are awaiting the announcement concerning prices in 1939 before covering their requirements beyond this year; the output figures for October show that any improvement in demand is likely to be quickly reflected in the activity of the industry as it can no longer be satisfied by drawing on stocks. Transactions in tinplates have been less active, though shipments last week showed a further increase. Inquiry for cotton goods has been fairly well maintained, but business was not on a large scale, owing to the low offers made by buyers.

Coal

Sheffield.—The general outlook of the market is rather more favourable, although business is below normal for the time of year. Industrial steam coals are in good request. Inland requirements are accounting for the bulk of the coal raised. Smaller grades are in full supply and the market is easy. Coking smalls show a good turnover, and good deliveries of smalls are being made under contract to electricity undertakings. Gas coal is in better demand, but the market in household fuels continues quiet. Coke is quiet, with heavy stocks on hand. There is not much doing in blast-furnace coke at 22s. 6d. per ton on rail at ovens. A slightly better inquiry exists for large selected patent oven coke. Graded coke for central heating is quoted at 25s. 6d.-27s. per ton.

Export demand is showing improvement, with better inquiry for both prompt and forward, best hards being a good feature. Singles and smalls are in little demand, and bunker business is slow.

*

Newcastle-on-Tyne.—The North-East coal market remains steady. Trade in Northumberland steam classes is well maintained and prices continue firm, particularly for large screened coals, which are now difficult to obtain for shipment over the next few months. Durham manufacturing coal receives more inquiry, but there are collieries who still experience difficulty in obtain-

ing sufficient trade from the export section to ensure regular working. Patent oven coke is a steady market, shipments abroad being good, but makers are unable to quote for any additional business owing to lack of export quota.

*

Glasgow.—The market has had a dull appearance this week. The Fife collieries continue to be busily employed on shipping account, but elsewhere there has been a noticeable slackening of new business, largely, it would seem, owing to a difference of ideas as regards prices. The Scottish trade with the London market has also fallen off, due apparently to the larger business done by London with other coal districts. Land-sale business is moving steadily on the whole, but is still causing disappointment in various directions. In general, ample supplies of all classes of coal are on offer, and prices show an easier trend.

*

Cardiff.—The executive and the Control Boards under the South Wales coal sales scheme have intimated a reduction of 1s. per ton in contract prices for export supply during 1939. The reduction applies to bunkers as well as to cargoes, and, although the Control Board's prices will operate as the new minima, it will remain within the power of the colliery owners to negotiate business above the minima when trade conditions are favourable. Ship-owners have been agitating for a reduction of 2s. 6d. per ton, and they are dissatisfied with the decision of the Control Board. Otherwise the market has been featureless. Shipments of contract arrears to Italy are active, and, although no purchases have yet been made for supplies to that country next year, it is confidently expected that they will represent a substantially larger quantity than this year's exports. Best large coals are a steady market and dry sized classes are scarce, but stocks of ordinary smalls are still heavy. There is a slight improvement in coke, but for patent fuel the demand is very slow.

Iron and Steel

London.—Moderately active conditions have continued to rule in the iron and steel markets and the brighter tone noticed recently has been well

maintained, says the official report of the London Iron and Steel Exchange. Most of the buying, however, is still limited to small parcels intended to carry consumers over until the end of the year and there has been comparatively little forward contracting.

In the pig-iron market this feature is particularly noticeable, but in the aggregate the volume of business is considerable. Some branches of the consuming trades are still short of orders with the result that the demand for certain descriptions of pig iron remains poor. The reduction in the stocks of foundry iron, however, has reached a point at which it is probable that more furnaces will be put into commission.

In the semi-finished steel section of the market business is quiet, although demand is more active than for some time past. As a result of recent buying the mills producing this class of steel have a good tonnage of orders in hand, and production appears to be increasing. The stocks of foreign semi-finished steel at consumers' works have been materially reduced and this has given the market a more confident tone.

The market for finished steel is fairly active, but somewhat irregular. There is a vigorous demand for structural steel, but the dearth of new shipbuilding orders has been severely felt by the steel industry. The export trade continues quiet, but shows signs of expanding.

*

Sheffield.—The recent improvement in the iron and steel market is maintained, but the volume of business shows only a small further expansion, and it is obvious that consumers are awaiting a decision on prices before entering into new contracts. At the moment buying is from hand to mouth. In pig iron there is a moderate demand for foundry, while forge shows a fractional improvement. Users of hematite are well covered by contract to the end of the year, and are doing little more than making replacements. Special qualities, however, are being well taken up. There is little change in finished iron, although there are rather better orders for common bars.

Basic steel billets are a better market, and acid billets also show some revival. Small steel bars are more active, and for wire rods and stainless steel sheets the market keeps up well. Demand for structural steel, on the other hand, has fallen off to some extent.

Demand for iron and steel scrap is fairly steady, but there still remain heavy stocks of imported material to be disposed of. Heavy foundry cast iron is well bought up to 75s. per ton, and fair quantities of steelworks cast iron are being called for. Heavy basic steel scrap is a rather quiet market up to 67s. 6d. per ton.

*

Middlesbrough.—Business for immediate requirements of pig iron continues satisfactory and the outlook is favourable. The output of Cleveland foundry pig iron is very much reduced, as this quality is only produced intermittently at week-ends, and stocks in makers' yards are slowly being depleted. The supply of East Coast hematite has increased, but satisfactory deliveries are being made from stocks, of which fair quantities are already sold.

Shipbuilding orders on the North-East Coast are few and departments usually producing shipbuilding material would welcome further business. Other departments are kept busy chiefly for home requirements. The production of steel is increasing, and this enables users of scrap to consume some of the material from stock. Semi-finished steel continues in better demand. An announcement regarding prices of iron and steel for delivery over next year would encourage further business. There is no change in the positions of blast-furnace coke and foreign ore.

*

Cardiff.—The course of business in the tinplate trade is not developing as favourably as was recently expected. Shipments last week were fairly active, but they represented deliveries under contracts, and the current volume of inquiry is very small. There is a slightly better tone in the heavier sheet market, and the output of ingot steel is increasing. Prices are unaltered, but, except for tinplates, reductions are expected in the next few weeks.

Textiles

Cotton (Manchester).—Inquiry has kept up fairly well, but spinners and manufacturers complain that most offers are impracticable. A rather firmer tone has shown itself in the raw cotton markets. The situation at the moment is extremely complicated by the policy of the United States Government. American cotton is losing ground to that grown in other countries, and the spinners demand chiefly South American and Indian descriptions.

Conditions in the yarn market remain unsettled. Only a limited business has been done in American counts. Despite four resignations, an effort is being made to renew the 42's web price agreement until the end of March. A comprehensive scheme to cover all counts and qualities is being drawn up by legal experts. Irregular buying has occurred in Egyptian yarns. Business in piece-goods for foreign outlets has been rather featureless. The reduced activity for India has continued, most of the bids being quite unworkable. A little business has been done in fancies for Java and Singapore. Only isolated transactions have been recorded for Egypt and the Near East. South America has again provided a very fair turnover in sheetings, limbrics, prints and sateens. Useful lines have been secured for the Dominions. Steady

buying has taken place for the home trade in a variety of goods, and some Government contracts have been arranged.

*

Jute (Dundee).—Although the prices of jute goods have occasionally shown a tendency to weaken, a fall has been prevented by the reluctance of sellers to make concessions. The Indian Jute Mills' Association is trying hard to obtain an amicable agreement amongst the mills in India, which would be preferable to legislation passed by the Government to continue the Ordinance limiting the working hours in the mills to 45 per week. Strikes have been reported at six of the Indian mills this week; as a result prices for Calcutta goods have shown a steadier tendency. If these strikes spread to other mills and continued for a time, the industry would be able to dispose of the huge stocks of goods, particularly hessians, which have accumulated in Calcutta during the past twelve months.

The Indian jute mills have lost heavily for some years past, and the low prices at which they have been willing to sell have affected prices in other producing centres, especially in Dundee. For the first ten months of this year 165,119,000 square yards of jute cloth have come in from India compared with 149,876,000 square yards in the same period last year and 119,611,000 square yards in 1936. In 1928, the total imports of these goods were only 28,000,000 square yards.

Dundee spinners and manufacturers are still quite busy, but there is a dearth of orders for forward delivery, so that prices may be shaded. Common 8-lb. cops could be bought at 2s. 2d., 10-oz. 40-in. hessians at 2½d. and 8-oz. at 2½d.

THE COMMODITY MARKETS

PRICE movements on the commodity markets were irregular during the week ended last Wednesday, though the depreciation of the pound was favourable to an advance. The recovery in wheat went a little further, and raw sugar prices continued their upward movement. After a slight improvement towards the end of last week, the price of American raw cotton fell back to where it stood a week ago. Rubber was marked down a little on the announcement of the increase in the export quota for the first quarter of next year. Among non-ferrous metals, copper, lead and spelter were slightly cheaper, but tin showed a further rise.

Commodity markets in the United States were steady. Thus, Moody's index of prices of staple commodities (December 31, 1931=100) rose slightly from 144.4 to 144.7 during the week ended last Wednesday. A month ago the index stood at 143.3 and a year ago at 149.8.

Metals

Copper.—Although closing 10s. above the lowest level, the price of standard cash copper ended the week 16s. 3d. lower at £45 16s. 3d. per ton. The political developments in Europe and the easier trend of Wall Street

induced buyers to show more reserve and their attitude was not changed on the publication of the October statistics. According to the Copper Institute, world stocks of refined copper declined from 457,454 short tons on September 30 to 424,711 short tons on October 31, a fall of almost 130,000 tons since the high level on May 31, 1938. Consumption in the United States increased by over 16,000 short tons compared with September and reached 69,827 short tons. Outside the United States the October consumption fell by slightly over 7,000 tons to 130,141 short tons, but even this level represented the highest October figure ever reached. Production showed the effects of the increased mining and smelting activity both in and outside the United States and advanced considerably to a new record level. The general influence of the statistics on the market was a bearish rather than a bullish one, as a greater decline in stocks had been expected and the rise in production is taken as a sign that the downward movement in stocks will soon be arrested.

*

Tin.—Unlike copper, the price of tin gained another £2 15s. this week, and closed on Wednesday at £215 5s. per ton. The total of home warehouse stocks exceeded last week for the first time for years the 9,000 tons limit. Nevertheless, the low production quota is affecting the market to an increasing extent, particularly as United States consumers are taking an increased interest in new purchases. As a substantial part of the available stocks (estimated at about 6,500 tons) is held by the buffer pool and pool sales are not expected at a level below £225 per ton, a further improvement in the tin price is quite conceivable.

*

Lead and Spelter.—Lead lost 10s. this week to close on Wednesday at £15 18s. 9d. per ton, while spelter lost 6s. 3d. to close at £14 7s. 6d. per ton. The daily demand was again unsatisfactory, due partly to seasonal causes and partly to the disappointing state of some of the leading consuming trades on this side of the Atlantic. Latest production advices indicate that the current output of both metals is still in excess of consumption. Unfortunately, nothing has been heard of late of the progress of the Cartel discussions.

Grains

THE fall in the dollar value of sterling during the last week and the improved demand for Manitoba brought a recovery in wheat prices ranging from 6d. to 1s. 9d. per quarter. The Argentine Government has fixed the minimum price for new crop wheat at 7 pesos per 220 lb. at Buenos Aires; offers of Plate wheat were temporarily withdrawn after this announcement. A considerable amount of business has been done in low-priced European wheats, mainly for animal foods. There was also an improved demand for Plate maize, whose price advanced during the week by about 1s. 6d. per quarter; little trade was done in American maize, whose price is considerably above those ruling for Plate grain. The depreciation of sterling also raised the price of Canadian barley, but demand is still dull.

(Continued on page 401)

BRITISH WHOLESALE PRICES

		Nov. 9, 1938	Nov. 16, 1938
CEREALS AND MEAT			
GRAIN, etc.—			
Wheat—			
No. 2, N. Man. 496 lb.	s. d.	s. d.	
Eng. Gaz. av., per cwt.	26 3	27 6	
Liv. Dec., per cental	4 4	4 6	
Flour, per 280 lb.—			
Straights, d/d London	23 6	22 6	
Manitoba, ex store	22 6	22 6	
Barley, Eng. Gaz. av. per cwt.	8 4	8 1	
Oats	6 3	6 1	
Maize, La Plata, landed, 4'0 lb.	24 3	25 0	
Rice, No. 2 Burma, per cwt.	7 3	7 3	
MEAT—			
Beef, per 8 lb.—			
English long sides	3 10	4 0	
Argentine chilled hinds	4 5	4 5	
Mutton, per 8 lb.—	4 0	4 0	
English wethers	4 8	4 8	
N.Z. frozen wethers	2 10	2 6	
Lamb, per 8 lb.—	4 8	4 8	
N.Z. frozen	5 6	5 6	
Pork, English, per 8 lb.	6 2	6 4	
BACON (per cwt.)—			
English	92 0	90 0	
Danish	95 0	90 0	
Dutch	92 0	87 0	
Irish	83 0	80 0	
EAMS (per cwt.)—			
Canadian	98 0	95 0	
United States	92 0	90 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	106 0	102 0	
New Zealand	110 0	107 0	
Danish	135 0	136 0	
CHEESE (per cwt.)—			
Canadian	72 0	72 0	
New Zealand	69 0	68 0	
English Cheddars	86 0	86 0	
Dutch	65 0	64 0	
COCOA (per cwt.)—			
Accra, g.f.	22 6	23 6	
Trinidad	23 0	24 0	
Grenada	32 6	32 6	
COFFEE (per cwt.)—			
Santos sup. c. & f.	34 6	34 6	
Costa Rica, medium to good	60 0	60 0	
Kenya, medium	60 0	62 0	
EGGS (per 120)—			
English (15-15½ lb.)	22 6	21 0	
Danish (15½ lb.)	16 6	15 3	
FRUIT—			
Oranges, S. African boxes	12 0	10 9	
" Brazilian 210 Peras boxes	8 9	9 6	
Lemons, Naples boxes	10 9	10 0	
" Sicilian boxes	10 9	10 0	
Apples, Amer. (var.) barrels	23 6	20 6	
" Canadian: Nova Scotian (var.) Barrels	23 0	23 0	
Grapes, Almeria barrels	10 0	10 0	
Grapfruit, S. African	25 0	24 0	
" Jamaica, Seeded	9 0	9 0	
" Jaffa, Seedless	8 0	8 0	
LARD (per cwt.)—			
Irish, finest bladders	50 0	50 0	
U.S.	46 6	47 0	
PEPPER, per lb.—			
Black Lampong (in Bond)	0 2½	0 2½	
" (Duty paid)	0 3½	0 3½	
White Muntok (in Bond)	0 3½	0 3½	
" (Duty paid)	0 4½	0 4½	
POTATOES (per cwt.)—			
English, King Edward, Siltland	5 0	5 0	
SUGAR (per cwt.)—			
Centrifugals, 96°, prpt. shipm.	5 8½	5 9½	
c.i.f. U.K. Cont.	5 8½	5 9½	
REFINED LONDON—			
Yellow Crystals	19 0	19 3	
Cubes	23 3	23 6	

* Weeks ended Nov. 3rd and 10th.

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

		Nov. 9, 1938	Nov. 16, 1938
SUGAR (per cwt.)—cont.			
Crushed	s. d.	s. d.	
Granulated	21 6	21 9	
Home Grown	19 6	19 9	
TEA* (Auction Average) (per lb.)—			
N. India	13 74	13 28	
S. India	13 26	13 15	
Ceylon	14 63	14 44	
Java	15 01	14 27	
Sumatra	11 07	11 27	
Africa	11 64	11 44	
Total	13 95	13 58	
TOBACCO (per lb.)—			
Virginia stemmed and unstemmed, common to fine	s. d.	s. d.	
Rhodesian stemmed and unstemmed	0 8	0 8	
Nyasaland stemmed and unstemmed	0 9	0 9	
East Indian	1 10	1 10	
Stemmed	0 7	0 7	
Unstemmed	1 4	1 4	
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	d.	d.	
" Sakellaridis, F.G.F.	5 07	5 07	
" Giza, F.G.F.	8 24	8 22	
Yarns, 32's Twist	9 14	9 13	
" 40's Twist	9 18	9 18	
" 60's Twist	17 14	17 14	
Cloth, 32 in. Printers, 116 yds.	s. d.	s. d.	
" 16x16, 32's & 50's	16 7	16 5	
" 36 in. Shirtings, 75 yds.	23 4	23 1	
" 19x19, 32's & 40's	9 9	9 8	
" 38 in. ditto, 38 yds.	8 10	8 9	
" 39 in. ditto, 37½ yds.	8 10	8 9	
" 16x15, 84 lb.	8 10	8 9	
FLAX (per ton)—			
Livonian ZK	64 0	65 0	
Pernau HD	64 0	65 0	
Slanetz Medium, 1st sort	90 0	90 0	
HEMP (per ton)—			
Italian PC	70 0	70 0	
Manilla, Nov.-Jan. "J2"	21 0	20 10	
JUTE (per ton)—			
Naive 1st mks., c.i.f. H.A.R.B.	19 3/9	19 2/6	
Nov.-Dec. c.i.f. Dundee	19 0/0	18 17/6	
Nov.-Dec. c.i.f. Dundee	19 0/0	18 17/6	
SISAL (per ton)—			
African, Nov.-Jan.	14 10	14 0	
Italian, raw, fr. Milan	7 3	7 3	
WOOL (per lb.)—			
English, Southdown, greasy	13 13	12 12	
" Lincoln hog, washed	23 23	23 23	
Queensland, scd. super combg.	13 13	12 12	
N.S.W. greasy, super combg.	12 12	12 12	
N.Z., greasy, half-bred 50-56	10 12	10 12	
" Crossbred 40-44	27 27	25 12	
Merinos 70's average	25 12	25 12	
" 64's	16 16	16 16	
Crossbred 48's	16 16	16 16	
" 46's	16 16	16 16	

		Nov. 9, 1938	Nov. 16, 1938
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	s. d.	s. d.	
Durham, best gas, f.o.b. Tyne	19 6	19 6	
Sheffield, best house, at pits	22 0	22 0	
Iron and Steel (per ton)—			
Pig Cleveland No. 3, d/d	109 0	109 0	
Bars, Middlesbrough	265 0	265 0	
Steel rails, heavy	202 6	202 6	
Tinplates	21 6	21 6	
NON-FERROUS METALS (per ton)—			
Copper			
Standard cash	46 12/6	45 16/3	
Three months	46 15/0	45 18/9	
Tin			
Standard cash	212 10/0	215 5/0	
Three months	212 15/0	215 10/0	
Lead, soft foreign	213 10/0	216 0/0	
Cash	213 15/0	216 2/6	
English, pig	16 8/9	15 18/9	
Spot	16 10/0	16 1/3	
Spelter, G.O.B.—			
Spot	14 13/9	14 7/6	
Aluminium, ingots and bars	14 15/0	14 8/9	
" rolling billets	102 0/0	102 0/0	
Nickel, home and export	180 0/0	180 0/0	
Antimony, Chinese	185 0/0	185 0/0	
Wolfram, Chinese	60 0/0	60 0/0	
Platinum, refined	s. d.	s. d.	
Quicksilver	58 0	57 0	
per 70 lb.	71 0/0	71 0/0	
per 70 lb.	14 10/0	14 10/0	

	Nov. 9, 1938	Nov. 16, 1938
GOLD , per fine ounce	s. d. 146 3	s. d. 148 1
SILVER (per ounce) —		
Cash	1 7 58	1 7 15
MISCELLANEOUS		
CEMENT , best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable) —		
4-ton loads and upwards	42s. per ton	
CHEMICALS —		
Acid, citric, per lb., less 5% ...	s. d. 1 0	s. d. 1 0
" Nitric	1 0 1/4	1 0 1/4
" Oxalic, net	0 2	0 2
" Tartaric, English, less 5% ...	1 1	1 1
Alcohol, Plain Ethyl	12 0	12 0
Ammonia, carb. ton	20/0/0	20/0/0
" Sulphate	21/0/0	21/0/0
Arsenic, lump	7/8 0	7/8 0
Borax, gran. per cwt.	13 6	13 6
" powder	15 0	15 0
Nitrate of soda per cwt.	8 0	8 0
Potash, Chlorate, net	0 4 1/2	0 4 1/2
" Sulphate per cwt.	10 0	10 0
Soda Bicarb. per cwt.	11 0	11 0
Crystals per cwt.	5 0	5 0
Sulphate of Copper..... per ton	19 15/0	20 0/0
COPRA (per ton) —		
S.D. Straits, c.i.f.	10/0/0	10 5/0
HIDES (per lb.) —		
Wet salted, Australian	s. d. 0 4 1/2	s. d. 0 5
West Indian	0 3 1/4	0 3 1/4
Cape	0 4 1/2	0 4 1/2
Dry and Drysalted Cape	0 6 1/2	0 6 1/2
Market Hides, Manchester —	0 7 1/2	0 7 1/2
Best heavy ox and heifer	0 4 1/2	0 4 1/2
Best cow	0 6	0 6
Best calf	0 4 1/2	0 4 1/2
Best calf	0 5 1/2	0 5 1/2
INDIGO (per lb.) —		
Bengal, gd. red-vio. to fine ...	5 0	5 0
LEATHER (per lb.) —		
Sole Bends, 8/14 lb.	1 11	1 11
Bark Tanned Sole	2 0	2 0
Shoulders from DS Hides	0 6 1/2	0 6 1/2
" Eng. or WS do.	0 9	0 9
Bellies from DS do.	0 8 1/2	0 8 1/2
" Eng. or WS do.	1 5	1 5
Dressing Hides	0 5 1/2	0 5 1/2
Ro. Eng. Calf, 20/35 lb. per doz.	0 6 1/4	0 6 1/4
PETROLEUM PRODUCTS (per gall.) —		
Motor Spirit No. 1, London	1 6	1 6
Petroleum, Amer. std. bri. Lond.	0 10	0 10
Fuel oil, in bulk, for contracts		
ex. instal. Thames —		
Furnace	0 3 1/4	0 3 1/4
Diesel	0 4 1/2	0 4 1/2
ROSIN (per ton) —		
American	15/10/0	15/10/0
RUBBER (per lb.) —		
St. ribbed smoked sheet	s. d. 0 8	s. d. 0 8
Fine hard Para	0 8 1/2	0 8 1/2
SHELLAC (per cwt.) —		
TN Orange	40 0	39 0
TALLOW (per cwt.) —		
London town	43 0	42 0
TIMBER —		
Swedish u/s 3x8	21/0/0	21/0/0
" 2 1/2 x 7	20/10/0	20/10/0
" 2 x 4	18/10/0	18/10/0
Canadian Spruce, Dls.	23/0/0	23/0/0
Pitchpine	13/10/0	13/10/0
Rio Deals	35/0/0	35/0/0
Teak	25/0/0	25/0/0
Honduras Mahogany logs c. ft.	0 12/0	0 12/0
English Oak Planks	0 6/0	0 6/0
English Ash Planks	0 7/0	0 7/0
VEGETABLE OILS (per ton net) —		
Linseed, naked	21/10/0	22/10/0
Rape, refined	32 5/0	32 5/0
Cotton-seed, crude	17 10/0	17 10/0
Coconut, crude	14 7/6	15 0/0
Palm	13 7/6	13 12/6
Oil Cakes, Linseed, Eng.	8 17/6	8 17/6
Oil Seeds, Linseed —		
La Plata, Nov.	10 6/3	10 12/6
Calcutta	11 15/0	11 18/9
Turpentine	s. d. 34 0	s. d. 34 0

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended	Jan.-October	1937	1938
	Oct. 29, 1938	Nov. 5, 1938		
Northumberland	298 5	297 3	11,867 3	11,084 4
Durham	651 5	665 8	27,644 6	26,231 4
Yorkshire	898 3	877 0	37,364 4	35,241 2
Lancs, Cheshire and N. Wales	341 4	338 1	14,637 2	14,115 2
Derby, Notts & Leicester	654 5	662 4	27,789 5	26,447 8
Staffs, Worcs, Salop & Warwick	388 8	392 1	16,666 6	16,201 0
South Wales & Monmouth	809 0	785 7	31,685 7	30,166 8
Other English districts*	121 8	122 5	4,578 8	4,547 5
Scotland	619 6	625 8	26,606 2	25,056 6
Total	4,783 4	4,766 7	198,840 3	18,091 9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners (‘000 bales)				
Variety	Week ended		Total Deliveries	
	Nov. 4, 1938	Nov. 11, 1938	Aug. 1, 1937 Nov. 12, 1937	Aug. 1, 1938 Nov. 11, 1938
American	22 4	23 0	350	301
Brazilian	5 0	6 0	110	62
Peruvian, etc....	2 9	2 8	43	24
Egyptian	5 2	6 6	85	77
Sudan Sakel	3 0	2 6	54	53
East Indian	2 5	4 8	89	120
Other countries	2 5	2 9	64	41
Total	44 4	48 7	795	678

COMPANY MEETINGS

MITCHELLS AND BUTLERS, LIMITED

TURNOVER OF BUSINESS MAINTAINED

HEAVY EXPENDITURE ON PROPERTIES

SIR WILLIAM WATERS BUTLER'S REVIEW

The fifty-first annual general meeting of the ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on the 17th instant, under the presidency of Sir William Waters Butler, Bart.

The Chairman, in moving the adoption of the report and accounts, said: Ladies and gentlemen, the turnover of the business last year equalled that of the previous year notwithstanding a decline in the country's spending power and that during the major part of the year unemployment in the Midlands increased and the cost of living was higher, but I am glad to say that both these figures now show signs of falling. There was, nevertheless, a decrease in the net profit earned of £77,102 consequent upon an unavoidable increase in the expenses.

This fall in profits is, of course, due to the much higher prices of brewing materials and coal; to increased charges for rates, taxes and licences, depreciations and debenture interest and, in addition, to a full year's National Defence Contribution having to be met, whereas last year we had to bear only half-a-year's contribution. This decrease in profits might have been reduced if we had bought cheaper brewing materials of lower quality, but we would not, as we are justly proud of the high quality of our products and to lower that quality, unless we are forced to do so, would be a very bad policy—which would naturally lead to a decrease in sales.

HEAVY EXPENDITURE ON BUILDINGS

You will note from the directors' report that since the last annual meeting we have increased the debentures issued by £535,000 in consequence of the heavy expenditure we have had to meet, and still have to meet, in the modernising of our licensed properties and the erection of buildings in connection with the new licences granted to the company in the growing suburbs of the City which have been newly-populated by the transfer of inhabitants from the crowded areas in the centre owing to the demolition of artisan dwellings and street widenings—public improvements which are likely to continue for some time to come. This transfer of the artisan population from the central parts of the City not only adversely affects the trading of our licensed houses in the areas denuded of population, but also entails a heavy expenditure in building new licensed houses in the outlying suburbs.

We have withdrawn from the property reserve account, which was established last year, the sum of £42,200 to meet expenditure not, in our opinion, adding to the capital value of licensed houses, and we are recommending to you to-day to add the sum of £50,000 to this fund from surplus profits, bringing the total up to £207,800.

We have also recommended, as previously, that out of the profits this year £12,000 shall be added to the pension fund of the company. The fund is vested in trustees and consequently does not appear in the balance sheet. The market value of the investments of the fund totals £335,556.

We have at present 168 pensioners on the books, the cost to the fund amounting to £14,141 per annum.

With reference to the granting of holidays with pay, this has always been our practice both with our workpeople at the Brewery and our employees at the managed houses, the two sections representing 3,800 persons. It may interest you to know that last year the cost to the company was approximately £17,180.

In addition to the recognised annual holidays each employee serving in the Territorial and other Home Defence Forces is granted leave of absence in order to attend camp for training.

EFFECT OF LEGAL DECISION ON IMPROVEMENT OF PROPERTIES

While, as I have already said, our expenditure necessitated by housing schemes and street improvements must, I fear, continue, I regret to say improvement of the accommodation provided by old licensed properties has received a severe check by a legal decision which has just been given by the King's Bench Division that licensing justices have no power to grant the necessary permits for alterations to be made which involve the incorporation of property not

hitherto licensed, even if they consider such alterations desirable and necessary.

The legal decision to which I refer was in connection with an application by a licensee for the sanction of the licensing justices to alterations to a licensed house at Weston-super-Mare, which was opposed in court by the Customs and Excise Commissioners who contended that the licensing justices had no power to give their sanction because the proposed alteration would involve the incorporation of an unlicensed property and that the application for permission to proceed should be by a request for a new licence for which monopoly value would have to be paid. The licensing justices had decided the reconstruction was necessary and desirable, but they were not empowered to grant the application. One realises the cost of monopoly value in such a case would be prohibitive as it would result in making the property unremunerative, and if it is to be charged in connection with the modernising and improving of licensed premises which daily becomes more extensive in consequence of public improvements, it practically means putting an end to the policy of public-house improvement, which has been so much desired and welcomed by licensing authorities and the general public. This would, of course, increase unemployment in the building trades and among bar-fitters and other allied trades, and would seriously affect architects and the other professional men who engage in such work.

To show how vast this expenditure in connection with the improvement and modernising of licensed premises and the erection of new licensed houses in the suburbs has become, we ourselves have expended a sum of over £1,000,000 in the past seven years.

Last year I said how fortunate our industry had been in that we had not been troubled with legislation adversely affecting the trade. This year we have escaped the troubles by legislation only to suffer the troubles of litigation—not of our own seeking—which may have even more damaging effects upon our trading than the lack of protective legislation against bogus clubs which we have been promised, but which has not yet been introduced by the Government.

PROBLEM OF THE BOGUS CLUBS

I refer to the promise which was made in the King's Speech in 1936 and again in 1937, that a Bill would be introduced to make better provisions for preventing the present abuses of the law relating to clubs. Magistrates and Chief Constables have long asked to be given powers to deal with bogus clubs but without avail. It is, therefore, very discouraging that any promise of legislation should have been omitted from the King's Speech at the opening of the present session of Parliament, and the more so, as from the statement of the Home Secretary replying to Sir Sidney Herbert in the House of Commons last week, it appears a vain hope that such a Bill will be introduced in the present Session. Meanwhile the evil grows.

As the number of clubs has more than doubled since 1905 and the number of on-licences has decreased by 25,152, the following statement in the *Birmingham Post* on Saturday last in regard to this question should be considered by the powers that be. It reads: "One fact at any rate is clear enough. The increase in drunkenness—or to be accurate in convictions for drunkenness—runs *pari passu*, with an increase of clubs, at the expense of public-houses."

As Sir Sidney Herbert told the Home Secretary in the House, the living of the licensed trader and the heavy taxation the Government draws from him are being eaten into by these bogus clubs.

And in addition to suffering this unjust and damaging competition the unfortunate licensed trader still awaits the fulfilment of the promised reduction of the heavy licence duties.

I can only say that if assessments are increased to such an extent as some Authorities appear to propose, no licensed trader will be able to gain a living, as it cannot possibly be offset by an increase in the present high price of beer, due to the Duty being still ten times the rate which was imposed before 1914. The public cannot afford to pay any more than the present price, and this was clearly shown by Mr Neville Chamberlain, when Chancellor of the

IMPERIAL AIRWAYS LIMITED

EFFECTS OF DELAYED DELIVERY OF AIRCRAFT

The fourteenth ordinary general meeting of Imperial Airways, Limited, was held, on the 14th instant, in London.

Sir John C. W. Reith, G.B.E., D.C.L., LL.D. (the chairman), in the course of his speech, said:—The year under review was one of transition from one major policy to another. The company's agreements with the Government, based on the carriage of passengers, surcharged mail and freight, were due to expire between 1937 and 1939. The Empire Air Mail Scheme, accepted in principle in 1934, provided for the carriage of letter mail without surcharge. This involved a great increase in activities and an alteration in the relative amounts of mail, passenger and freight traffic. The Empire Air Mail Agreement displaces other agreements for the operation of Empire services, leaving the European agreement to expire on March 31, 1939.

RESULT OF YEAR'S OPERATIONS

The gross profit of £296,824 is less by £97,217 than that of the previous year. This decrease does not represent a fall in the gross revenue, which for the year under review, including subsidy, amounted to the sum of £1,980,000, as compared with £1,729,000 for the previous year. The gross revenue per ton mile for the year 1937-38, however, at a figure of about 5s. compares with approximately 7s. for the previous year because of the decreased rate per ton of unsurcharged mail carried. Expenditure on the same ton mileage basis, but before charging obsolescence, was 1937-38 3s. 10d., 1936-37 4s. 8d. The fall in net revenue per ton mile indicated above fully accounts for the decrease in net earnings.

The board recommends the payment of a dividend at the rate of 7 per cent. on the ordinary shares of the company.

The European services have been operated under severe handicap. New aircraft were ordered in 1934, and at the general meeting last year it was reported that the first of them was then over a year late. Not one was delivered in the year under review, and in fact the first has only now been delivered—four years after the order. Instead, therefore, of having new aircraft, larger, faster and more comfortable than those of its competitors the company with its old aircraft has had to compete against the new aircraft of foreign companies and of British companies using foreign aircraft. And that is why the European services did not expand; in the circumstances it was satisfactory to have carried the same number of passengers as in the previous year.

As a result of unsurcharged mail more than twice the capacity was operated on the Africa route than in the previous year. Passenger traffic increased by 28 per cent. and mail loadings by 280 per cent. As to India, Australia and Far East services, only just over one month of unsurcharged air mail is covered, but during the year traffic from England to Karachi increased satisfactorily. Sixty per cent. more capacity was operated than in the previous year, and the same proportion of capacity offered was sold. Passenger traffic increased 48 per cent. and letter mail 75 per cent. The Bermuda-New York Service, which is operated by the company and by Pan-American Airways, began on June 16, 1937.

As mentioned earlier, European services have been severely handicapped by failure of delivery of aircraft ordered four years ago. The completion of the Empire Air Mail Scheme was delayed for the same reason, and the company is even now operating these services with assistance from aircraft that in normal circumstances would have been replaced with the more modern type.

THE FUTURE

In conclusion, the chairman dealt with the Report of the Cadman Committee, and then read the Air Minister's announcement of last Friday regarding the proposed formation of a public corporation to acquire Imperial Airways and British Airways, and concluded by saying: At this stage there are only two observations to be made. The Minister referred to the need in this company as well as in British Airways for large additional capital for development purposes. This is a matter which has had the board's attention for some time and which, in view of the assistance given the company by way of Government subsidy, has necessarily been discussed with representatives of the Government. Apart from any other issues involved, any alternative to the Government's plan would entail either a great increase in ordinary share capital or the creation of shares with rights ranking in front of the existing shares.

The second comment is that the board, whatever its legal powers under the Articles of Association, will not agree to any price for the sale of the undertaking without calling another meeting of shareholders.

The report was adopted.

Exchequer. He stated in his Budget Speech of 1933 that there must be some reduction in the retail price of beer as he could not wait any longer before taking some measure to safeguard the Revenue of the future, as the Beer Duty had palpably passed the point at which the law of diminishing returns begins to operate.

QUESTIONABLE CAMPAIGN AGAINST BREWING TRADE

I cannot bring my address to a close without referring to the unfortunate attitude which is being taken up by certain agriculturists in connection with the price of barley, who are furthering an abusive publicity campaign directed against the brewing trade. As I have stated before, the brewing trade has always done its best to aid the farmers, and it passes comprehension why they turn and bite the hand that feeds them.

The National Farmers' Union itself has freely admitted that brewers were doing their utmost with regard to home-grown barley and have expressed their satisfaction to the Import Duties Advisory Committee that such was the case. I am glad to hear that the Union dissociates itself from this questionable campaign. The brewing trade has nothing to fear if the truth be told.

And in this connection you will recall a shareholder questioned me at the Annual Meeting last year as to whether we were conforming to the gentleman's agreement made with Mr Neville Chamberlain when he reduced the Beer Duty in 1933. It was that brewers should raise the gravity of beers by at least two degrees and increase as far as possible the proportion of home-grown barley in the brewing of all classes of beer. I can affirm that your company has loyally carried out both these undertakings, notwithstanding the heavy increase in the cost of brewing materials.

THE FUTURE

I am afraid you will think I have presented a most doleful story this morning, but, after all, we must not forget that we are comparing last year's trading results with those of a year of real prosperity and of high wages. The profits of the brewing trade in 1937 were the highest since 1920-21, and we should find much satisfaction in the fact that we have maintained our turnover of that year. The general opinion appears to be that there will not be the recession in industrial activity this winter which at one time was feared, and I, myself, feel, as does the Prime Minister, that the general trading conditions of the country are improving and if the heavy costs we are fearing in connection with building improvements and assessments prove to be lower than at the moment it appears they may be, and brewing materials come cheaper than last year, our prospects for next year will be certainly brighter.

Ladies and Gentlemen, I have pleasure in moving the adoption of the report, and I will ask Mr Bainbridge to second it.

Mr Herbert W. Bainbridge seconded the resolution, which was carried unanimously.

ARGENTINE GREAT WESTERN RAILWAY COMPANY, LIMITED

CAPITAL SCHEME FORESHADOWED

The ordinary general meeting of this company was held on the 15th instant in London.

Mr J. A. Goudge (the chairman), in the course of his speech, said:—The heavy decrease in cereal business throughout the Argentine naturally resulted in reduced purchasing power for the products that the Argentine Great Western carries. Though that was not a serious matter, it is a continuing one; that is to say, there is still less money being spent on such commodities as wine, which is your great traffic.

The point of the report, apart from that, is that the moratorium was renewed with the concurrence of the Stockholders' Committee at meetings of the stockholders concerned. We still have to deplore the large amount of exchange loss which is being sustained on remittances from the Argentine. On that point, since the meeting of the Pacific Company, we have seen that an additional 6 per cent. is likely to be the result of the further depreciation of the peso.

We are, as you know, piling up a very large amount of accrued debenture debt. The prospect of some rearrangement of capital, I may say, has come one year nearer. But we are not yet in a position to lay any sort of scheme before you.

We have done, and we shall continue to do, to the utmost of our power, all we can to develop the district we serve. It is enlightened self-interest—to put it like that—but we must come to the point where capital will be short. I put it to the Pacific stockholders in the same way as I put it now by saying, can it be said that the Argentine Government are doing their best in their own interest if they fail to recognise that railway capital should be given a reasonable chance?

The report and accounts were adopted.

DALGETY AND COMPANY, LIMITED

POSITION IN AUSTRALIA

The fifty-fourth annual general meeting of Dalgety and Company, Limited, was held, on the 17th instant, at 65-68 Leadenhall Street, London.

The Hon. Edmund W. Parker (the chairman), in the course of his speech, said:—Economic activity in Australia during the past year has continued at a high level, despite the International situation and the great reduction in the wool cheque, but, of course, some diminution of prosperity must be looked for during the current year, owing to the natural sequence of a reduced spending power which is bound to follow. Without being unduly pessimistic, I therefore do not think that the Commonwealth is in for such a prosperous year as last. Money has to be found for National Defence and, as you may be aware, during the period under review the Government passed a National Insurance Scheme which will take a very large sum of money to finance.

The position of the Governments continued to improve in the financial year just ended. The Commonwealth Government revenue was raised substantially by a high level of Customs receipts, and a satisfactory surplus was recorded. Figures for all the States reflect a general buoyancy of revenue, partially offset by expenditure somewhat in excess of estimates. Nevertheless, surpluses were recorded in all States except Western Australia and Queensland, but even these deficits were less than those provided for in the Budget estimates.

In May last the Commonwealth Government floated a loan of £10,250,000 on the Australian market at £99 10s. for a term of 14 to 16 years, bearing interest at 3½ per cent., giving an effective yield to redemption of £3 15s. 10d. On the London market the Commonwealth Government floated a loan of £7,000,000 sterling, issued at £99 for 14 to 18 years and bearing interest at 3½ per cent. Various successful internal conversion movements were also carried through, all of which goes to prove that the credit of the Commonwealth still stands high.

There has been no alteration in the Exchange rate, which still presents us with a burden of magnitude. This year the cost of converting our overseas profits into sterling was £93,940. We have been able to absorb this in our profit and loss figures again without having recourse to our reserves, and this shows the very strong position of your company, which is something to be proud of.

NEW ZEALAND

New Zealand has again enjoyed a prosperous year, prices for the Dominion primary products, with the exception of wool, having been on a high scale, and this has resulted in heavy buying of imports. The trade figures for the year which ended on March 31st last reveal a drop of £5,671,000 on her £12,614,000 favourable trade balance of last year. Imports were valued at £58,065,000 compared with £47,621,000 for the preceding year, and exports at £65,008,000, as compared with £60,235,000. At the recent elections Mr Savage's Socialist Government was returned with practically the same majority with which it went to the Polls. How it will use its immense power in the handling of the country remains to be seen.

I regret to say that the price of wool was not maintained during the period covered by the accounts, and this, coupled with severe droughty conditions which have obtained in many parts of the Commonwealth, necessitating the provision of heavy reserves, has affected our results adversely, and I am sorry to say that the board has felt it incumbent upon it to recommend a reduced final distribution by way of dividend. However, the 6 per cent. for the year which is recommended is a fair return when you realise all the difficulties we have had to contend with both in the Commonwealth and the Dominion—more so in the latter where our expenses have increased as the result of recent legislation, and even now we do not know quite where we are. It behoves us then to make provision for lean times, and I can assure you that everything is being done in that direction that can be done, and your company to-day stands on very solid foundations. There are indications that the price of wool may harden—the opening of the new season's sales having shown a rising tendency, and it is hoped that this movement may continue.

From all points of view, and particularly from that of the Australian wool grower, the 1937-38 wool selling season was one of the most disappointing experienced for many years. Lower levels of value have ruled before, but seldom has a season opened with brighter prospects and been so consistently disappointing throughout the selling period.

The report and accounts were adopted.

SECOND INDUSTRIAL TRUST, LIMITED

SUCCESSFUL RESULTS—INCREASED DIVIDEND

The twenty-seventh ordinary general meeting of the Second Industrial Trust, Limited, was held, on the 16th instant, in London.

Mr W. Sandford Poole (the Chairman), in the course of his speech, after giving an exhaustive review of conditions at home and abroad, said:—I think you will agree that the accounts we submit to you to-day are quite as satisfactory as could be expected.

Dividends and interest received during the year, after provision for the National Defence Contribution and income tax, amounted to £59,996, as compared with £61,551 a year ago, a decrease of £1,555. An interim dividend of 1½ per cent. was paid on the ordinary shares in May last, and we now recommend a final dividend for the year of 3½ per cent., making together 5½ per cent., compared with 5 per cent. last year. This leaves to be carried forward £22,997. Last year we wrote off the commission on the issue of debenture stock made in April, 1936. This year we have increased the dividend by ½ per cent. and the carry-forward by £4,918.

The setback in our investment valuation during the twelve months was only about 22 per cent. The actual depreciation on our portfolio, before crediting the reserve and the carry-forward, was about 16 per cent. Fluctuations in values occur for a variety of reasons which often have no direct bearing on intrinsic values. Under the stress of grave political events superimposed on a trade recession, market quotations for securities, naturally, have slumped. A trust company which is under no necessity to realise at any given date can, to a certain extent, ignore fluctuations in market quotations, although it is, of course, comforting when one is able to announce a surplus.

In times like these it is not safe to assume the rôle of prophet. There are not wanting possibilities of improvement. It is to be hoped that when we meet next year the general outlook will be brighter. It is, however, only fair to state that I fear the report to be laid before you in twelve months' time may reflect some reduction in revenue, although, unless the unforeseen should happen, the amount of the reduction should not be serious.

The report and accounts were unanimously adopted.

S. SMITH AND SONS (MOTOR ACCESSORIES), LIMITED

RECORD TRADING PROFITS

The twenty-fourth ordinary general meeting of this company was held, on the 17th instant, in London.

Mr W. Henderson-Cleland, M.C. (the chairman), said that the balance sheet again revealed a strong financial position. Bearing in mind the circumstances of the past year, it was a matter for satisfaction that the trading profit showed the record figure of £360,645. Part of the increase had been set aside in depreciation, and the substantially larger charge for taxation meant that the net profit was reduced to £220,492 as compared with £250,385.

In their motor accessory group their position had been more than maintained with the motor car manufacturers and their instruments had been supplied to a larger number of motor car manufacturers than at any time in their history. Owing to the slight falling off experienced in the number of motor cars sold during the year, there had been a relative falling off in their sales of motor accessories for the period. The K.L.G. Sparking Plug Company had made considerable progress during the past year, and the new corundite plug had justified their expectations, while their aircraft plugs had maintained their pre-eminent position.

As to the future prospects of the company, although the first three months of the current year showed a decrease in the company's turnover, he was not pessimistic as to the prospects for the current year. The motor car manufacturers were busier than they had been for months past, and there was consequently a larger call for their instruments and equipment. Orders had been secured for the supply of one or other of their various jacking systems as standard equipment to nearly all British makes of cars. The prospects of the K.L.G. Company for the current year were better than ever before, and the important development in the corundite plug and in aircraft plugs had been so far-reaching that orders in hand ensured that factory working at full capacity for many months to come. Business in the Clock Group had been maintained during the past year, and in spite of the falling off in general trade during the first few months of the current season, their sales of both electrical and mechanical clocks had been maintained.

Mr A. Gordon Smith (managing director) seconded the adoption of the report and accounts, which was unanimously approved.

SUDAN PLANTATIONS SYNDICATE, LIMITED

SATISFACTORY RESULTS

The thirty-first ordinary general meeting of the Sudan Plantations Syndicate, Limited, was held, on the 17th instant, at Winchester House, Old Broad Street, London.

Sir Alexander MacIntyre (the chairman and managing director of the company) presided, and in the course of his speech said: The gross profits for the year amount to £582,560, and there is a net profit of £265,754. The directors recommend the payment of a dividend of 10 per cent. for the year. All cotton seed has been sold, and our sales of cotton have been quite good considering the lower prices ruling for cotton throughout the financial year. Sales of cotton have been larger than in the previous year, and we are continuing to develop sales by auctions at Port Sudan. We have constructed stores, sampling sheds, buildings and offices to facilitate the work in connection therewith. With the much larger production of cotton in the Gezira it is hoped that as time goes on more buyers will avail themselves of these auctions.

With regard to effecting forward sales by means of futures contracts, the Liverpool Cotton Association has produced a new contract called Giza 7 No. 2. While this contract in some ways is an improvement on the old one, it still penalises Sudan-grown cotton as compared with that grown in Egypt. I think that it is much to be regretted that a contract of a wider character cannot be evolved embracing all varieties and grades of Egyptian type cottons.

At present those who wish to provide cover for any substantial quantity are compelled to effect these covers in American growths where there is a free market, but this is not satisfactory.

The cotton crop produced in the Gezira for the past season was an excellent one, giving the high yield of 4.53 kantars of unginned cotton per feddan. Zeidab also gave a good return of 4.06 kantars per feddan, and all the crop has been sold.

With regard to the prospects for this season, the effective area planted amounts to about 167,000 feddans as compared with nearly 168,000 feddans last year. The crop is rather later than usual, but the latest cable from our manager indicates that in spite of all the difficulties encountered, if weather conditions, which are now favourable, continue, an average crop may be expected.

The results for the coming year must, to a large extent, depend on the final yield in the Gezira and on seed and cotton prices, and it is too early now to predict what these are likely to be. It would appear that America will have an average crop of about 12,000,000 bales as compared with 18,000,000 bales last year, and that Egypt will have the very much reduced crop of about 7,500,000 kantars as compared with 11,000,000 kantars last year. Prices of American cotton have recently risen somewhat, and the price of Egyptian cotton has risen substantially. If existing prices are maintained this should materially help our profits.

The report and accounts were adopted after some discussion.

KASSALA COTTON COMPANY, LIMITED

The fifteenth ordinary general meeting of the Kassala Cotton Company, was held, on the 17th instant, in London.

The Hon. A. M. Asquith, D.S.O. (the chairman), in the course of his speech, said:—Regarding the year ended June 30th last, the outstanding points are that, as compared with the previous year, we had nearly 7,000 more acres under cotton and the exceptionally high

demand at the tea auctions improved during the week, but was still only fair.

(Continued from page 394)

Other Foods

Provisions.—Bacon prices were marked down by 2s. to 5s. per cwt. at the end of last week, but trade has remained slow. Colonial butter prices were also reduced, but European types were little changed in price. The trade in meat has been dull, and some of the home killed supplies have arrived out of condition owing to the warm weather. Heavy supplies of eggs caused a fall in values.

Colonial Produce.—Refined sugar prices were advanced by 1½d. per cwt. at the end of last week and again on Monday, in sympathy with the firmer tone in the market for raw sugar. The market for cocoa was steady with some improvement in prices of Accra. The

Fruit and Vegetables.—Heavy supplies of green vegetables were not cleared over the week-end, even at very low prices. All types of tomatoes were in brisk demand during the past week. The London potato trade shows little change, but the provincial markets report improved prices to growers since the size of the riddle has been raised.

Miscellaneous Commodities

Oils and Oilseeds.—These markets have improved during the past week, partly in sympathy with the better tone in the grain trade. The Argentine

yield of over 4½ kantars per feddan. On the other hand, in contrast with 1937, cotton prices were low throughout the year and particularly during the months February-June, when our cotton auctions are held at Port Sudan. We sold a good part of our crop at and immediately after those auctions.

Cotton and other profits at £107,521 are down by £25,366; the reserve against advances to tenants no longer required brought us in £7,689 more than last year; and we show a profit, subject to directors' percentage, of £33,503, which compares with our profit of £49,039 in 1937. We were fortunate in having a bumper crop in this year of poor prices. We propose, if you agree, a dividend of 10 per cent., payable to-morrow.

As to the growing crop, it is always too early at the date of our annual meeting to make any sure forecast. Our area under cotton at 38,639 feddans is practically the same as last year. Generally speaking, the amount of the rainfall and its incidence have been quite exceptional this season, and conditions have been such as to make more than usually heavy demands upon our Sudan staff and upon the tenants. Blackarm can be found throughout, but according to our latest advice the cotton appears to be throwing it off. Our latest reports are that our stand of cotton is not bad and that, granted a continuance of favourable conditions, a fair average crop may be obtained.

The report and accounts were unanimously adopted.

SOUTH WEST AFRICA COMPANY, LIMITED

The ordinary general meeting of the South West Africa Company, Limited, was held, on the 17th instant, in London.

Sir Edmund Davis, J.P., the chairman and managing director, in moving the adoption of the report and accounts, said:—In the profit and loss account there is a balance profit of £129,055 (an increase of nearly £30,000 over last year), to which we have added reserve for income tax not required, £9,029, and deducted percentage of profit due to directors, £5,602, which leaves a balance of £132,482 carried to the balance sheet, being £21,600 more than last year. There has been during the year under review a considerable increase in the receipts under the heading "Ore Sales Account," due to the larger tonnage we have disposed of during the period covered by the accounts. For the current twelve months we do not anticipate disposing of as much tonnage as we produced during our financial year just closed, though I am able to estimate that the profits to be realised on sales, together with the dividends on our investments and the amount likely to be transferred from land sales suspense account in the current financial year, will be such that the balance of profit for the year should be sufficient, leaving aside the question of any carry forward, to warrant the declaration of a dividend of 5 per cent. with a bonus of 10 per cent.

At our last ordinary general meeting I stated that through the good offices of the German Government and our bankers in Berlin we were able to transfer a large amount of sterling to this country, and to-day I am able to inform you that the whole of the £100,000 has been received.

Summing up the position of the company to-day, our investments, which at June 30, 1937, had a value of £597,330, at June 30, 1938, had a value of £684,684, and on the 15th instant had a market value of £693,768. Our Abenab Mine, which stands in our books at over £10,000, should, in our next accounts, stand at practically nothing.

The report and accounts, with the recommendation of a dividend of 5 per cent. and bonus of 10 per cent., were unanimously adopted.

Government has fixed a minimum price for linseed at Buenos Aires of 13 pesos per quintal, and this announcement helped to improve linseed prices, but the bulk of the English demand is still concentrated on the Indian crop. Trade in Egyptian cottonseed is quieter, but the price of linseed oil gained 17s. 6d. per ton on the week.

Rubber.—The rubber market was inactive over the week-end, with a slowly declining price level. The decision of the Regulation Committee is the subject of a Note on page 394. The immediate reaction of the market to the news was to mark prices down by a further ½d. per lb., but some of this decline was later made good. The October consumption in the United States, at 40,333 tons, represents the highest daily level since September, 1937.

CURRENT STATISTICS

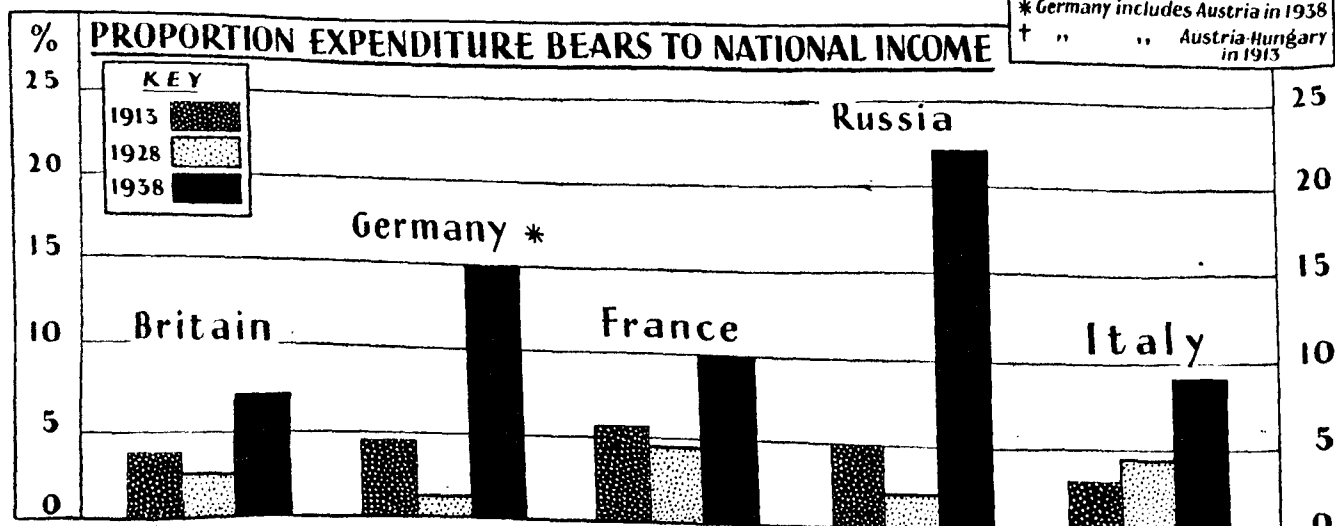
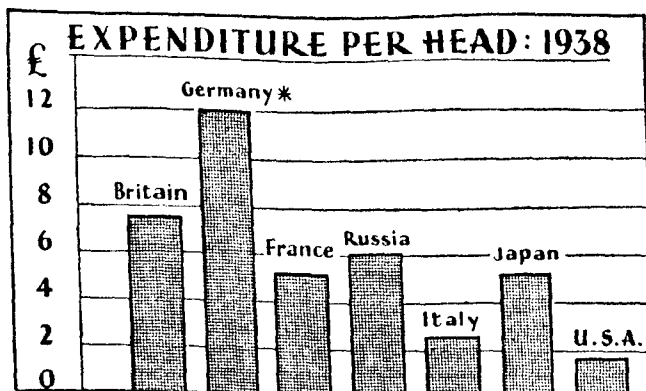
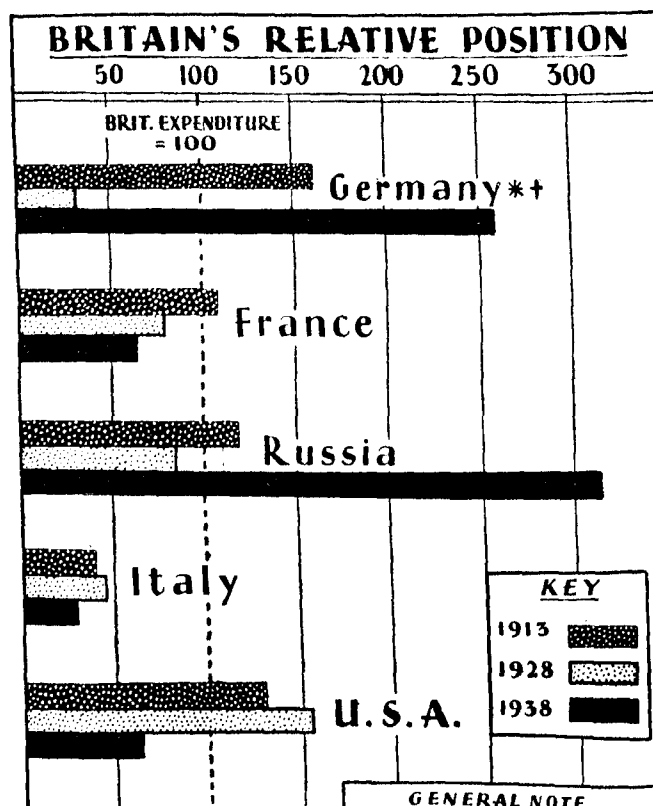
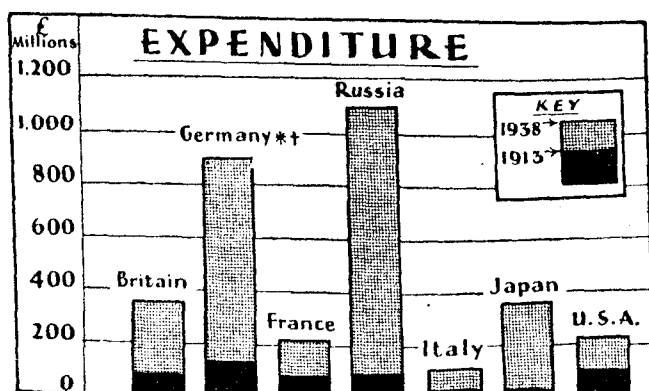
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Estimates of Defence Expenditure

We present below a number of estimates comparing the defence expenditures of the Powers. The principal sources are Foreign Policy Reports (New York), October 1, 1938, and *The Economist* Armaments Supplement, October 19, 1929. The estimate of German expenditure in 1938 is based on the official rate of exchange.



GENERAL NOTE
* Germany includes Austria in 1938
† " " Austria-Hungary in 1913

GOVERNMENT RETURNS

For the week ended November 12, 1938, total ordinary revenue was £15,347,000, against ordinary expenditure of £13,076,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £198,239,000, against a deficit of £124,763,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Nov. 13, 1937	April 1, 1938, to Nov. 13, 1938	Week ended Nov. 13, 1937	Week ended Nov. 12, 1938
ORDINARY REVENUE					
Income Tax	341,150	79,226	87,016	2,642	3,942
Sur-tax	62,000	7,910	9,750	160	220
Estate, etc.	...	...	...	...	...
Duties	88,000	56,350	47,070	1,190	2,440
Stamps	24,000	12,840	11,790	710	80
N.D.C.	20,000	...	9,860	...	...
Other In.	...	...	...	...	...
Rev. Duties	1,250	260	730	40	40
Total I. Rev.	536,400	156,586	166,216	4,742	7,092
Customs	227,950	139,985	140,904	4,624	4,929
Excise	116,150	69,400	69,700	1,400	1,400
Total Cust. and Excise	344,100	209,385	210,604	6,024	6,329
Motor Duties	36,000	11,252	11,209	162	175
P.O. (Net Receipt)	8,670	10,880	10,180	1,300	1,450
P.O. Fund.	2,400	25	860	...	...
Crown Lands	1,330	900	...	...	...
Rec. from Sun. Loans	5,250	3,634	4,139	...	...
Misc. Rec.	10,500	8,460	7,622	8	301
Total Ordinary Revenue	944,650	401,122	410,830	12,236	15,347
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,442	43,070	44,270	900	750
Total	1,025,092	444,192	455,100	13,136	16,097

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Nov. 13, 1937	April 1, 1938, to Nov. 13, 1938	Week ended Nov. 13, 1937	Week ended Nov. 12, 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	145,774	146,849	465	562
Payments to N. Ireland	8,900	4,274	4,619	...	...
Other Cons. Fund Serv.	5,239	1,918	1,722	5	59
Total...	244,139	151,966	153,190	470	621
Supply Serv.	170,240	373,919	455,878	9,430	12,455
Total Ord. Expend.	946,548	525,885	609,068	9,900	13,076
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	43,070	44,270	900	750
Total	1,026,990	568,955	653,338	10,800	13,826

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Aire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £147,697 to £2,911,161, the other operations for the week (as shown below) reduced the gross National Debt by £2,123,000 to about £8,344 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT (£ thousands)		NET REPAYMENTS, ETC. (£ thousands)	
Treasury Bills	1,967	Bk. England Adv.	3,000
		Pub. Dept. Adv.	610
		Nat. Sav. Certs.	150
		P.O. and Teleg. (Money)	300
		N. Atl. Shipping	30
	1,967		4,090

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to November 12, 1938, are shown below:—

£ thousands		£ thousands	
Ordinary Exp.	609,068	Ordinary Rev.	410,830
Increase in bals.	547	Eire receipts*	10,000
Eire issues*	3,758	Gross borr.	198,504
		Less	
		Sinkg. Fds.	5,961
		Net borrowing	192,543
	613,373		613,373

* Receipts and issues under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Nov. 13	612.0	290.2	35.9	938.1	326.1	
Dec. 31	889.7	39.4	55.7	984.9	...	
1938						
July 30	565.0	309.1	46.6	920.7	355.7	
Aug. 6	560.0	303.4	44.1	907.5	347.5	
" 13	555.0	303.4	44.1	902.5	347.5	
" 20	555.0	296.2	41.0	892.1	338.1	
" 27	555.0	316.9	44.1	894.7	339.7	
Sept. 3	550.0	324.2	46.0	911.0	361.0	
" 10	537.0	334.5	48.2	919.7	382.7	
" 17	526.0	345.5	49.8	921.3	395.3	
" 24	883.4*	49.2	...	932.6	...	
Oct. 8	521.0	379.1	49.3	950.4	428.4	
" 15	526.0	383.6	45.8	955.4	429.0	
" 22	526.0	379.3	41.4	946.7	420.7	
" 29	522.0	386.1	44.0	952.1	430.1	
Nov. 5	517.0	405.3	46.1	971.3	451.4	
" 12	517.0	407.2	45.4	969.7	452.6	

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

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Nov. 12	45.0	75.0	45.0	10 2.12	65
Dec. 31	50.0	80.5	50.0	10 11.59	47
1938					
July 29	40.0	82.4	40.0	10 1.90	58
Aug. 5	35.0	78.6	35.0	10 1.80	40
" 12	30.0	76.8	30.0	10 1.50	30
" 19	35.0	82.2	35.0	10 1.51	32
" 26	40.0	87.6	40.0	10 1.53	36
Sept. 2	45.0	74.6	45.0	11 11.02	60
" 9	45.0	63.1	42.0	10 5.87	37
" 16	40.0	55.8	37.0	18 10.75	66
" 23	40.0	58.2	40.0	19 7.07	62
" 30	45.0	68.8	45.0	25 1.42	48
Oct. 7	50.0	71.6	50.0	14 3.44	60
" 14	50.0	72.6	45.0	15 5.57	69
" 21	40.0	77.3	38.0	13 8.91	44
" 28	35.0	72.5	35.0	10 9.78	48
Nov. 4	35.0	67.9	35.0	10 5.87	44
" 11	35.0	62.7	35.0	10 6.16	52

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are normal length bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.
On November 11th applications at £99 17s. 4d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 52 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 17s. 5d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on November 18th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number		Purchase Price
	43 weeks to:—		
Oct. 30, 1937	26,503,693		19,877,770
Oct. 29, 1938	26,611,036		19,958,277
Week to:—			
Oct. 30, 1937	598,960		449,220
Oct. 22, 1938	590,546		442,910
Oct. 29, 1938	574,001		430,501

N.B.—At the end of September, 1938, the balance due to Post Office and to Trustee Savings Bank depositors was £735,043,000, and the value of National Savings Certificate holdings was £517,100,000.

BANK OF ENGLAND RETURNS

NOVEMBER 16, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt.	11,015,100
In circultn.	478,587,827	Other Govt.	188,791,235
In Bnkg. De- partment...	47,826,599	Other Secs.	80,319
		Silver Coin...	113,346
		Amt. of Fid.	200,000,000
		Issue	Gold Coin & Bullion ...
			326,414,426
	526,414,426		526,414,426

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs...	95,236,164
Rest	3,191,151	Other Secs.	12,404,788
Public Depts.*	35,047,355	Securities...	20,586,814
Other Depts.	89,485,653	Notes	32,991,602
Bankers	35,037,378	Gold & Silver Coin	1,260,172
Other	124,523,031		177,314,537
			177,314,537

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

THE WEEK'S CHANGES

£ thousands		Compared with	
Both Departments	Amt. Nov. 16, 1938	Last Week	
		Last	Year
COMBINED LIABILITIES			
Note circulation	478,588	4,103	2,520
Deposits: Public	35,047	19,110	1,876
Bankers	89,486	20,012	2,787
Others	35,037	467	1,104
Total outside liabilities	638,158	5,471	1,039
Capital and rest	17,744	14	23
COMBINED ASSETS			
Govt. debt and securities	295,043	6,340	722
Discounts and advances	12,405	1,302	3,385
Other securities	20,667	412	1,472
Silver coin in issue dept.	113	25	103
Gold coin and bullion	327,674	32	278
RESERVES			
Res. of notes & coin in banking department	49,087	4,071	17,758
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only	30.7%	2.8%	12.1%
(b) Gold stocks to deposits and notes	51.3%	0.4%	0.2%
(c) reserve ratio			

COMPARATIVE ANALYSIS

(£ millions)					
	1937	1938			
	Nov. 17	Oct. 26	Nov. 2	Nov. 9	Nov. 16*
<i>Issue Dept. :</i>					
Notes in circ.	481.1	482.5	484.0	482.7	478.6
Notes in bank- ing dept.....	65.3	43.9	42.5	43.7	47.8
Govt. debt and securities ...	219.1	199.8	199.9	199.8	199.9
Other secss. ...	326.8	0.1	0.1	0.1	0
Gold	326.4	326.4	326.4	326.4	326.4
<i>Deposits :</i>					
Public	33.2	25.0	14.1	15.9	35.5
Bankers'	86.7	100.4	109.5	109.5	89.3
Others	36.1	35.5	36.4	35.5	35.5
Total	156.0	160.9	160.0	160.9	159.9
<i>Bkg. Dept. Secs.:</i>					
Government ..	76.6	107.6	102.4	101.6	95.5
Discounts, etc,	9.0	4.2	10.5	1.1	1.1
Other	21.3	21.6	21.1	21.0	20.0
Total	106.9	133.4	135.0	133.7	128.0
<i>Banking dept. reserve.....</i>	66.8	45.3	43.8	45.0	49.0
	%	%	%	%	%
"Proportion" Reserve ratio	42.8	28.1	27.3	27.9	30.0
	51.5	50.9	50.9	50.9	51.5

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in *The Economist* of May 28th last. The latest returns of the Banks of Danzig, Egypt, Lithuania, and Poland appeared in *The Economist* of October 15th; Federal Reserve Reporting Members of November 5; International Settlements, Reichsbank, Czechoslovakia, Denmark, Hungary, India, Portugal, South Africa, Switzerland and Estonia of November 12th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Nov. 15, 1937	Oct. 20, 1937	Nov. 15, 1938	Nov. 17, 1938
RESOURCES				
Gold certifi. on hand and due from Treas.	9,124	11,197	11,318	11,404
Total reserves	9,458	11,581	11,679	11,783
Total cash reserves	323	374	352	369
Total bills discounted	19	6	8	7
Bills bt. in open mkt.	3	1	1	1
Total bills on hand	21	7	8	7
Industrial advances	19	15	15	15
Total U.S. Govt. secs.	2,555	2,564	2,564	2,564
Total bills and secs.	2,595	2,586	2,588	2,587
Total resources	12,903	15,002	14,939	15,295
LIABILITIES				
F.R. notes in actual circulation	4,250	4,289	4,356	4,346
Aggregate of excess mkt. bank res. over reqts.	1,100	3,270	3,130	3,260
Deposits—Member bank reserve account	6,922	8,693	8,546	8,727
Govt. deposits	138	609	578	544
Total deposits	7,060	9,302	9,124	9,271
Cap. paid in and surplus	306	309	309	309
Total liabilities	12,903	15,002	14,939	15,295
Ratio of total res. to deposit and F.R. note liab. combined	80.1%	83.1%	83.4%	83.3%
U.S.F.R. BANKS AND TREASURY COMBINED RESOURCES				
Monetary gold stock	12,789	14,008	14,091	14,162
Treasury and Nat. Bk. currency	2,611	2,746	2,755	2,756
LIABILITIES				
Money in circulation	6,534	6,668	6,764	6,732
Treasury cash and deposits with F.R. Bks.	3,768	3,379	3,315	3,265

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

	Nov. 18, 1937	Oct. 20, 1937	Nov. 18, 1938	Nov. 17, 1938
Total gold reserves	3655.6	4884.2	4858.1	4982.0
Total bills discounted	6.3	1.3	2.6	1.5
Bills bt. in open mkt.	1.0	0.2	0.2	0.2
Total U.S. Govt. secs.	736.1	815.4	815.4	815.4
Total bills and securities	743.1	820.5	821.8	820.8
Deposits—Member bank reserve account	3041.7	4397.5	4252.8	4418.2
Total res. to dep. and Fed. Res. note liabilities combined	84.8%	87.0%	87.0%	87.1%

BANK OF FRANCE.—Million francs

ASSETS	Nov. 15, 1937	Oct. 20, 1937	Nov. 15, 1938	Nov. 17, 1938
Gold	55,932	55,808	55,808	55,808
Bills: Commercial	9,861	18,250	15,366	14,239
Bought abroad	928	725	725	725
Advances on securities	3,895	3,896	4,049	4,005
Thirty-day advances	753	917	2,341	2,271
Loans to State without interest: (a) general	3,200	3,200	3,200	3,200
(b) provisional	26,918	4481.34	4481.34	4481.34
Negotiable bonds	5,637	5,570	5,570	5,570
Sinking Fund Dept.	4,720	4,584	4,705	4,873
Other assets	90,948	113,417	110,557	108,771
LIABILITIES				
Notes in circulation	2,669	3,697	3,481	3,548
Deposits: Public	17,860	20,862	22,950	23,322
Private	3,366	3,109	2,940	3,183
Other liabilities	52.8%	40.4%	40.7%	41.1%

NATIONAL BANK OF BELGIUM

ASSETS	Oct. 6, 1937	Oct. 27, 1937	Nov. 3, 1938	Nov. 8, 1938
Gold	3,229	3,318	3,370	3,397
Silver and other coin	41	49	49	47
Foreign exchange, etc.	1,042	903	900	900
Bills and securities	928	800	750	721
Advances	65	48	58	52
LIABILITIES				
Notes in circulation	4,853	4,542	4,565	4,542
Deposits: Govt.	46	34	114	115
Other	317	434	360	373

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	Nov. 15, 1937	Oct. 7, 1937	Nov. 14, 1938	Nov. 17, 1938
Gold and English srg.	16.01	16.01	16.01	16.01
Other coin, bullion, &c.	5.64	5.33	5.32	5.69
Money at short call—				
London	37.22	21.80	20.07	19.91
Secrts. and Treas. bills	81.85	95.05	94.12	94.12
Discounts and advances	11.10	14.42	14.80	14.89
LIABILITIES				
Notes issued	49.28	48.03	48.03	48.03
Res. pm. on gold sold	7.75	7.75	7.75	7.75
Deposits, etc.	87.34	90.32	87.46	88.17

CENTRAL BANK OF ARGENTINA

ASSETS	Oct. 15, 1937	Sept. 30, 1937	Oct. 15, 1938	Oct. 15, 1938
Gold at home	1,284	1,224	1,224	1,224
Gold abroad & foreign exchange	196	116	111	105
Non-int.-bearing Govt. bonds	119	119	119	119
Treasury bonds	398	397	397	397
LIABILITIES				
Notes	1,119	1,085	1,107	1,089
Government deposits	98	106	106	113
Bank deposits	412	378	327	327
Certs. of participation in Treasury bonds	357	299	360	366
Gold and for. exch. to note and sight liab.	90.4%	85.3%	86.5%	86.7%

NATIONAL BANK OF BULGARIA

ASSETS	Oct. 31, 1937	Sept. 30, 1937	Oct. 31, 1938	Oct. 31, 1938
Gold holdings	1,871	2,003	2,003	2,003
Balances abroad and foreign currencies	587	649	784	837
Discounts and advances	1,570	1,186	1,261	1,259
Advances to Treasury	3,523	3,468	3,468	3,468
LIABILITIES				
Reserves	1,202	1,191	1,188	1,188
Notes in circulation	2,968	3,137	3,094	3,115
Sight liab. and deposits	3,216	3,224	3,372	3,318

BANK OF CANADA

ASSETS	Nov. 10, 1937	Oct. 12, 1937	Nov. 10, 1938	Nov. 10, 1938
Reserve of which	210.0	215.1	217.7	216.8
Gold coin and bullion	179.9	181.8	181.0	181.0
Securities	203.1	204.4	210.3	207.7
LIABILITIES				
Note circulation	160.2	181.8	177.0	176.3
Deposits: Dom. Govt.	32.0	25.1	27.8	25.1
Chartered banks	209.4	212.9	221.5	221.7
Reserves to notes and deposit liabilities	52.0%	51.2%	50.9%	51.0%

BANK OF FINLAND

ASSETS	Nov. 8, 1937	Oct. 8, 1937	Nov. 8, 1938	Nov. 8, 1938
Gold reserve	602.7	620.5	620.4	620.4
Gold abroad not in gold reserve	32.0	—	—	—
Foreign correspondents	2057.1	2079.1	2111.1	2131.8
Foreign bills, etc.	72.9	96.9	119.5	103.4
Int. bills and home loans	1007.9	1498.5	1376.9	1364.9
Finish & foreign bonds	504.2	393.1	393.3	432.3
LIABILITIES				
Notes in circulation	1983.7	2115.7	2068.0	2024.8
Sight deposits: Govt.	81.0	141.8	272.6	267.1
Other	1008.5	1146.0	988.7	1112.7
Ordinary cover to sight liabilities	79.6%	75.7%	77.4%	77.4%

BANK OF GREECE.—Million drachmae

ASSETS	Oct. 31, 1937	Sept. 30, 1937	Oct. 31, 1938	Oct. 31, 1938
Gold and gold exchange	3,580	3,425	3,599	3,635
State gold bonds	521	521	521	521
Bills discounted	606	714	746	745
Advances	4,856	7,942	7,713	7,546
State debt	3,856	3,784	3,794	3,794
LIABILITIES				
Notes in circulation	6,839	7,726	7,247	7,190
Dep. and current accs.	5,843	8,323	8,762	8,629
Foreign exch. liabilities	134	179	180	224

BANK OF JAPAN.—Million yen

ASSETS	Oct. 23, 1937	Sept. 24, 1937	Oct. 15, 1938	Oct. 22, 1938
Coin & bullion: Gold	1937	1938	1938	1938
Other	801.0	501.3	501.3	501.3
Spec. fd. for for. exch.	57.2	49.1	45.6	45.1
Discounts and advances	712.7	516.7	525.3	521.7
Government bonds	657.9	1254.2	1367.7	1346.1
Agencies' accounts	105.6	145.9	130.2	142.0
LIABILITIES				
Notes issued	1628.7	1931.4	1929.7	1976.0
Deposits: Government	394.5	471.4	551.0	489.9
Other	62.6	123.9	149.4	155.9

BANK OF JAVA.—Million florins

ASSETS	Nov. 6, 1937	Oct. 8, 1937	Nov. 5, 1938	Nov. 5, 1938
Gold and silver	133.46	138.54	138.80	138.43
Discounts, advances & other investments	77.26	74.52	75.04	77.05
Foreign bills	4.29	2.67	2.63	7.41
Other assets	82.18	71.71	69.52	67.32
LIABILITIES				
Notes in circulation	195.10	195.56	189.29	193.56
Deposits and bills	87.74	78.40	83.04	82.91

RESERVE BANK OF NEW ZEALAND

ASSETS	Nov. 8, 1937	Oct. 31, 1937	Nov. 7, 1938	Nov. 7, 1938
Gold	2.80	2.80	2.80	2.80
Sterling exchange	16.21	9.96	7.71	6.63
Advances to State	5.00	7.85	10.88	12.14
Investments	2.66	2.73	4.73	3.48
LIABILITIES				
Bank notes	13.23	13.87	14.44	14.44
Demand liab.: State	4.65	2.83	3.15	2.62
Bank and others	7.19	5.29	19.19	6.64
Reserves to sight liab.	75.8%	57.9%	46.1%	39.7%

NATIONAL BANK OF JUGOSLAVIA

ASSETS	Nov. 8, 1937	Oct. 8, 1937	Oct. 31, 1938	Nov. 8, 1938
Cash reserve: Gold at home and abroad	1,753	1,892	1,893	1,893
Other foreign exchange	540	499	442	450
Discounts and advances	1,606	1,953	1,896	1,876
Government advances	1,652	2,243	2,243	2,243
LIABILITIES				
Notes in circulation	6,324	7,241	7,012	6,941
Sight liabilities	423	1,838	2,049	2,223

BANK OF LATVIA

ASSETS	Nov. 10, 1937	Oct. 31, 1937	Oct. 31, 1938	Nov. 7, 1938
Gold coin and bullion	1937	1938	1938	1938
Silver coin	77.48	82.59	82.59	82.59
Foreign currency	13.79	12.60	12.22	12.24
Treas. notes and change	46.72	42.34	42.27	41.60
Short-term bills	7.83	7.63	7.97	8.75
Loans against securities	48.95	52.80	52.97	51.35
LIABILITIES				
Notes in circulation	57.78	83.18	83.13	80.34
Deposits & current accs.	142.22	144.42	147.57	149.63
Government accounts	62.94	53.56	54.22	53.36

BANQUE MELLÉ IRAN

ASSETS	Sept. 6, 1937	Aug. 22, 1937	Sept. 6, 1938	Sept. 22, 1938
Gold	306.5	312.7	312.7	312.7
Silver	404.9	405.7	405.7	405.7
Discounts	329.7	246.0	261.9	265.4
Public departments	580.7	710.4	707.7	720.3
Other debit balances	643.6	740.6	721.3	747.9
LIABILITIES				
Notes in circulation	853.4	753.4	777.7	769.0
Public departments	349.1	525.4	533.7	532.1
Other credit balances	922.4	1134.6	1102.2	1139.9

N.B.—Based on London prices and £ sterling in Teheran, actual value is: £424,104,000 rials; \$374,639,000 rials.

NETHERLANDS BANK

ASSETS	Nov. 15, 1937	Oct. 31, 1937	Nov. 15, 1938	Nov. 15, 1938
Gold	1424.6	1481.0	1481.0	1503.9
Silver	17.4	15.8	21.3	—
Home bills, etc.	9.5	18.5	15.7	15.8
Foreign bills	5.1	4.0	4.0	3.6
LIABILITIES				
Notes in circulation	189.5	289.5	308.4	307.9
Deposits: (a) Govt.	872.9	1033.1	1015.8	1003.0
(b) Other	11.1	138.5	138.3	848.9

BANK OF NORWAY

ASSETS	Nov. 10, 1937	Oct. 31, 1937	Nov. 10, 1938	Nov. 10, 1938
Coin and bullion (gold reserve)	118.8	147.7	147.7	147.7
Bal. abroad & for. bills	177.4	197.7	193.2	193.7
Funds provisionally in gold, not in gold res.	70.3	62.8	62.8	62.8
Norwegian and foreign Govt. securities	92.4	130.8	132.1	132.1
Discounts and loans	122.3	107.7	106.3	103.5
LIABILITIES				
Notes in circulation	419.6	458.5	456.0	449.5
Deposits at sight	105.3	148.1	143.8	148.1

EXCHANGE RATES—cont.

NEW YORK

New York on	Par. of Exch. cents.	Nov. 10, 1938	Nov. 11, 1938	Nov. 12, 1938	Nov. 14, 1938	Nov. 15, 1938	Nov. 16, 1938
London:—*	Old Par 4-8666	4-727 ³ / ₄		4-721 ³ / ₄	4-703 ³ / ₄	4-701 ³ / ₄	4-697 ¹ / ₂
60 days ...	New Par 4-733 ³ / ₄	4-733 ³ / ₄		4-727 ³ / ₄	4-703 ³ / ₄	4-701 ³ / ₄	4-701 ³ / ₄
Cables Demand...	8-2397	4-733 ³ / ₄		4-727 ³ / ₄	4-703 ³ / ₄	4-701 ³ / ₄	4-701 ³ / ₄
Paris, Fr. ...	16-63	2-641 ³ / ₄		2-637 ³ / ₄	2-633 ³ / ₄	2-631 ³ / ₄	2-629 ³ / ₄
Brussels, Bel. ...	32-67	16-90 ³ / ₄		16-92	16-93	16-92	16-92
Switz'd. Fr. ...	16-95	22-64		22-65 ¹ / ₂	22-66	22-66	22-66
Italy, Lira ...	8-91	5-261 ³ / ₄		5-261 ³ / ₄	5-261 ³ / ₄	5-261 ³ / ₄	5-261 ³ / ₄
Berlin, Mk. ...	40-33	40-05		40-06	40-05	40-07	40-07
Amst'dm Gldr ...	68-06	54-28		54-17 ¹ / ₂	54-04	54-13	54-24
Cop'h'gn, Kr. ...	21-16	21-16		21-12	21-05	21-03	21-00
Oslo, Kr. ...	45-37	23-82		23-77	23-67	23-67 ¹ / ₂	23-64
Stockh'm, Kr. ...	24-42	24-42		24-38	24-28	24-27 ¹ / ₂	24-24
Athens, Dr. ...	0-87 ¹ / ₂	0-87 ¹ / ₂		0-87	0-86 ³ / ₄	0-86 ³ / ₄	0-86 ³ / ₄
M'ntal, Can. \$...	169-31	99-250		99-250	99-125	99-090	99-090
Y'o'hama, Yen ...	84-40	27-65		27-59	27-52	27-50	27-43
Shanghai, \$...	16-00	16-00		16-05	16-00	16-05	16-05
B. Aires, Peso ...	29-39	29-34		29-34	29-22	29-22	29-17
Rio, Ms. † ...	20-255	5-90		5-90	5-90	5-90	5-90

Usance: T.T. * Dollars per £1. † Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER
Week ended November 17, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD					
British E. Africa	38,923	...	Netherlands	5,873	247,157
British India	245,623	68,833	France	2,873	995
Germany	9,887	...	Syria	...	21,004
Netherlands	7,951	...	Switzerland	2,067	56,847
Belgium	23,341	...	Morocco	...	1,370
Switzerland	179,664	30,206	United States	8,027,442	...
Siam	8,553	...	Other Countries	1,384	170
Total*	521,720	110,372	Total	8,039,639	327,543
SILVER					
British India	...	1,367	Trinidad	...	2,500
Netherlands	...	32	Norway	...	1,179
Belgium	12,327	261	France	...	28,400
France	25,273	24	Hungary	...	34,108
Other countries	...	1,790	Arabia-Saudi	...	7,563
			United States	189,204	...
			Other countries	3,207	1,229
Total	37,600	3,474	Total	256,098	11,292

* Including other countries.

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Nov. 13 (£'000)				Aggregate Gross Receipts 45 weeks (£'000)			
	Pass	Merchandise	Coal & Coke	Total	Pass	Merchandise	Coal & Coke	Total
L.M. & S.—								
1937	419	543	279	1,241	23,679	22,406	11,470	57,555
1938	412	458	262	1,132	23,684	20,259	11,221	55,164
L. & N.E. (a)—								
1937	277	370	268	915	15,419	15,390	11,161	41,970
1938	269	331	254	854	15,332	14,216	10,625	40,173
Great Western—								
1937	174	210	123	507	10,034	9,055	5,037	24,126
1938	174	194	111	479	9,963	8,380	4,833	23,176
Southern—								
1937	263	66	32	361	14,871	2,872	1,364	19,107
1938	271	63	34	368	14,840	2,745	1,366	18,951
Total—								
1937	1,133	1,189	702	3,024	64,003	49,723	29,032	142,758
1938	1,126	1,046	661	2,833	63,819	45,600	28,045	137,464

(a) Week ended Nov. 12.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,611	- 1,159	- 632	- 51
Weekly Figures				
Av. weekly decrease, 2nd half 1938	- 84.79	- 61.00	- 33.26	- 2.68
Latest week compared with 1937	- 109	- 61	- 28	+ 7
Latest week compared with average 1927-30	- 197	- 148	- 52	- 2

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Nov. 11, (£'000)			Aggregate Gross Receipts 45 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1-7	0-6	2-3	117-8	22-1	139-7
1938	1-7	0-5	2-2	113-8	19-6	133-4
Great Northern—						
1937	8-2	9-5	17-7	508-5	429-3	937-8
1938	8-5	10-8	19-3	504-8	412-8	917-6
Great Southern—						
1937	27-1	57-9	85-0	1,670-9	1,880-0	3,550-9
1938	27-8	56-4	84-2	1,674-2	1,837-4	3,511-6

SUEZ CANAL RECEIPTS
(For headings see Overseas Traffic Table.)

Transit Receipts† ...	43	1938 Oct. 31	268,600	—	56,400	8,984,400	-1,028,800
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† 10 days.

† 10 days.

OVERSEAS WEEKLY TRAFFIC RECEIPTS
INDIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Bengal & N. Western	3 Oct. 20	Rs. 9,34,386	+ 4,160	Rs. 18,50,447	+ 1,18,932
Bombay, Bar. & C.I.	30 Nov. 10	26,33,000	+ 26,512	5,23,93,514	+ 11,27,148
Bombay, Bar. & C.I.	32 Nov. 10	31,82,000	+ 3,64,000	6,93,07,000	+ 8,11,000
Madras & S. Mah.	30 Oct. 31	20,27,000	+ 94,392	4,22,58,244	+ 17,93,613
S. Indian	29 Nov. 20	15,59,447	+ 71,856	3,10,87,380	+ 1,98,008

† 10 days.

† 11 days.

† 10 days.

† 11 days.

† 10 days.

† 11 days.

† 10 days.

† 11 days.

SOUTH & CENTRAL AMERICAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1938	+ or -	1938	+ or -
Antofagasta	45 Nov. 13	\$ 15,180	+ 670	\$ 676,230	+ 78,260
Argentine N.E.	19 12	147,800	+ 50,400	3,416,900	+ 219,900
B.A. and Pacific	19 12	1,202,000	+ 2,673	21,512	+ 13,185
B.A. Central	18 Oct. 29	1,708,773	+ 2,018	1,391,968	+ 169,820
B.A. Gt. Southern	19 Nov. 12	1,133,600	+ 17,300	2,159,300	+ 387,400
B.A. Western	19 12	1,984,000	+ 15,091	38,612,000	+ 205,000
Central Argentine	19 12	1,116,981	+ 10,000	12,385,000	+ 18,813
Central Uruguay	19 12	1,457,755	+ 3,004	765,916	+ 143,204
Leopoldina	45 12	1,603,000	+ 286,250	32,197,400	+ 9,091,300
Mexican Railway	44 12	1,717,687	+ 20,939	1,992,434	+ 568,899
Nitrate	41 Oct. 22	1,202,000	+ 2,442	314,559	+ 18,621
United of Havana	19 Nov. 12	1,136,136	+ 2,000	312,289	+ 15,218

* Converted at average official rate 10-96 pesos to \$.
† Fortnight. † Converted at official rate.
‡ Receipts in Argentine currency. ‡ Controlled free rate.

LONDON TRANSPORT BOARD

Week ending	Receipts	Compared with prev. Year
Nov. 12, 1938, before pooling	£ 583,400	+ £ 15,600
Total, 20 weeks to date	11,330,600	+ 70,300
L.P.T.B. receipts, 52 weeks to June 25, 1938	29,388,200	+ 657,100
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1938, after pooling	30,923,828	+ 676,450
London Transport Pool receipts, year to June 30, 1938	42,120,179	+ 742,250

AMERICAN RAILROADS

Company	Month of Sept., 1938	Compared with Sept., 1937	9 Months 1938	Compared with 9 Months 1937
Baltimore and Ohio	Gross 12,603,000	— 1,997,000	97,052,000	— 34,393,000
New York Central	Net 1,715,000	— 1,081,000	8,716,000	— 12,135,000
Pennsylvania	Gross 2,480,000	— 4,802,000	21,711,000	— 65,694,000
Railroad	Net 32,047,000	— 7,201,000	259,649,000	— 93,694,000
Southern Pacific	Gross 6,512,000	— 738,000	36,768,000	— 21,972,000
Union Pacific	Net 18,112,000	— 1,686,000	146,270,000	— 24,819,000
	Gross 2,565,000	— 142,000	6,860,000	— 11,525,000
	Net 15,236,000	— 338,000	105,525,000	— 14,200,000
	Gross 2,395,000	— 1,154,000	10,791,000	— 2,744,000

† Net operating income.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation				Balance Forward	Corresponding Period Last Year	
					Prefce. Amount	Dividend		Carried to Reserve, Depreciation, etc.		Net Profit	Dividend
						Amount	Rate				
		£	£	£	£	%	£	£	£	%	
Banks											
English, Scottish & Austrin.	June 30	305,978	280,594	586,572	...	168,875	7	110,000	307,697	276,127	
Royal Bank of Scotland ...	Oct. 8	...	613,257	613,257	...	465,909	17	60,000	87,348	636,419	
Breweries and Distilleries											
Ansells Brewery	Sept. 30	226,838	585,764	812,602	17,500	350,000	17½	204,853	240,249	608,359	
Associated British Maltsters	Aug. 31	27,760	85,570	113,330	47,854	21,750	10	14,563	29,163	116,394	
Bass, Ratcliff and Gretton ...	Sept. 30	718,804	863,629	1,582,433	68,000	558,910	25½	182,189	773,334	971,148	
Baird (Hugh) and Sons	Aug. 31	4,038	12,007	16,045	2,900	2,059	4	7,500	3,586	10,622	
Butler (W.) & Company	Sept. 30	74,923	176,773	251,696	28,000	90,000	18½	47,163	86,533	177,344	
Campbell (A.) Hope & King	Sept. 30	9,456	23,817	33,273	3,850	9,000	15	10,000	10,423	23,249	
Dublin Distillers	June 30	Dr. 28,358	Dr. 4,838	Dr. 33,196	...	...	...	Dr. 4,562	Dr. 28,634	9,423	
Hewitt Brothers	Sept. 30	19,907	294,142	114,049	7,975	34,256	13½	49,331	22,487	(a)	
Holt Brewery	Sept. 30	43,010	58,779	101,789	23,493	28,201	5	7,085	43,010	70,973	
Morgan's Brewery	Sept. 30	45,011	73,636	118,637	13,800	45,843	15	14,568	44,426	66,281	
Northampton Brewery	Sept. 30	50,316	111,559	161,875	8,250	28,508	15	67,024	58,093	118,676	
Stroud Brewery	Sept. 30	18,617	91,139	109,756	4,690	42,936	17½	46,256	15,874	90,719	
Walker (P.) Warr. & Burton	Sept. 30	221,892	510,907	732,799	125,000	310,000	20½	75,000	222,799	520,136	
Warwicks and Richardsons..	Sept. 30	29,421	89,572	118,993	15,000	48,000	16	25,000	30,993	81,261	
Financial Land, etc.											
Bowmaker, Ltd.	Oct. 31	12,041	89,824	101,865	29,083	24,922	10	32,820	15,040	92,671	
Cap. & Prov. Prop. Trust ...	Sept. 30	1,506	5,903	7,409	...	...	...	2,000	5,409	13,903	
Cedar Investment	Sept. 30	21,356	33,593	54,949	8,066	18,176	5½	5,000	23,707	35,230	
Marley Tile (Holding)	July 31	2,939	63,938	66,877	13,236	21,750	6	25,000	6,891	75,375	
Properties Selection Trust...	Sept. 30	747	7,720	8,467	...	5,231	6	2,450	786	8,054	
Iron, Coal and Steel											
Brown, Bayley's Steel.....	July 30	28,492	154,449	182,941	25,000	45,000	15½	75,000	37,941	138,368	
Motor Cycle & Aviation											
Airspeed (1934), Ltd.	July 31	Dr. 90,936	21,155	Dr. 69,781	...	...	...	...	Dr. 69,781	Dr. 58,650	
Guy Motors	June 30	13,044	40,694	53,738	526	17,210	15	15,000	21,002	34,463	
Hawker Siddeley Aircraft ...	July 31	62,790	594,193	656,983	100,289	448,503	42½	...	108,191	573,196	
Rubber											
Asahan	July 31	9,146	11,189	20,335	...	6,500	5	4,500	9,335	18,053	
Bukit Pulai	June 30	2,234	4,651	6,885	...	3,250	3	...	3,635	6,319	
Djasinga	June 30	8,671	18,812	27,483	...	17,925	4	...	9,558	44,315	
Eastern Sumatra.....	June 30	5,003	49,014	54,017	...	37,419	8-33	10,000	6,598	56,393	
Killinghall	June 30	6,214	20,381	26,595	...	15,750	30	3,208	7,637	27,724	
Malaya General	Aug. 31	12,782	21,986	34,768	...	21,927	11½	...	12,841	53,760	
Singapore United	June 30	772	12,471	13,243	...	4,893	6	1,460	6,890	19,240	
Sumatra Para	June 30	7,980	12,802	20,782	...	9,444	4½	3,390	7,948	18,001	
Tenom	July 31	1,183	7,533	8,716	...	6,438	6	1,000	1,278	20,492	
Tea											
Associated of Ceylon	June 30	267	5,827	6,094	3,600	...	...	2,243	251	8,618	
Telegraph & Telephones											
Dictograph Telephones ...	Aug. 31	3,055	20,913	23,968	...	14,500	10	5,000	4,468	(a)	
Tramway and Omnibus											
East Yorkshire Motor Servc.	Sept. 30	6,656	79,358	86,014	...	30,000	10	47,500	8,514	65,288	
Other Companies											
Berger (Lewis) and Sons ...	July 31	138,826	141,218	280,044	28,000	79,090	15	42,742	130,212	162,057	
Bird (Sydney S.)	Sept. 30	2,010	8,188	10,198	...	6,344	17½	1,303	2,551	(a)	
Blackpool Pier.....	Oct. 31	10,304	7,772	18,076	634	6,344	17½	...	11,098	6,995	
Butler Machine Tool	Sept. 30	4,753	67,304	72,057	6,255	35,000	17½	16,390	14,412	(a)	
Coventry Gauge and Tool...	Aug. 31	29,427	131,218	160,645	...	18,750	15	63,100	78,795	45,531	
Dick (R. and J.)	Aug. 31	9,705	20,490	30,109	10,606	4,418	6½	1,821	13,264	28,280	
Heenan and Froude	Aug. 31	16,946	36,390	53,336	...	20,671	12½	16,145	16,520	28,985	
Kia-Ora, Ltd.	Sept. 30	7,573	15,386	22,959	...	12,300	3	3,174	7,485	18,467	
Liverpool Warehousing	Sept. 30	48,843	52,031	100,874	12,960	27,864	7½	8,000	52,050	43,210	
Packing Materials Assn. ...	Sept. 30	6,539	5,001	11,540	6,910	...	...	...	4,630	11,512	
Radio Rentals	Aug. 31	3,122	84,727	87,849	4,056	4,713	6½	77,278	1,802	81,619	
Stuttardford and Co.	Aug. 31	42,630	75,489	118,119	12,600	44,000	11	20,000	41,519	79,520	
Viking Tanker Co.	July 31	16,694	192,575	209,269	1,221	51,362	15	103,000	53,686	125,533	
Viking Whaling	July 31	38,800	33,929	72,729	391	15,691	10	...	56,647	84,047	
Wall Paper Manufacturers...	Aug. 31	303,705	598,544	902,249	71,992	446,814	10 & 12½	79,208	304,235	717,746	
Walmseys (Bury)	Sept. 30	80,901	64,989	145,890	13,000	39,000	13	...	93,890	69,040	
Total Profits, 1938, in £'000s:	No. of Cos										
To November 12	2,085	77,717	265,348	343,065	43,327	138,368	...	76,573	84,797	243,349	
To November 19	2,132	80,025	270,741	350,766	44,027	141,408	...	77,915	87,416	248,967	

Special Statistics

OVERSEAS TRADE RETURNS

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

IMPORTS (Value C.I.F.)					EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)				
	Month ended October 31		Ten months ended October 31			Month ended October 31		Ten months ended October 31	
	1937	1938	1937	1938		1937	1938	1937	1938
I.—Food, Drink and Tobacco—					I.—Food, Drink and Tobacco—				
A. Grain and Flour	8,540,054	5,356,326	73,968,696	61,319,036	A. Grain and Flour	140,772	157,690	1,425,915	1,394,761
B. Feeding-stuffs for Animals	1,011,169	939,904	9,028,074	9,537,109	B. Feeding-stuffs for Animals	39,872	50,614	558,395	601,240
C. Animals, Living, for Food	740,484	1,285,743	5,688,285	7,309,720	C. Animals, Living, for Food	202	1,493	95,712	5,375
D. Meat	7,567,706	6,596,338	71,437,124	75,435,902	D. Meat	116,019	140,845	886,968	969,355
E. Dairy Produce	6,734,154	6,200,654	58,691,797	67,069,895	E. Dairy Produce	89,588	95,271	1,003,864	966,757
F. Fresh Fruit and Vegetables	3,421,889	3,291,988	31,651,704	32,792,744	F. Fresh Fruit and Vegetables	25,963	17,297	323,372	163,641
G. Beverages and Cocoa Preparations	5,297,167	5,020,047	38,050,912	38,185,865	G. Beverages and Cocoa Preparations	1,366,670	1,686,131	12,539,201	11,015,868
H. Other Food	7,463,518	6,829,766	46,383,503	45,486,233	H. Other Food	1,175,688	1,091,202	10,312,690	9,846,038
I. Tobacco	2,577,865	3,813,809	11,891,931	18,056,398	I. Tobacco	487,752	493,628	4,226,815	4,124,668
Total, Class I	43,354,006	39,334,475	346,792,026	358,192,907	Total, Class I	3,442,526	3,734,171	31,372,932	29,087,703
II.—Raw Materials and Articles Mainly Unmanufactured—					II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	2,172	1,675	21,135	11,837	A. Coal	3,758,101	3,549,323	31,227,183	31,143,506
B. Other Non-Metalliferous Mining and Quarry Products and the like	470,151	393,314	4,361,938	3,981,513	B. Other Non-Metalliferous Mining and Quarry Products and the like	129,092	98,658	1,123,207	848,735
C. Iron Ore and Scrap	1,100,160	421,252	9,967,066	10,040,057	C. Iron Ore and Scrap	89,907	61,887	814,051	365,561
D. Non-Ferrous Metalliferous Ores and Scrap	1,658,604	1,291,310	15,401,423	13,725,696	D. Non-Ferrous Metalliferous Ores and Scrap	244,297	195,018	2,780,914	1,817,101
E. Wood and Timber	6,956,365	4,660,883	50,108,732	35,360,507	E. Wood and Timber	9,180	4,699	86,293	61,794
F. Raw Cotton and Cotton Waste	4,383,133	2,292,556	38,375,643	24,892,945	F. Raw Cotton and Cotton Waste	74,037	27,564	874,032	380,515
G. Wool, Raw and Waste, and Woollen Rags	3,607,584	2,231,522	45,645,955	35,675,341	G. Wool, Raw and Waste, and Woollen Rags	571,818	594,031	8,028,924	5,003,254
H. Silk, Raw, Knobs and Noils	223,700	154,615	1,799,399	1,746,663	H. Silk, Raw, Knobs and Noils	720	1,421	8,182	5,124
I. Other Textile Materials	666,343	955,224	10,323,428	9,334,350	I. Other Textile Materials	35,573	145,099	502,129	813,783
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	3,130,664	2,411,861	29,973,716	27,071,294	J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	296,423	247,321	3,253,477	2,415,729
K. Hides and Skins, Undressed	1,717,647	1,233,315	21,288,292	15,201,599	K. Hides and Skins, Undressed	108,160	68,693	1,513,124	881,179
L. Paper-making Materials	1,608,123	1,334,027	12,398,761	13,240,115	L. Paper-making Materials	171,954	93,595	1,578,158	954,194
M. Rubber	1,249,323	596,655	10,252,738	10,208,678	M. Rubber	26,906	14,957	334,152	185,799
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	1,173,354	981,877	10,025,783	8,702,376	N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	293,446	208,828	2,345,285	1,957,842
Total, Class II	27,947,323	18,960,086	259,914,009	209,195,093	Total, Class II	5,809,614	5,311,094	54,469,111	46,864,116
III.—Articles Wholly or Mainly Manufactured—					III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	1,260	1,071	84,112	6,902	A. Coke and Manufactured Fuel	408,313	389,371	3,590,686	2,606,939
B. Pottery, Glass, Abrasives, etc.	746,265	594,846	6,772,088	6,104,375	B. Pottery, Glass, Abrasives, etc.	924,935	882,714	8,295,045	8,041,803
C. Iron and Steel and Manufactures thereof	2,295,666	762,082	14,268,854	12,924,585	C. Iron and Steel and Manufactures thereof	4,478,435	3,436,142	39,955,546	34,593,177
D. Non-Ferrous Metals and Manufactures thereof	4,361,176	3,747,052	46,771,652	34,384,089	D. Non-Ferrous Metals and Manufactures thereof	1,898,397	1,299,288	13,354,263	10,179,291
E. Cutlery, Hardware, Implements and Instruments	697,870	659,112	6,408,393	5,854,435	E. Cutlery, Hardware, Implements and Instruments	914,263	805,768	8,039,993	7,496,504
F. Electrical Goods and Apparatus	381,238	300,191	3,447,450	2,564,698	F. Electrical Goods and Apparatus	1,207,125	1,155,388	10,234,413	11,053,026
G. Machinery	2,055,114	1,777,995	20,299,749	18,325,685	G. Machinery	4,649,913	4,838,978	40,050,754	47,748,517
H. Manufactures of Wood and Timber	764,530	526,613	6,967,232	5,282,446	H. Manufactures of Wood and Timber	119,714	132,693	1,093,466	974,245
I. Cotton Yarns and Manufactures	321,739	282,411	2,814,275	2,602,122	I. Cotton Yarns and Manufactures	5,778,511	4,213,366	58,091,575	41,844,813
J. Woollen and Worsted Yarns and Manufactures	418,383	381,748	3,628,392	3,212,664	J. Woollen and Worsted Yarns and Manufactures	2,738,582	2,296,502	30,172,993	22,802,709
K. Silk Yarns and Manufactures	247,811	186,091	2,201,377	1,818,635	K. Silk Yarns and Manufactures	122,349	106,531	1,234,593	1,067,733
L. Manufactures of other Textile Materials	772,876	618,289	6,782,932	6,125,830	L. Manufactures of other Textile Materials	1,741,774	1,292,434	17,223,327	12,462,058
M. Apparel	581,621	712,937	6,967,384	7,180,942	M. Apparel	942,641	801,736	8,769,603	7,180,942
N. Footwear	231,603	236,300	2,180,933	2,445,882	N. Footwear	216,448	197,158	1,820,987	1,670,355
O. Chemicals, Drugs, Dyes and Colours	1,294,356	1,819,936	11,298,750	11,059,709	O. Chemicals, Drugs, Dyes and Colours	2,095,650	2,345,321	20,741,704	18,412,348
P. Oils, Fats and Resins, Manufactured	3,722,512	3,228,233	38,734,942	37,180,058	P. Oils, Fats and Resins, Manufactured	478,481	537,478	5,028,030	4,560,952
Q. Leather and Manufactures thereof	808,501	538,597	8,467,932	5,332,342	Q. Leather and Manufactures thereof	510,252	411,042	4,559,970	3,204,440
R. Paper, Cardboard, etc.	1,654,688	1,551,391	13,606,875	12,329,654	R. Paper, Cardboard, etc.	782,124	659,987	6,663,077	5,726,603
S. Vehicles (including Locomotives, Ships and Aircraft)	518,322	313,089	5,339,218	3,646,171	S. Vehicles (including Locomotives, Ships and Aircraft)	3,785,620	3,484,485	32,384,113	26,533,474
T. Rubber Manufactures	60,667	78,433	619,925	674,236	T. Rubber Manufactures	135,844	135,402	1,391,843	1,372,681
U. Miscellaneous Articles wholly or mainly Manufactured	2,264,641	2,045,108	18,885,086	17,821,009	U. Miscellaneous Articles wholly or mainly Manufactured	2,817,469	2,921,748	24,188,158	24,282,775
Total, Class III	24,387,112	20,230,209	226,709,204	196,662,811	Total, Class III	36,746,842	32,346,532	337,084,139	303,815,385
IV.—Animals, not for Food	277,012	246,498	2,533,873	2,786,440	IV.—Animals, not for Food	100,991	64,928	679,428	529,464
V.—Parcel Post	233,202	263,588	2,339,880	2,739,185	V.—Parcel Post	1,116,075	1,103,271	9,252,921	8,868,738
Total	96,198,655	79,034,856	838,318,992	769,577,334	Total	47,216,048	42,559,996	432,858,531	389,165,406

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—Output for October, 1938, is 23,392 tons.

British Controlled Oilfields, Ltd.—Total output for week ended October 22, 1938: 11,618 barrels. Total output week ended October 29, 1938: 11,323 barrels. Total output week ended November 12, 1938, 11,939 barrels. Total output for October, 1938, 52,238 barrels. Shipment for October, Western area, 38,487 barrels.

Dacia Romano Petroleum.—Gross output for October: Dacia, 1,590 tons; Perimeter X, 2,463 tons; Starnaphtha, 300 tons.

Kern Oil Company, Ltd.—The total output, October, 1938, 250,909 barrels, or approximately 35,844 tons.

Phoenix Oil and Transport Company Ltd.—The gross production of crude oil of the Phoenix Group for October, 1938, was 51,825 tons.

Venezuelan Oil Concessions, Ltd.—Total output week to October 22, 1938: 1,363,899 barrels. Total output for week ended October 29, 1938, was 1,326,663 barrels. Total output week to November 12, 1938, 1,336,419 barrels.

British Burmah Petroleum Company, Ltd.—Output of crude oil, 50,482 barrels for October, 1938.

Trinidad Petroleum Development.—Output week ended November 12th: 55,293 barrels.

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The Railway Problem

WITH an unexpected suddenness and a breadth of claim that would do credit to any dictator, the four railway companies have sprung a surprise on the public. They have resolved to ask Parliament and the public for nothing less than the complete removal, in the course of the present session, of all the restrictions imposed by a century of railway legislation on their freedom to charge what they think fit for the carriage of merchandise.

This claim is founded on the unequal legal position of the businesses of carrying goods by road and by rail. There can be no doubt that the railways have suffered very heavily from the competition of road transport almost ever since the war. It is this, more than anything else, that has prevented them from ever earning the standard revenue to which the Railways Act of 1921 morally entitles them. During the recovery years the railways' revenue showed a substantial increase, and though it never came within bow-shot of the standard figures its buoyancy was enough to tempt the companies to believe that they could safely undertake a general increase in charges. But the results of the 5 per cent. increase that came into effect on October 1, 1937, have been disappointing. Whether as a result, or as a coincidence, the year that has passed since the increase came into force has seen a renewal of the diversion of traffic to the roads. The present move of the railways is a tacit acknowledgment that there is no hope of

adequate revenue for them from general increases in rates.

Whether the railways would have been able to put up a significantly better fight against road competition, if they had not been handicapped by the legal restrictions on their power to alter the rate schedules, can only be guessed at. It is certain that some traffic would in any case have been lost to the new method of transport, which has some undeniable natural advantages over the railways. But it is at least *prima facie* reasonable to suppose that the loss would have been far smaller if the railways had been able to compete more directly. The system of railway rates took shape when the railways had a virtually absolute monopoly of all land transport. Accordingly, it imposed on the railways not only a complicated and rigid classification and a cumbrous technique of alteration, but a prohibition against giving "undue preference" to any particular trader or traffic. It was bad enough for the railways, with the advent of motor transport, to have to share the transport business of the country with a competitor. But it was worse still for them that the new competitor was in a position to take the cream of the highly remunerative traffic and leave them the skim milk. Road transport contractors, unlike the railways, are under no statutory obligation to accept for carriage whatever is offered to them. Unlike the railways, they are under no statutory obligation to charge high rates for

certain classes of traffic and low, possibly unremunerative, rates for other classes. Unlike the railways, they are free, at a moment's notice, to quote special rates for particular classes of traffic, or to particular traders.

Since the rise of road transport, the railways have tried several methods of meeting this new competition. One line of attack may not unfairly be described as attempts to restrict the growth of the new industry. It was largely owing to the insistence of the railways that the licence duties on lorries and passenger vehicles were raised to figures which are assessed to represent the value they derive from the public highway system. The railways also had a hand in imposing on road transport the system of limited licences which has already virtually stabilised the number of passenger vehicles and considerably limited the freedom of the goods haulage branch to expand. Quite recently, statutory definitions of working conditions in the industry have been laid down, and though they are not yet perfect in form or perfectly observed, they undoubtedly add to the financial burdens of road hauliers. Finally, the railways have frequently suggested that a system of classified and statutorily determined rates, like their own, should be drawn up for the road transport industry. The latest such suggestion was made by the Transport Advisory Council in July, 1937; but nothing has come of the suggestion. All these are the legitimate devices that have been adopted by the railways to impede the free expansion of their competitor. In sum, however, they have not succeeded. Moreover, it is at least questionable whether the community would be well served by a restriction of road transport severe enough to solve the railways' problem.

The second method adopted by the railways was to attempt to secure control of the infant road transport industry by buying it up. Since they were given the legal right to acquire shares in road transport concerns, the railways have been active purchasers. But though their stake in the road transport industry is now very considerable, it has never given them sufficient control to prevent the industry as a whole from taking traffic from the railways.

This week's manifesto marks the beginning of a new method, and a tacit recognition that the various policies of restricting and controlling road transport have failed. Since competition from the roads cannot be inhibited, the railways argue, let it be faced on an equal basis. Since the road transport industry cannot be subjected to legal restrictions on its freedom of charging, equivalent to those resting on the railways, let the railways be released from their bonds. Since the lorries will not play the game according to the rules imposed by nineteenth-century legislation, let there be no rules. It is impossible to gainsay the elementary justice of the railways' case. The restrictions are no longer in the least necessary to protect the public against a ravening monopoly. If the choice is in fact limited to one between equal competition for both forms of transport and continuance of the present inequality, the railways' case is unanswerable.

In a vitally important matter such as the transport system of the country, however, it is impossible to reach a conclusion merely on a contemplation of the ethical principles involved. It is equally necessary to inquire into the probable practical consequences of granting the railways' request. The bulky, cheap raw materials of industry, which are charged low rates by the railways, are the commodities which would have the greatest difficulty in escaping to the roads if railway transport became too expensive. If the railways, having secured their freedom, began to look for rates that could be raised, these are the rates that would catch their eyes. But a large part of the industry of the country has been built up on the assumption of the lowest possible transport charges for bulk commodities, and the removal of the assumption might do far more harm to the community than benefit to the railways.

It is probable, however, that the railways would use their freedom less to raise rates than to lower them where competition demanded, since they require a larger volume of traffic rather than a higher average rate. The reference in the Memorandum to the necessity of repealing the present requirements relating to "classification, publication and undue preference" suggests that they are rather thinking of being able to undercut the road hauliers for particular traffics. The rate quoted for a given kind of traffic between two given points would depend less on the distance than on the nature of the competition. Local rate wars would become familiar, and the railways would use their large financial resources to drive out of business, even at a temporary loss, competition which they considered to be unfair. In short, the present relatively orderly system of railway rates would be replaced by one as chaotic as now exists on the roads. Rates would vary from place to place, from time to time, perhaps even from customer to customer. Such a state of affairs might possibly be in the interests of the railway companies. It is doubtful whether it would be in the interests of the community. Indeed, the companies admit as much when they speak of the grant to them of full competitive freedom as the preliminary to a new and equal system of control, imposed equitably on both parties.

The possibility must, finally, be recognised that a regime of unfettered competition might not be in the financial interests of the railways. Cut-throat competition might, in fact, cut throats, and each competing system of transport might, in effect, succeed only in preventing the other from earning a proper return on its capital. In this case the community would, indeed, get cheap transport. But it would also find that it was slowly consuming one of its most valuable fixed assets, its transport system.

For these reasons, it seems to be at the least doubtful whether a change which would be no more than fair to the railways would not also be less than fair to the interests of the community. And if the proposed regime of unfettered competition is advocated only as the preliminary to a new system of equitable and co-ordinated control, would it not be far better to proceed as quickly as possible to that new system, without the potential dangers of the intervening anarchy? It is not possible, at the end of this article, to embark on a discussion of what would be involved by such a system. It is obvious, however, that the process of the co-ordination of transport must follow one of two courses, which can be called negative and positive. The community can either impose a complicated set of restrictions on two transport systems which are otherwise in competition, with the object of seeing that they compete on fair and equal terms and that there is the least possible amount of unnecessary duplication of costly facilities for carrying the community's goods. This would be the negative method; it would move by the technique of prohibition. Its advantage would be that it would impose the smallest burden of administration and responsibility on the state; its disadvantage that it would necessarily be, to some extent, both restrictive and wasteful. The positive method would be to ensure some degree of community of financial interest between the two forms of transport, so that the interest of each would cease to be to steal traffic from the other, and become that of assisting in carrying the traffic offered at the lowest social cost. In its extreme form, this is the probably chimerical proposal of the nationalisation of all transport. But it has more moderate forms, such as the interesting suggestion, recently made, that the fixed charges of maintaining the capital equipment of the whole transport industry should be pooled and become a first charge on all traffic, however moving.

These brief references are no more than an outline agenda for discussion. The railway companies have done the community a very great service in bringing the agenda forward and presenting it for urgent public debate.

A Democratic Resurgence?

THESE are the post-treaty days after a war that was won and lost without a battle; and the aftermath of all wars is political *malaise*. From Berlin a new Versailles is being unfolded, article by article, while the German Jews lie prostrate beneath hammer-blows beyond even the imaginings of a Theodosius. In Czechoslovakia a gallant and resigned people is licking its wounds. In France, M. Daladier stands uneasily at the centre of a hurricane of dissension and doubt.

In England, too, the price of peace has been political unrest. There are people of all parties and opinions who are critical of the policy which is being officially pursued. Discontent is rife at question time in the Commons and, though it still shuns the division lobbies, it dominates the floor of the House. It came into public view at Dartford and swept all before it at Bridgwater. In matters of defence and diplomacy the Government's critics are legion.

The ferment in the country is unmistakable, but it is easier to say what it is not than to say what it is. The call for new men, new measures and new methods is not a party cry. In Parliament, Mr Churchill's appeal for hostile Conservative votes a week ago to shake up the Government simply caused the ex-First Lord of the Admiralty to declare his continued loyalty to the Cabinet he had lately left; and Mr Eden, who voted with the Government on the crucial issue of supply, has never ceased to combine affirmations of his party faith with the widest criticisms of his party's policy. At every attempt to transmute the dissatisfaction so widely felt into a party attack on the Government's tenure of office, it seems to vanish.

Perhaps for this reason there is very little sign that the official Opposition is marching forward. The Labour Party is as suspicious of the new trend in politics as the Prime Minister himself. They are in the van of the campaign for new policies, and they have banded with the Co-operative Movement to trumpet their indictment of the Government's diplomacy nation-wide. But, at the by-elections, Transport House has damned united action against the Government with faint disfavour; and it may indeed prove a clear sign of Labour's failure as an Opposition, and therefore as second guardian of the public conscience, that they decided on Wednesday not to have any truck with an anti-Government movement organised on any but exclusively party lines. They remember MacDonald and 1931 too well; and like the Bourbons they may suffer for their over-strict memory.

The persons of the immediate drama are three, and they mirror three separate trends, none of them party trends. Mr Vernon Bartlett, whose attractive personality, expertise in foreign affairs and appeal to sentiments beyond and deeper than party pigeon-holes won him a resounding victory in a record poll at Bridgwater, is a symbol. Ever since the National Government took out a long lease of life in 1931, certain criticisms of its policy in foreign affairs have been matters of moral principle for many people both within and without the Opposition groups; the League of Nations, good faith and collective security were firmly rooted among the people, as distinct from their parties, when the Peace Ballot swept Sir Samuel Hoare from the Foreign Office three years ago. It is this steady view that opportunism in foreign affairs has been Britain's undoing which Mr Bartlett caught and canalised. An independent progressive candidate can rouse the best in English politics, even though the official Opposition can apparently make little headway.

Mr Churchill, too, takes his stand in the foreign field.

He has stood for a strong League and a strong Britain ever since the shadow of the swastika first fell across the face of Europe five years ago. It is because of his towering stature as a Parliamentarian that his personal campaign for strength at home and justice abroad has taken on a national guise, and it is a sign of his insight into the country's mind that he and his scanty cohorts now find themselves associated in the present discontent with a host of diverse groups. Yet Mr Churchill can no more capture the Conservative caucus now than he could over India. The Left Wing progressives have political strength *in posse*; parliamentarily they are weak. The Churchillites are parliamentarily powerful; politically they are submerged in the party stream. Nor are the two groups in double harness. So far Mr Chamberlain is safe in his afflictions.

It is probably Mr Eden who holds the key to Mr Chamberlain's and the country's future, and it is he whose name and supposed intentions are on every lip. It was as Foreign Secretary that he made his bow as a statesman, and it was as critic of the policy which was to lead to Munich that he resigned in February. On foreign affairs, he stands with Mr Churchill and the progressives; on defence, too, he is in general line with the critics who call for more forthright re-armament in terms of both men and materials. But foreign affairs and defence are not the whole of policy; they can never lastingly unite persons and parties whose views about other and deep matters of life and livelihood differ widely. The platform which Mr Eden has propounded, only in tantalising outline, up and down the country since August is as broad as the nation's needs.

If we in this country desire to work for peace we must see whether we command the three essentials required to play our part—unity, strength and a sense of justice.

We must, says Mr Eden, make

a nation-wide endeavour to win for our own people, not only security of defence, but also security of employment in the factory and on the land, not only the will to provide anti-aircraft guns, but also the will to acknowledge and resolve the problem of the Special Areas, the faith that democracy can achieve these things, the realisation that if it will not try, it cannot survive.

Mr Eden has called for a new Government of all the parties, but he is still a Conservative. If he is to win his cause it is his party that he must capture; for the new Jerusalem cannot be built overnight in the wilderness. He is well placed strategically to forge a new Tory democracy—in shorter time than Disraeli—one that will win, as he wishes, the support of others, Churchillites, progressives and men and women in all sorts of streets in this time of emergency. As one who believes that "democratic liberties are the foundations of progress," Mr Eden presumably does not desire the complete abnegation of free and constant criticism, even in national unity.

He may fail. He may have no proper plans; they certainly have not been clearly defined. But his broad social plea is what probably a majority of the people have vaguely been waiting for—if it can be translated into deeds. Mr Eden is right when he says that organisation for defence is

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not *sui generis*. It is probable that we have failed to solve the problems of malnutrition, unemployment, poverty, road dangers, transport disorganisation, industrial decay, urban overgrowth and public ill-health for precisely the same reasons as we have failed to produce airplanes, artillery and air-raid protection. The current need is not simply for emergency expedients, but for a renaissance of courage, initiative, intelligence, energy and leadership. If we are to save our democracy it must be made socially worth saving; and the mainspring of success in either case is the prosperity of trade and industry and the health and happiness of the people. Organisation for peace and organisation for war are of the same order.

Mr Chamberlain does not see matters so clearly. To him, for example, a Ministry of Supply is a wartime organisation; therefore it cannot be used in peace; and the critics of the Cabinet's defence policy are to be fobbed off with a consultative committee of business men with no executive power to organise the supply and distribution of materials, the allocation of contracts and the output of arms. The committee's personnel may be sound and wise; contact with, say, a Lord Stamp could not but be salutary for the defence departments; but by its nature such a body can only be a further delaying factor in the flow of defence production. If the business men are needed, they

should be put in charge. Nor is this an armchair opinion of metropolitan politicians; it is supported by evidence from all over the country. The view of the Leeds Chamber of Commerce, noticed quite casually, is practical and to the point:—

The experience of Leeds engineering firms in regard to the re-armament programme does not support the view that the time for a Ministry of Supply has not yet arrived. At the present time the defence departments have not the facilities for mobilising the munition-making resources of the country.

This is surely the authentic voice of common sense.

There, in one instance, is the crux of the Government's failings, the gravamen of Mr Eden's challenge and the foundation of the criticisms which are notably gathering momentum. We must state our needs boldly, for defence and social service alike, and we must furnish at once the measures, machinery and men required to meet those needs in full. Lacking leaders with imagination and confidence, we are in danger at home no less than abroad. Yet this condition surely cannot endure. The wind of discontent is blowing from many quarters, but it is wholly a cleansing wind, and we cannot suppose that British democracy will finally be found wanting. With Milton "we cannot set so light by all the invention, the art, the grave and solid judgment which is in England."

Visitors to Paris

A TWO-POWER meeting between British and French Ministers was the right next step after the four-power meeting at Munich. Events, however, have been moving so swiftly that the scope, agenda and prospect of these Anglo-French talks have all changed profoundly since the date, only a few weeks ago, when the British Ministers' visit to Paris was arranged.

If the outlook had remained what it appeared to be on the morrow of Munich, it might have been supposed that the Paris conversations would be largely, if not mainly, concerned with the question of handing over to Germany certain tropical African territories on certain conditions, while the second point would have been the question of linking up "appeasement in Africa" with a limitation of armaments in Europe. To-day, neither of these points is practical politics. The possibility of handing over native African populations to Nazi rule—even under the strictest stipulations for safeguarding their welfare—has been put out of court by the present unprecedented orgy of persecution in Germany against the Jews. Nazi racialism has always been a stumbling-block in the way of any satisfaction of Germany's claim to colonies; but previously it could not quite be taken for granted that the policy of victimisation applied against the Jewish minority in Germany would be extended by the Nazis to the native African populations of tropical territories that were obviously not "White Man's countries" in which Germans might be tempted to try to supplant the existing African inhabitants. This latest outbreak of Nazi racialism, however, has been so violent and so insane as to have made it morally impossible for the rest of us to expose any native populations at present under our charge to the awful risk of being treated as the Jews in Germany have been, and are being, treated this autumn. In short, "the colonial question" is no longer "actual"; and that in itself would have made an agreed limitation of armaments less practicable, since some satisfaction of Germany's territorial claims in Africa would have been the consideration in return for which Herr Hitler might, perhaps, have been induced to accept a limitation of armaments on a ratio that would spell security for us.

Meanwhile, there is a growing belief that he would not anyhow have contemplated, and certainly will not now contemplate, an agreement to limit armaments except on terms which would leave him with a decided permanent superiority in the air over the two West-European Powers combined. So disarmament, like the colonial question, is out of court.

What, then, are the prospects to-day of carrying forward the policy of appeasement between Great Britain and France on the one hand and Germany on the other? This, after all, is the capital question on which all other questions hang. The only visible mark of any advance along this main road is the draft of a Franco-German Pact on the lines of that Anglo-German Pact to which Mr Chamberlain and Herr Hitler put their names at Munich "the morning after." The formula is that of the Kellogg-Briand Pact: the parties agree not to seek a settlement of their differences with one another except by peaceful means, and on Wednesday, while Mr Chamberlain and Lord Halifax were on their way to Paris, it was officially announced that Herr von Ribbentrop himself will shortly go there to sign such a declaration. The Kellogg-Briand Pact is not exactly strengthened by being reduced from a multilateral to a bilateral instrument; and, apart from that, there is the crucial question of defining the scope of the term "differences." Would the French (or British) party to such a pact be precluded from counting, as a "difference" between himself and Germany, any dispute that was not confined to national "interests" in the narrowest sense? Would Germany be able to maintain that the fate of Spain, or of the Jews, or of the League of Nations, could not give rise to any "difference" between herself and Great Britain or France, and that therefore in such matters, *pace* her pacts with the two West-European Powers, she was still free to impose her will by that ruthless use of force which her rulers have been glorifying since "the peace of Munich," no less than before it? Also, has even such a pact its price—payable by the non-German party? Was it part of Herr Hitler's terms to M. Bonnet, in the recent Franco-German negotiations, that

the French Minister for Foreign Affairs should secure the passage of two decrees that are said to have been rejected by his colleague the Minister for Justice? One of these abortive decrees was apparently to have empowered the French Government to prosecute on its own initiative French newspapers which published things annoying to foreign governments; the other was to have empowered them to try *in camera* cases at law in which foreign governments might have incurred odium.

In any case, whatever the prospects and implications of a Franco-German Pact, joint appeasement will presumably have yielded precedence to common defence as the main subject of the Franco-British talks in Paris this week. And, since the events of September, common defence for Great Britain and France has come to mean holding the line, running from the Mediterranean to the North Sea, along which France and the Low Countries march with Italy and Germany. The post-war French system of maintaining a general European balance of power against Germany seems to have completely collapsed. In so far as Roumania and Yugoslavia are still looking westward for support, their eyes to-day are turned towards London rather than towards Paris. Having surrendered the key-stone of their East European policy—the French military guarantee of the post-war frontiers of Czechoslovakia—the French seem, at least for the moment, to have abandoned all attempts to construct a second East European line of defence; and this extreme revulsion from intransigence to defeatism in regard to the countries between Germany and Russia must mean, in its turn, that the Franco-Russian Pact is now in a state of suspended animation.

But if Western Europe is to defend itself out of its own local resources, the political and military future of Spain becomes the capital question; for General Franco's Spain threatens to give Germany the same stranglehold on France that M. Benes's Czechoslovakia originally promised to give France on Germany. If General Franco is made first to win the Spanish War and secondly to place a Spain reunited under his rule at the disposal of the Berlin-Rome axis, then France will be almost desperately encircled. She will have another frontier to defend along the Pyrenees,

and at the same time she will be in mortal peril of seeing her communications with North Africa intercepted. This would mean that she would have to meet a seriously increased military commitment in Europe with a seriously diminished reservoir of military man-power.

This is a prospect of intimate concern to us in this country. For if France has an additional frontier to defend, and if at the same time she can no longer count on being able to bring in African troops across the Mediterranean, she is bound to point out to us that the Channel, at any rate, can presumably still be kept open by the combined strength of the British and French navies, and that, if the African reservoir of man-power is cut off, the only alternative source of supply is to be found in Great Britain.

Here is a concrete military question which will, we hope, have been thrashed out before the British Ministers return to London. Anglo-French policy in regard to Spain has a direct bearing on British domestic policy in regard to man-power. It has been officially declared that, in another war, a great British conscript army would not be despatched to the Continent in any circumstances. Such declarations in advance seem rash, for war is notoriously an exacting master, whose demands can neither be refused nor be forecast. But there is one thing, at least, that can be foreseen quite clearly to-day; if the whole of Spain to-day becomes an appendage of the Rome-Berlin axis, then in another war a great British conscript army will infallibly have to go to the Continent, whatever British Ministers may previously have said to the contrary. Since we could not afford to see France overwhelmed, there is no limit to the effort which we should be compelled to make for the sake of saving France from destruction. This pressing dual topic of Spain and man-power may well turn out to have been the main topic of discussion in Paris this week, since it has become so apparent that Britain can make no progress with Germany and France can make no progress with Italy. Perhaps M. Daladier will succeed, where the House of Commons has failed, in impressing upon Mr Chamberlain that Great Britain has lost the ability, which she had until yesterday, to ensure her own safety by limited commitments of men or money.

Milk Policy

IN the course of the last five years milk has been the subject of reports by two Reorganisation Commissions, of four Acts of Parliament, of an Agricultural Marketing Scheme, of about £4½ millions in State subsidies, and of numerous reports by the Consumers' Councils, the Food Council and various other bodies, political and economic. As a result of this publicity, it is now common knowledge that milk is a highly nutritious food, particularly valuable for growing children, that most of the growing children in this country do not drink nearly as much milk as, for reasons of health, they should, and that the main obstacle in the way of increasing the consumption of milk is its high retail price. The last Reorganisation Commission, the Consumers' Councils, the Food Council and most private inquirers believe that the price of milk could be considerably reduced by a reform of the distributive system; they consider that the existence of many small units, with overlapping rounds, has led to unnecessarily high costs, and that this situation has been aggravated by the action of the Milk Marketing Board, which in prescribing minimum retail margins has limited competition to the offering of more elaborate services. It is also generally agreed that the quality and cleanliness of milk could be improved, and that costs of production could be considerably reduced by the

elimination of certain cattle diseases and by better management of grassland.

Nearly eighteen months ago the Government issued a White Paper which foreshadowed the setting-up of a Milk Commission, independent both of the Milk Marketing Boards and of the distributors, to whom would be entrusted the task of rationalising the distribution of milk and of exercising a general supervision over all branches of the industry. In the text of the Bill, which was published last week, the Milk Commission duly appears; it is to consist of nine persons, with no financial interests in milk production or distribution, who are to be appointed by the Ministers concerned. Expert opinion is to be provided by Milk Advisory Committees composed of representatives of the different interests affected. It is specifically laid down that the Commission will have powers to regulate the hours and number of milk deliveries, the grades by which, and the containers in which, milk and cream are to be sold, and its regulations will be enforced by monetary penalties on offenders. The Commission is not, apparently, to be empowered to fix prices for sales either by producers or by distributors, as long as the parties concerned arrive at an agreement, but if the Milk Marketing Boards and the distributors fail to agree on the terms of any contract the

Commission will act as arbitrator. On the distributive side, the Commission's powers are meagre. It will not be able to initiate any schemes for the reorganisation and consolidation of milk rounds, whose extensive overlapping is one of the main reasons for the present high distributive costs. The Commission can only approve, or disapprove, such local schemes, not exceeding ten in number, as are submitted to it by groups of distributors representative of the majority of such interests in the areas concerned. These schemes must provide, *inter alia*, for the payment of compensation by the survivors to those whose rounds are extinguished. No one will dispute the necessity to pay such compensation, but the combination of voluntary initiative on the part of a majority of existing distributors with payment of compensation exclusively by the survivors, is likely to turn the new experiments in rationalisation into the mere confirmation of existing local monopolies, with little prospect of lower retail prices.

It is hardly surprising, even if deplorable, that the Government should be unwilling to grasp firmly this nettle of distributive reorganisation, for it undoubtedly holds many political stings. To enforce larger and rationally planned rounds will put out of business, to the apparent advantage of their stronger competitors, many of the small retailers, whose rounds represent to them considerable capital investment, much hard work and a secure livelihood. The benefits which can be derived from the consequent cheapening in the price of milk, while real, will be diffused gradually among the whole community of consumers, while the dislocations involved will be immediate, obvious and, for the few directly involved, very extensive. The producer-retailers, who would be most affected by a vigorous policy of rationalisation, number more than 50,000; in their campaign against the very mild proposals of the present Bill they will have the support of the Milk Marketing Boards, of the National Farmers' Union, of small shopkeepers throughout the country and of a large section of the Conservative Party. It is, therefore, likely that these provisions of the Bill, inadequate as they are to secure a real cheapening of the costs of distribution, will be further whittled down during the legislative process.

The powers of the Milk Commission to regulate the methods of distribution—as distinct from the powers to experiment with rationalisation—are likely, therefore, to be its main weapon in the battle for cheaper milk. If wielded with discretion and determination, they could have a not unimportant influence, particularly if the fixing of minimum distributive margins is abandoned, as recommended by the Cutforth Commission. Much will depend on the composition of the Milk Commission and on the support given to it in its early and unpopular years by the Government and the other interests of the milk industry.

In other respects, the Bill follows closely the more detailed proposals of the White Paper. The Commission will

take over from the various Marketing Boards the schemes for providing cheap milk for school children, and the State will continue its grants to cover the cost both of the present schemes and of their future extension to infants and mothers. The quality premiums paid to producers of graded milk are to be increased for the next two years; their level thereafter is to be determined by the Milk Commission in the light of the progress made. Minimum prices for milk manufactured into butter and cheese remain, though on a somewhat altered basis. These prices are already fixed for the years 1939-41; for subsequent years they will be fixed in consultation with the Milk Commission. On the recommendation of the Committee for Animal Diseases, local authorities are given powers to enforce compulsory pasteurisation of milk sold retail in their administrative areas, but there is neither inducement to the local authorities nor compulsion of them to use their powers. This, again, in spite of the timidity with which it pursues the national interest in a safe milk supply, is a measure which will be opposed by representatives both of farmers and the small retailers, since a pasteurisation plant is very expensive unless it deals with larger quantities of milk than are handled by the majority of producer retailers. The Bill provides, also, for the exemption from pasteurisation of T.T. and certified milk; further, retailers drawing more than four-fifths of their milk supply from a single herd will be exempt from the scope of a pasteurisation order for three years after it has become effective. Another clause allows the Board of Trade to regulate quantitatively the imports of milk products, other than butter and cheese, if it considers such regulation necessary to ensure a stable market. Official and public regulation by the Board of Trade, the head of which is directly responsible to Parliament, is probably preferable to the present system of "voluntary" import quotas and price agreements enforced on foreign importers by a threat of higher duties in the event of non-compliance. But since all forms of condensed and powdered milk, which are largely consumed by those who cannot afford fresh milk, already pay heavy duties, there seems no reason why we should continue to hamper trade with yet another quota.

The Bill, in short, provides for the unimaginative continuation of the present methods of improving the quality of milk and of increasing its consumption. The first must necessarily be a slow process, but it has been well started in recent years and should continue at a reasonable pace in future, with advantages accruing to both producers and consumers. The planned extension of the cheap milk schemes can only be heartily welcomed, but, unless the Government appoints an exceptionally energetic and far-sighted Commission, the increasing numbers of Britain's population who are neither infants, school children nor expectant mothers are likely to continue paying to the existing milk trade what, compared with other countries, is a high price for a small quantity of milk.

the proportion of it now accruing to the country for whom the concession is designed.

The reception of the Agreement in the past week, on both sides of the Atlantic, has been uniformly favourable. If particular industries consider themselves badly used, their complaints have been lost in the chorus of approval. In part, this unanimity of praise for the Agreement is due to the mere fact that two such important trading countries have been able to reach agreement in such a complex matter. In the main, however, it is the reflection of genuine surprise at the wide extent of the concessions that have been made on either side. An even more comprehensive Agreement could, it is true, be imagined. But it is very

much easier to imagine the tame acceptance of a job-lot of unimportant alterations. This is, in fact, all that was widely expected when the negotiations began, and the pleasure is all the greater to discover that substantial concessions have been made to almost all the important items of trade passing between the two countries.

The assessment of the practical effects of such a detailed Agreement is necessarily, at this stage, a matter of guess-work. The practical effect of a concession is not necessarily to be judged simply by the amount of reduction in duty. For example, linen piece-goods, which are one of the most important British exports to the United States, receive substantial reductions in duty. On some varieties of table damask the existing duty is cut from 45 per cent. to 25 per cent. But as can be seen from page 15 of the Supplement, nearly two-thirds of America's total imports of table damask already come from the United Kingdom; moreover, the domestic competition is less than in other lines. It may be, therefore, that the practical effect of this large cut in duty will be less than that of some smaller reductions which nevertheless provide a decisive increase in British competitive power. To judge by the volume of trade already passing, however, the chief gainers among British industries are the textile industries—cotton, wool, linen and lace. Linen is perhaps the chief beneficiary, since no less than a third of its exports go to the United States, while for cotton piece-goods and woollen tissues the American market is of smaller, though still considerable, importance. The welcome given to the Agreement should, accordingly, be at its strongest in Ulster, and hardly less so in Yorkshire and Lancashire. Scotland, too, gains from the conventionalisation of the whisky duty, since there was reason to expect an increase; nearly half of all our exports of spirits goes to the United States. Broadly speaking, then, the benefits of the Agreement have been distributed where they were most needed, in the industries which have lately again become depressed and are out of the main stream of armament activity. The concessions can hardly fail to expand their export trade.

It is more questionable whether there will be a corresponding increase in British imports. Very few of the concessions made to the United States will result in any category of American goods being placed in a more favourable competitive position *vis-à-vis* the domestic producer. Most of the agricultural products affected are not grown in this country, or where they are, the domestic producer is already safeguarded. In these cases the effect of the Agreement will largely be to divert a certain quantity of trade from Dominion (largely Canadian) to American hands, without increasing the total volume of imports. Among manufactured goods, most (but not all) of those to which concessions are granted are varieties that are not widely manufactured in this country. On the whole, it would seem probable that the Agreement will have a larger effect on British exports to the United States than on the total of British imports. Whether the effect on the total of British exports to all countries will be different from that on exports to the United States depends largely on the terms that have been agreed between the United States and Canada. It is known that we have surrendered some of our preferences in the Canadian market, and it may be presumed that, since Canada is a net loser by the British-American Agreement, she will be a net gainer by her own agreement with the United States, i.e. that the concessions she has given to the United States will be at our expense rather than at her own.

Whatever may be the precise effects, however, there cannot be any doubt that a series of Agreements which lowers hundreds of duties without increasing a single one will increase the general volume of trade moving round the various British-American triangles. The reductions comprised within the schedules are granted not merely to the

signatories, but also, in general, to all other countries, under the most-favoured-nation clause. On the British side, there is no exception to this rule, and the table on pages 11 to 14 of the Supplement makes it possible to estimate which third parties will benefit from the Agreement. One or two of the concessions on American manufactured goods will be of benefit to German goods already entering the British market—tools, medical and dental appliances, some varieties of office machinery, sewing machines and textile machinery in general are examples. But, as is shown by the last column of the table to which reference has been made, many other countries will also share in the benefits. France, for example, occurs fourteen times as an important supplier to the British market of goods on which a concession has been given, and Argentina gains from several of the reductions of duty on agricultural produce, notably from the abolition of the duty on wheat, for which she is, with the United States, our largest foreign supplier.

On the American side, most-favoured-nation treatment has one very important exception. Owing to discrimination against American goods, Germany is excluded from sharing in concessions granted to other countries. This means that where a concession is granted to the United Kingdom relating to a commodity in which the British supplier has to meet competition from Germany in the American market, the concession establishes a preference for British goods relatively to the German, and its value is thereby enhanced. The table referring to Schedule IV of the Agreement, on pages 14 to 16 of the Supplement, shows how very important this matter is. In item after item of those included in the table, Germany is a serious competitor of the United Kingdom. In many cases, the German sales are greater than the British, and for the table as a whole the American imports from Germany amount to \$11 millions, as against about \$80 millions from the United Kingdom. Moreover, Czechoslovakia occurs sixteen times in the list of other important suppliers, and many of these cases doubtless refer to the products of industries now incorporated in Germany. So long as Germany continues to be excluded from most-favoured-nation treatment by the United States (and the prospects for a change do not appear bright at the moment) there will be a fruitful field for the expansion of British trade. This fact, more perhaps than the political aspects of the Agreement, accounts for the very hostile reception it has had in Germany.

Close analysis of the details of the Agreement undoubtedly enhances its stature as a purely commercial bargain. But that is not the only standard by which it must be judged. There has been a very notable tendency for American commentators to lay far greater stress on its immediate political significance than has been done in Great Britain. That is all to the good; and in American minds the Trade Agreements Act has always been regarded as one of the chief weapons of American foreign policy. That Great Britain has fallen in with American ideas of how world appeasement can be most profitably advanced—and has done so, what is more, not in the grudging mood of one who makes economic concessions for political ends, but in a genuine spirit of give-and-take for hard-headed business reasons—cannot fail to carry further the growth of Anglo-American friendship.

The immediate effect of the Agreement is not to be measured in terms of a diplomatic reinforcement, still less of a strengthening of the military or economic defences, of either of the signatories. But its long-term effects in the purely political field can be negatively assessed by imagining the derisive joy in certain European capitals and the profound depression in others that would have been produced by a failure of the negotiations. To have brought to birth not merely an Agreement, but such a good Agreement, is a decisive act of economic statesmanship.

The Trade Agreement

A SPECIAL supplement included with this issue of *The Economist* contains a considerable volume of information which will be useful in assessing the precise importance of the Trade Agreement concluded last week between the United Kingdom and the United States. The supplement provides an analysis of the nature of the trade between the United States and the various members of the British Commonwealth of Nations; it summarises the terms of the Agreement, and gives, for about half the items in the two important schedules—all the items, that is to say, that can be separately identified in the trade returns—such facts as are necessary to compare the new rate with the old and to ascertain the volume of trade passing and

Topics of the Week

Dissension in France.—The French working class has replied to M. Reynaud's decrees by declaring its opposition to them. Around Valenciennes alone, about 25,000 metal workers had left work by Wednesday; and they had occupied a number of factories. To-day, throughout France, there are demonstrations of protest against the sacrifices imposed by the decrees, and the Government will be fortunate indeed to come unscathed out of these attacks on its wisdom and authority. After the Radicals and their kin had shown uncertainty in venturing to support the decrees, it was scarcely surprising that M. Daladier should find urgent opposition further to the Left. But for all the uncertainty even among those who might be expected in any case to support him, for all the narrow escape he had in getting his demands through the Chamber's Finance Committee—done only by an undignified threat to call off Mr Chamberlain's visit—the key to his difficulties lies with the *Confédération Générale du Travail*. Meeting at Nantes (this is the conference season in French politics, unfortunately for the Government), the trades union congress unanimously condemned the decrees as amounting to social regression, and M. Jouhaux improved the occasion by dwelling on the use of the general strike. At this present moment, when the political situation cries out for a semblance of national unity and the smooth and rapid working of a great re-armament programme, it matters comparatively little how the Chamber receives the Government's proposals; what does matter, and matter most profoundly, is how the working class receives them. Even allowing for the immense influence of the Socialist and Communist parties, each of which may be counted on to express strong opposition to the decrees, it is the C.G.T. which holds the vital key. If the trade unions mean to work under M. Daladier, then the Government will win its way; if the trade unions fight, then the Government will fall. The issue is now beyond the bounds of party politics; on the manner of its resolution depends very much more than the forty-hour week.

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Deadlock in Spain.—General Franco has fought his way back to the Ebro after seven counter-offensives in three months of hard fighting, and further to the north he has managed to hold up the Republican raid across the River Segre without loss of more than a few miles of territory. Yet the Republicans fought a rearguard action with their backs to the river which in its way is comparable with the British withdrawal from Gallipoli, and brought themselves off without serious casualties or loss of equipment. The military position is back where it was in July, and it is now for General Franco to decide whether he will begin over again the push for Valencia which had to be abandoned after the Republican crossing of the Ebro, or launch an offensive on another front, conceivably along the line of the Pyrenees or in the Estremadura. Confident in the sustained benevolence of Signor Mussolini, the Generalissimo has returned a curt reply to Mr Hemming's advances on behalf of the British plan for withdrawal of volunteers. He will do nothing until belligerent rights are granted to him. Here is the deadlock. Under the British plan withdrawals from either side have to be proportional, and since the Spanish Government has withdrawn and expatriated, or is in the course of expatriating, virtually all its international volunteers, to earn his reward of belligerent rights, General Franco must now withdraw from the fighting-line and expatriate virtually all the foreign soldiers under his command. Those in this country who imagine that the insurgents have a good case for demanding belligerent rights, now that a paltry 10,000 Italians have gone back to Italy, are clearly ignorant of the terms of the British plan. Mr Chamberlain,

however, is not; and it may be asserted confidently that he went to Paris fully determined to agree with the French view that this was no time for helping the potential enemies of France and Britain towards another victory. This is no legitimate case for procrastination: it is a case for the application of justice, and in the eyes of the law General Franco is still a rebel.

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Refugees.—On Monday Mr Chamberlain stated Britain's policy to aid Europe's refugees. He spoke as one taken by surprise by Germany's latest atrocities upon the Jews, and the programme he announced was almost wholly exploratory and tentative. There was little or no room for large-scale settlement in the Colonial Empire; but Kenya, Northern Rhodesia and Nyasaland would investigate the possibilities for moderate immigration and the prospects of more numerous settlement on 50,000 acres in Tanganyika and 10,000 acres in British Guiana (already proved unfit for Assyrian settlers) would be investigated. Months ago, a report of the International Labour Office on Migration for Settlement suggested that, in fact, there were many opportunities for immigration and land settlement not yet turned to account, in Australia and Kenya, as well as in Argentina, Brazil and Mexico. In any case, there is no excuse at this late date for an extemporised policy; the problem of a fresh flood of fugitives from German sadism and greed has been known in all its potential magnitude for many months. Ever since the *Anschluss* in March, expert observers like Sir John Hope Simpson have declared that the nations must prepare to receive at some early date, not merely more than half a million Jews from Greater Germany, but tens of thousands of political refugees from the Reich's borderlands and some part of the five million Jews in Central and Eastern Europe. The recent excesses of Dr Goebbels and General Goering have done no more than underline a problem already fully known. Yet Britain has done virtually nothing: the guarded policy of immigration which has let in only 11,000 refugees since 1933 still persists, apart from negligible token gestures, in gloomy contrast to the traditional generosity of France (only lately modified under unhappy conditions of stress) and to the open-handed offers of Holland and Belgium during the last few days. True, the problem can only be solved internationally, but the world's charity cannot exceed the nations' readiness to give, and Britain, imperial, democratic and well-to-do, has special duties—as too have the British Dominions. It is to be hoped that, when the Evian powers shortly meet to co-ordinate collective plans, so long sorely needed for the new dispersion, Britain will play her proper rôle. Very many more refugees, Jewish or Aryan, might be admitted into this country to seek work or to train for settlement and farming in distant lands, without danger to our standards of life or employment, and with tangible advantage from the introduction of new skills and enterprise.

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The Technique of Railway Charges.—To understand the full scope of the railways' submission for the repeal of the statutory regulations which govern charges for conveying merchandise, together with such related requirements as classification, publication and undue preference, demands a knowledge of the immensely complicated railway rates structure which is given to no layman. By an Act of 1854 the companies are under the obligation to afford "all reasonable facilities" for traffic, while a Statute of 1845 provides that rates must be "at all times charged equally to all persons in respect of all goods in the same description passing between the same points under the same circumstances." Undue preference

towards any particular persons or classes of traffic is prohibited under the Act of 1888. These three Statutes together define the limitations of trading policy open to the railway companies. Railway charges are regulated under the Railways Act of 1921 and also the Road and Rail Traffic Act of 1933. Standard charges for the carriage of goods are fixed by the Railway Rates Tribunal and may not be modified except by fixing an exceptional rate. Further, no exceptional rate of more than 40 per cent. below standard rate may be operated without the consent of the Railway Rates Tribunal, while smaller reductions must be reported to the Minister of Transport. The tonnage of goods carried at exceptional rates increased between 1930 and 1935 from 75.53 per cent. to 83.87 per cent. of the whole, and the corresponding proportion of receipts increased from 59.84 per cent. to 69.21 per cent. in the same period. Moreover, it is officially computed that in 1937 the number of exceptional rates which were more than 40 per cent. below standard rates exceeded 10 per cent. of the whole, compared with less than 5 per cent. in 1934-35.

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Under the Act of 1933 the regulations governing undue preference were modified to some extent by provision for agreed charges, made between the railway companies and any particular trader. Such charges are subject to review by the Railway Rates Tribunal and, moreover, any trader who regards an agreed charge as detrimental to his own business may apply for a similar charge on his own merchandise. Traffic carried at agreed charges is estimated to account for 2 per cent. of railway gross receipts. The proposals of the railways do not refer specifically to standard revenues, as defined by the Act of 1921. It may well be that, if statutory regulation of charges on merchandise were to disappear, the residual importance of standard revenues—or, indeed, of the jurisdiction of the Railway Rates Tribunal—would be small or non-existent.

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The German Home Front.—The Foreign Minister and the Propaganda Minister of the Reich are both of them on the militant wing of the Nazi Party, and in their speeches we can catch echoes of the militants' hopes and fears. In his speech on the 17th at the funeral of Herr vom Rath, Herr von Ribbentrop was in a mood to defy the world. "A hostile world, paralysed by outmoded usages, thinks to stop the march of Fate. . . . Slowly but inevitably the Old World is declining"; but "after this world change eternal Germany will still stand united, strong and as great as before." Towards the close of his speech Herr von Ribbentrop contrasted the hostility of the world towards Germany with the German people's spirit. "A storm of rage sweeps through our people, and their intention to give themselves at any time for Fuehrer and Reich becomes only harder and more determined." Thus the Foreign Minister of the Reich, at least officially, takes it

for granted that he can rely to any extent on the solidity of the home front. The Propaganda Minister, on whose shoulders the responsibility for holding the home front largely rests, show more anxiety and petulance—like a driver who is flogging a heavily overloaded pack horse up a hill, without being sure that the animal has the stamina, however cruelly he may be lashed, to reach and pass the summit. In an interview, given on the 18th, on his conduct of his own department during the September crisis, Dr Goebbels has now admitted his awareness, at the time, that, for the German people, "much hung upon the outcome of the Conference"; "but," he continued, "I could take little account of inner needs." And he went on to admit that he had delayed for twenty-four hours the publication, in Germany, of President Roosevelt's messages in order to prevent interference with the psychological effect of Herr Hitler's militant speech in the Sportpalast. "Nothing is more dangerous than to leave the offensive to the opponent in time of crisis"; and at the same time nothing is more strange than to "show the works" of the propaganda machine to the public on whom the machine is operating. Dr Goebbels' revelations would, we should imagine, perceptibly increase the sense of uncertainty and mystification in Germany, and to that extent lower the German people's *moral*. It looks as though Dr Goebbels were conscious now of having to wrestle very hard with a private shrinking from public adventures, while at the same time he is convinced that these public risks must be taken now or never. "When the Goddess of History," as he put it at Reichenberg on the 19th, "steps down to earth and touches mankind with the hem of her cloak, responsible men must have the courage to grasp the hem of her cloak and not let go again." Can the German pack horse be flogged into performing the prodigies of a mettlesome charger? That is the question that confronts Dr Goebbels and his leader to-day; and we may guess that this problem of the German home front is causing them greater concern than anything that is happening in Paris or London or Washington.

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Germany and the United States.—In the German retort to the outburst of indignation in the United States at the latest excesses of German persecution, temper has got the better of diplomacy. If the key-point in Herr Hitler's international strategy is, as it seems to be, to keep the two West European democratic Powers isolated and immobilised while he takes a free hand for himself in the rest of the Old World this side of Japan's field of operations, then the chief of his secondary aims ought to be to encourage the United States to hold aloof from the United Kingdom. In this task German diplomacy could have counted on seeing its work largely done for it by American isolationist sentiment and tradition. The news of Munich gave American isolationism a powerful impetus; and it is one of Herr Hitler's most extraordinary feats to have

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thrown the movement of American public opinion into reverse by what he has been doing at home during these few intervening weeks. The expression of American feeling, as symbolised in the recall of the American Ambassador from Berlin, called for a soft answer on the German side if only in view of the date, which almost coincided with that of the signature of the long-suspended Anglo-American trade agreement. Nevertheless, Herr Hitler has hit back recklessly. The spontaneous expressions of feeling in the American Press have been answered by broadsides of Dr Goebbels' propaganda, in which the two great English-speaking countries are confounded in a common spate of vituperation. The recall of Mr Wilson from Berlin has been answered by that of Dr Dieckhoff from Washington. And the Anglo-American trade agreement has been castigated in the German Press as a Jewish instrument for putting a spoke in the wheels of Germany's policy of bilateral arrangements. A wiser line for Germany to take would have been to bless the Anglo-American Agreement and then seek a share in its benefits. As things have turned out, Germany's chance of being given most-favoured-nation treatment at Washington now seems to be faint; and the tragic irony is that the German industries that are going to be the hardest hit by this are the depressed industries of the Sudetenland. Before September these Sudeten industries found a valuable market in the United States under the aegis of the Czechoslovak-American trade treaty. At the moment they have lost the benefit of this particular favourable arrangement in consequence of their transfer from Czechoslovakia to Germany; their new fatherland's relations with the United States have suffered a catastrophic change for the worse. In truth, the Goddess of History, to the hem of whose cloak Dr Goebbels (as he tells us) is clutching so tightly, seems at least in this case to be repeating herself. She appears to be leading Dr Goebbels and his colleagues the same dance that she led their predecessors in 1915-17. In those fateful years German impolicy achieved something that was quite beyond the power of British statesmanship. It turned Americans and Britons into comrades in arms. To-day it begins to look as though the *chef d'œuvre* of the Kaiser and Herr von Papen may be going to be reperformed by Herren Hitler and Goebbels.

* * *

Plight of Central European Jews.—The Jewish sufferings in Germany have caused, and are causing, such revulsion and alarm in other countries as to have stripped from the façade of international relations much of the confidence engendered by Munich. In the Reich there is no repentance of last week's work. The measures then enacted are confirmed: others are added to them. To common protest the only reply is more violence and more recrimination. We are now in such a pass that M. Blum is thought by many to be prohibited automatically from candidature for the Prime Ministership of France, because he is a Jew. Nor is the moral lost on those with a political axe to grind. In other countries the temperature of anti-Semitism is naturally rising. Poland, for example, whose Jewish problem, by any rational test, is many times more urgent than any that exists in Germany, is being forced to wonder whether her comparative mildness towards the Jews is not leading to the Polish aspect of the Jewish problem being forgotten in international discussions. Already a Polish newspaper suggests that international action must find an outlet for the Jews, failing which "Eastern European Governments will sooner or later try to create such economic and political conditions for the Jews that they

will have to leave their respective countries." And this is no mere wild threat. The problem of the Jews, whether the world wills it or not, is becoming of world-wide significance. What has happened to the Jews so far is only a measure of what may happen to them in the future. For one effect of anti-Semitism in Germany is to breed anti-Semitism in the smaller countries of Europe. The motives may often be different: the result is always the same. The Czechoslovak concessions, based on the right of "self-determination," were calculated by pre-War census figures, which had counted as German and Magyar Jews who spoke those languages and who, once transferred, were set upon by their new rulers and denied citizenship. Thus it happens that Central and Eastern European States which contain Jewish German-speaking minorities are now understandably anxious to resist this new Trojan horse by diminishing the number of their Jews. This is one consequence of changing the political structure of Europe on an unscrupulous rendering of the principle of self-determination.

* * *

A Policy for the Special Areas.—Four years ago the Special Areas were marked out for special treatment as districts where the rate of unemployment was exceptionally above the national average. The definition still holds good. In the last twelve months the growth in the number of their unemployed has more than balanced the spread of work in armaments and new trades and the departure of transferees to other places. Yet the Government's policy for the Special Areas has not been insignificant, and the widespread fear that the present statutory system of Commissioners and special aids to enterprise is to be allowed to lapse is causing grave concern. Broadly the policy is threefold: to liquidate the problem of unemployment by transfer; to foster the entry into the area of new industrial undertakings; and to encourage services of social rehabilitation and betterment. Private finance has supplemented public funds through the Nuffield Trust; and last year's *reprise* of the Special Areas Act introduced remarkable inducements to new industries in the form of rate and tax remissions. Trading estates with State aid have been offered cheap sites and factories. Loans at low rates have been provided for new undertakings. Housing and public works have been given special help. The whole programme has been a new departure in guiding the location of industry. Yet speakers in this week's two discussions in the Commons, anxious as they were that the legislation should not lapse next spring, were by no means satisfied. The Special Areas are still "special."

* * *

The truth is that the Government must do much less or much more. The Commissioners' work has violated old economic canons: competitive enterprises have been aided and subsidised; preferential treatment has been given regionally; economic suitability of location has not been the first criterion for the settlement of new trades. It may be that social needs ought to outweigh purely economic considerations, and that subsidies directly or indirectly given in this cause are money well spent; it almost certainly is so. But the revolution in principle must be made a revolution in fact; large-scale extension of present methods in all places where unemployment is high (whether Special Areas or not) to redistribute industrial enterprise closer to regional needs is needed, if the experiments of the past four years are to bring into being more than a museum of strange devices without any appreciably potent effect, if tinkering is to become positive planning. The Government has spent £8,750,000 on aids to industry, public works, hospitals, child welfare, sewerage, housing, land settlement, social improvement and welfare; it is committed to spend £8,250,000 more. But "small means do not merely produce small effects; they produce no effects at all." Unless the Government is prepared to spend at many times this rate, to see the entire country's industrial problem as a whole, to take industrial location as a national province and to base

its direction logically upon researches into regional resources like Professor Marquand's for South Wales and the new survey of Tyneside markets just undertaken by King's College, Newcastle, the Special Areas may as well be left, wholly as now in part, to the waning chance of widening world markets for coal and iron and steel and textiles and the relentless attrition of industrial decay, to the normal process of adjustment in a free economy.

* * *

Workmen's Compensation.—That policy must wait upon the findings of Royal Commissions is a commonplace of our political practice; and it was perhaps inevitable that a private member's bill to reform the law relating to workmen's compensation should have been rejected by the Commons a week ago. Yet the present law has gone unamended for a complete generation, and its defects have been stated without contradiction by members of all parties for many years. Many callings are dangerous in themselves; silicosis and nystagmus in mines are outstanding examples. Many thousands of workers are killed and injured at work, and the privation of their dependants is not the least of the tales of poverty which disfigure our community's life. In cases of death, a widow without children can secure no more than £300 in complete and final discharge of compensation, and a widow with children no more than £600, regardless of the size of her family. The lump payments are commonly much smaller than this. In cases of total or partial incapacity, too, there is no proper provision for dependent and invalid children; a man deprived for ever of work, with a wife and three children, may receive less than 30s. a week in compensation, against the 55s. at least needed to keep the family in the barest health. A man partially incapacitated may be certified for light work which is never available; his compensation will be reduced accordingly. There is no provision under the present law for the rehabilitation of sufferers from industrial accident. In the Commons everyone seemed to be agreed that rates of compensation should be raised, both lump sums and weekly payments; that dependants should be specifically provided for; that the system of medical inspection should be reformed; and that more occupational diseases should be scheduled for special care. There was a fairly common feeling that compulsory insurance might be an appropriate procedure in many cases. But nothing can be done until the Royal Commission has said its say.

* * *

The Czechs Concede Still More.—Germany has concluded with Czechoslovakia a treaty defining problems of citizenship and rights of option such as were foreseen at Munich. Until July 10, 1939, the German Government has the right to demand that Czechoslovaks born in the ceded area before January 10, 1910, or part of those persons' families, or, in effect, those who settled in the ceded area since the formation of the Republic, should leave the Reich. Right of option into Czechoslovakia holds until March 29th next, again apart from *émigrés* who left Germany or Austria after January, 1933. Meanwhile, the Reich has obtained further concessions of territory, including certain districts in Bohemia, the town of Theblen and the key village of Devin on the Danube, and most striking of all a corridor of land 60 yards wide directly across the Republic from the frontier facing towards Breslau to that towards Vienna. The corridor will be used to build a motor-road, and in common with the project for an Oder-Danube canal, it forms a most important addition to Central European communications. It is said that a branch-road across Hungary towards the south-east is already a subject of serious discussion in Budapest; and it is certain that no time will be lost in building the Czech section of the route to Constantinople and Baghdad. In Prague the business of political reorganisation is almost completed. The new President is not yet elected, but with the Slovaks demanding representation either by the President or the Prime Minister (and the Czechs not much wanting the renaissance of Dr Hodza, the pre-

Munich Slovak Prime Minister) it became clear that the new President would have to be a Slovak, and after some deliberation, choice fell upon Dr Hacha, who is also a legal luminary and acceptable to all. And Parliament has passed emergency powers enabling the constitution to be altered even in advance of that election. Czechoslovakia is thus the first country in Europe to give a president-elect the right to create a new constitution, or so to alter it as to make it such as "changed relations demand." The pace of development in Central Europe hastens from week to week, and the signs are that all efforts to stem the German advance, whether they come from Poland or from the countries of the south-east, are out of date and ineffective.

* * *

Danubian Cross-currents.—In Budapest it is a matter of "those behind cried forward and those in front cried back!" Dr Imredy, the Prime Minister, under whose lead Hungary regained a part of her former trans-Danubian territories, has now fallen between his wish to maintain some form of Parliamentary government, and his need to silence the Right extremists, like Szalasi, by at least an appearance of totalitarian "efficiency." Last week Dr Imredy shuffled his Cabinet, excluding from it four members with Nazi leanings; but for those who are crying "Back!" that apparently was not enough, and this week a large number of deputies, not less than 59, have resigned from the Government's National Security Party, thus robbing the Prime Minister of his majority in the Chamber and obliging him to withdraw amendments to standing orders which he had intended should speed up the process of legislation. He was later defeated on a motion of confidence, and the whole political structure of the country is now in confusion. The same criterion explains Hungary's conduct towards Ruthenia. The extremists are all for marching in and taking by force that old land of St. Stephen's Crown, and some of them have done a little marching on their own account; but the Government must now consider Germany's wishes, and may not move so fast, or even move at all. True, they have Italian connivance to annexation, expressed in long despatches to the Italian Press from correspondents who tell of "tragic disorder and terror," of a minority of Ukrainian fanatics, Moscow paid, who run the Government at Chust, and of popular demonstrations in favour of return to Hungary. Signor Mussolini's connivance, however, no longer has much value north of the Alps; and with King Carol's rejection of Colonel Beck's plan for the partition of Ruthenia, the last word rests more than ever with Herr Hitler. And for him, this situation was bound to represent a golden opportunity of getting the Government in Budapest precisely where he wanted it. If Dr Imredy were ready to play an appropriate rôle in the German scheme of things for Central Europe, then Herr Hitler's help ensured his continued authority as

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Prime Minister; but if Dr Imredy's intentions were not thus clear, that is sufficient reason for a new Government, or a new form of government, in Budapest. The Fuchrer will decide.

* * *

A Union of Australia?—Public men in Australia have felt for some time that all was not well with their system of Federal and State Government. As Mr Scullin pointed out in his important speech to the House of Representatives a week ago, when he explained his proposals for amending the Constitution, "no unity can be procured with seven sovereign Parliaments, each of practically equal status, embracing thirteen Houses, with more than 600 members, and 70 Ministers, with separate overseas representation and separate services." Indeed, the recent history of Australian government has been one of constant stress between the Commonwealth and the State legislatures, the one striving to unify, the others to individualise. In times of crisis, as over the issue of defence a few weeks ago, the Commonwealth has suffered from this lack of unity within itself; and devices such as the Loan Council and occasional conferences of the Prime Minister have sought to bridge the gaps and anneal the whole. And now the Commonwealth Government has taken what may be an historical decision. Mr Menzies, the Attorney-General, has announced that Mr Scullin's suggestion to hold a special session of Parliament to draw up amendments to the Constitution, is accepted by the Government, and it is expected that the session will take place early in 1939. During his speech announcing this decision Mr Menzies defined eight serious objections to the present condition of the Commonwealth's constitutional jurisdiction, outstanding among which were division of powers in trade and commerce into separate compartments, inability to control the conduct of trading corporations by general company law, lack of central jurisdiction over agriculture and over unemployment. The preponderant influence of High Court Judges in settling the fate of legislation here finds an echo from the United States: and Australia is to be congratulated on thus firmly deciding to resolve the conflict between theory and practice, and to face the issue which all Federal Government sooner or later must raise: whether it is to be a federation of independent States or an independent federation of States deriving its independence from a genuine delegation of powers.

* * *

Production and Efficiency.—How near is the time when man's command over the resources of nature will be so great that all the goods and services that are required can be produced without serious effort in a working day of perhaps not much more than four hours? This question was the subject of a number of illuminating comments from Professor A. L. Bowley in the course of his presidential address on "Production and Efficiency" to the Royal Statistical Society a week ago. In the main, possibilities of increased efficiency are confined to manufacture and in a lesser degree to agriculture. Energy is already so cheap that, if it were as free as air, the reduction in costs would not be substantial. In the factory trades the output per head increased at the rate of about 2 per cent. per annum between 1924 and 1935, and this increase is likely to continue. But any large reduction in working hours involves the inability—or unwillingness—of the public to spend on quality goods and services, not susceptible to mass-production economies, what they have saved on cheap standardised manufactures. So far, however, this is precisely what they have done. Employment in the services and in distribution has increased relatively to employment in manufacturing, and would have increased still more but for the development of *state* manufactures, such as motor cars, wireless sets, *ref* *ers*, etc. Clearly, the public's increasing demand for *asses* of Life, goods and services, which are comparatively *or* and General Insur^y the economies of mass production, may *ROAD STREET CO* any large reduction in

working hours. There is, however, one grim comfort in the trends observed by Professor Bowley. The most recent tendency marked in Germany and Italy, and increasingly evident elsewhere, has been a shift from the provision of luxuries and services back into manufacture, the manufacture of armaments; and a small increase in hours of work produces a vastly more imposing volume of armament material nowadays than was the case in 1914. But it is a small and doubtful mercy to be thankful for.

* * *

The War in China.—The Japanese are losing little time after the fall of Hankow in carrying hostilities south-eastwards. Their troops have advanced into Honan down the road from Sienning, have taken Yochow, and have engaged the main Chinese rear-guard, already retreating from Chang-sha. Other Japanese columns are moving up the Yangtse towards Ichang, on the Chinese extreme left wing. A warning to interested Powers states that provinces up till now comparatively untouched by aerial bombardment, such as Kwangsi and Honan, will not escape; and in Tokyo Prince Konoe, the Prime Minister, has brightened the home fires by remarking that "If there is anyone who thinks that, with the fall of Canton and Hankow, peace will come soon, he does not realise the meaning of the incident (*sic*). Japan wishes to undertake the reconstruction of a new East Asia..." Continuing to object against this ambition, the United States Government, through Mr Cordell Hull, has reiterated international obligations under the Nine-Power Treaty and re-affirmed the conclusions of the recent Brussels Conference, perhaps the most important of which (with Italy dissenting) denied that the issues between Japan and China were exclusive to those two countries, and affirmed "that the situation is of concern to all of them and in fact to all members of the family of nations." The Japanese reply, which is not considered by the United States Government as modifying the position, states that: "It is far from the thought of the Japanese Government to impair rights and interests of American citizens in China, or discriminate against their enterprises." The tone is conciliatory. The Japanese authorities have, however, refused to open to foreign shipping the Yangtse from Shanghai, on the excuse that the river is not yet safe for transit. Talk of mediation arising from the British Ambassador's brief meeting with Chiang, is clearly founded on a misconception, for the Marshal's resignation and surrender of his cause, which the Japanese demand as a *sine qua non* of any negotiation, is as far away as ever.

* * *

Another Royal Ambassador.—After King Boris of Bulgaria, after the Kings of Roumania and of the Hellenes, London receives a visit this week from the Prince-Regent of Yugoslavia. He comes in private, and therefore does not receive the pomp and circumstance bestowed upon King Carol, but his coming is probably none the less significant for that. It is not unexpected, for he would have come last month but for the political bad weather: what he comes for remains so close a secret that perhaps after all it is only to smell the autumn air in England and receive his meed of goodwill from a Power whose finger is no longer in the Balkan pie, but whose navy is still in the Mediterranean. It would be a graceful gesture that he should soften the flamboyant words of Dr Stoyadinovitch, and tell us that when all is said and done we are not such bad fellows and may even be useful on our day. After the magnanimity of Herr Funk it is clear that the Prince Regent can have little to ask of us: for whatever reason King Carol may have gone to the Guildhall no one will suspect Prince Paul of wanting our money or our merchandise. In that is no reason for complaint, but only reason for regret: it is not the Prince Regent's fault, and were Europe shaped differently the course of Yugoslav exchanges would no doubt be different too.

Overseas Correspondence

From Our Special Correspondents

United States

Recovery Goes On

NEW YORK, November 15.—Current signs point to recovery vigorously continued. Steel operations are now well over 60 per cent. of capacity; the motor industry is fully under way; and the spending programme is now making its influence felt, not only in building contracts, but also in actual construction. Consumer demand in retail trade is still regarded as disappointing, but this is put down to the protracted warmth of the autumn. Some disappointment is expressed about the absence of more marked evidence of re-employment, but it must be remembered that the index of production is still below 100, and while this is infinitely better than six months ago, when it was below 80, it is still at a low level. An active demand for labour is not likely to appear until production is higher.

The November Bulletin of the Federal Reserve Board has tabulated the position of all banks in the United States as follows:—

	ALL BANKS		
	June, 1937	March, 1938	June, 1938
Number of banks	15,527	15,348	15,287
Total loans (\$ millions)	22,514	21,779	21,130
Total investments (\$ millions)	27,182	26,540	26,252
Total deposits* (\$ millions) ...	53,287	51,703	52,195

* Exclusive of inter-bank deposits.

For the banks as a whole, the period was one of contraction, but this contraction was no more than nominal among the Mutual Savings Banks, which are included in the table above.

Mutual savings banks are mainly located in New York, Massachusetts and Connecticut. In many States they do not exist; and in recent years, as a group, they have been declining in relative importance, with the increase in the postal savings system, and particularly with the introduction of the Treasury savings bonds.

Among member banks deposits rose sharply between March and June, although loans and investments were falling. This is largely attributable to the release of the Inactive Gold Fund, which flowed almost directly into member bank deposits and reserves.

MEMBER BANKS

	June, 1937	March, 1938	June, 1938
Number of banks	6,357	6,335	6,338
Total loans (\$ millions)	14,285	13,546	12,938
Total investments (\$ millions)	18,454	17,975	17,783
Deposits (\$ millions)	35,440	34,118	34,745

Among non-member banks, on the other hand, deposits continued to fall.

NON-MEMBER BANKS (Other than Mutual Savings)

	June, 1937	March, 1938	June, 1938
Number of banks	8,606	8,450	8,386
Total loans (\$ millions)	3,227	3,238	3,231
Total investments (\$ millions)	3,550	3,364	3,234
Deposits (\$ millions)	7,635	7,325	7,153

Small Banks Disappearing

The total number of banks in the country continues to decline, principally by the fall in the number of non-member banks. While the non-member banks are still an important part of the banking system, actually outnumbering the member banks, they have declined since 1929, greatly in number, but less so in magnitude. The principal change involved in the reduction in their number by almost half during the last ten years has been the elimination of the very small bank; but, with the reflation of deposits, there has been a big increase in their average size. The average non-member bank is still, however, relatively small, deposits averaging less than \$1,000,000.

The reporting member banks in 101 cities hold about one-

half of the deposits of all commercial banks (say \$20,000 millions out of \$40,000 millions); but it appears that a larger proportion of their assets are held in investments. In June the reporting member banks had about \$8,400 millions of loans, and \$12,300 millions of investments; the non-reporting member banks had about \$4,500 millions of loans and \$5,500 millions of investments; and the non-member banks about \$3,200 millions of each.

No comment on banking in the United States is complete without reference to Federal activities in the field. The Reconstruction Finance Corporation is the largest "bank" in the United States, with assets of \$1,716 millions; but the Home Owners' Loan Corporation, with about \$2,447 millions, and the Federal Farm Mortgage System with almost \$2,800 millions are active in fields which were formerly partly covered by the banks proper.

Bank Earnings Analysed

The question of bank earnings is often discussed, but not often fully understood. The Federal Reserve Bulletin for October tabulates the earnings of the member banks as follows:—

EARNINGS AND EXPENSES, MEMBER BANKS

	(\$000,000)				
	1936		1937		1938
	1st half	2nd half	1st half	2nd half	1st half
Total current earnings	617	654	652	669	631
Total current expenses	430	442	449	453	448
Net current earnings	187	212	203	216	183
Recoveries and profits	253	254	158	97	137
Losses, etc.	216	225	166	172	175
	+37	+29	-8	-75	-38
Net profits	224	241	195	141	145
Cash dividends	95	103	100	101	99

The two items, "recoveries and profits" and "losses and depreciation," are each large relative to the item of "net current earnings." Over the period, losses and recoveries have nearly balanced each other, leaving the net current earnings very roughly comparable to the net profits. In the first half of 1938 the net profits amounted to \$5.40 per \$100 of capital funds. The interest per \$100 of loans was \$3.99, less \$0.67 of loss, or \$3.32.

France

The Plan Proceeds

PARIS, November 24.—Longer working hours have been decided upon, and taxation has been increased. M. Reynaud declares that this discipline is inescapable if confidence in the currency is to be re-established and new credits passed into circulation to intensify production. It is the only alternative to exchange control, which the Senate has turned down. It is still uncertain whether the Chamber will accept or

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reject the Reynaud medicine, but the Minister of Finance states that he is not prepared to give way on any point of his programme.

The Stock Exchange has welcomed the new policy and rentes are being bought. The rate of interest on bonds has twice been lowered, and the rediscount rate of the Bank of France will be lowered also. Meanwhile politicians of the Left are speculating about the discontent caused by M. Reynaud's measures; and the "veterans" and certain Right wing groups speak similarly.

M. Reynaud, however, has gone on with the job. A commission to recommend economies in State expenditure has been appointed. Industrialists who now wait for one or even two years for payment for deliveries on State contracts will henceforward be paid immediately. Industrialists who launch new industries will benefit from a remission of taxes. M. Daladier has decided that stay-in strikes will not be tolerated, and undesirable aliens will be put in concentration camps. But all these measures are not sufficient to set the wheels moving again, as long as the political problem goes unsolved; and it is the possibility of a Ministerial crisis which is holding up the start of recovery.

Parties at Cross Purposes

The greatest confusion reigns among the parties. Socialists are in conflict with the Communists. The men of the Right are disputing among themselves about foreign policy. The Left as a whole still believes in exchange control, but the leader of the trade unions has stated that economy and not control is the prime need. The Right wing leaders are waging a campaign against the cession of colonies to Germany, but at the same time they declare their fidelity to the spirit of Munich. The employers' associations are now backing the Cabinet, but the Minister of Pensions had expressed official regret that the leaders of the "veterans" have refused to accept the sacrifices demanded by M. Daladier. The truth is that French public opinion has been gravely troubled and perplexed by the Munich settlement.

After the favourable vote given by the Finance Commission of the Chamber of Deputies to the Reynaud plan, the Right is hoping for Cabinet changes in a Rightward direction, possibly bringing in M. Flandin. The trade unions, on the other hand, although they have expelled the Communists, are threatening a general strike. The battle of the Cabinet against the double opposition of the dissatisfied on the Left and the would-be Ministers on the Right, takes the public eye, but the course of events in the markets is the crucial factor. Since November 1st, M. Reynaud claims, 1,500 millions francs of capital have come back, and subscriptions to bonds have increased from 8,000 to 20,000 millions. The needs of the Treasury are now covered until February, and the Government has ruled out any further borrowing for six months. The rate of interest has fallen. The solution by confidence is slowly maturing. But the politicians may still bring the whole structure about their heads.

A Fortnight for M. Reynaud

Against the politicians, the experts argue that there is no way to safety but by the Reynaud plan—which, according to the Government, may still be amended. Parliament will re-assemble on December 6th or 13th, and the question is whether M. Reynaud will have sufficient success before then to win him the full support of public opinion against the forces of disorder.

Exports of pig iron during the first ten months of 1938 amounted to 378,000 tons, compared with 316,000 tons in the corresponding period of 1937, 100,000 tons in 1936 and 378,000 tons in 1931. The level of exports is thus comparatively high. In the same period exports of iron ore was

13,156,000 tons against 15,870,000 tons in 1937 and 10,424,000 tons in 1934.

The following table shows the course of wholesale prices during the last six weeks:—

	Oct. 15	Oct. 22	Oct. 29	Nov. 5	Nov. 12	Nov. 19
General index	657	653	654	652	653	653
Domestic products ...	673	670	670	670	670	674
Imported products ...	627	623	626	619	623	617
Foodstuffs	637	635	635	635	631	635
Industrial products ...	674	670	672	667	673	670

In the week ended November 12th the number of persons unemployed was 364,210, against 363,422 in the preceding week and 325,497 a year ago.

Germany

Aftermath of the Pogroms

BERLIN, November 23.—Everything is overshadowed here by the reaction, at home as well as abroad, to the anti-Jewish outrages of the past fortnight. Whatever was in the minds of the perpetrators, it is certain that they did not expect such a violent reaction, either in England and America, or among their own people. In a totalitarian State such as this it is generally impossible not only for the population to express its objection to "acts from above," but also for the unbiased observer to estimate such resentment. But during the last few days this has not been so.

Whether the differences of opinion in the Nazi Party itself about these outrages constitute a danger to the regime, time alone can show. But there can be no doubt about the indignation of the average German that he should be described as having "spontaneously" broken windows and fired synagogues. His sense of law and order, of propriety and of economic values has been bitterly insulted in a way which indicates that all the anti-Jewish propaganda of the Third Reich has not sunk in very deeply. Each day the Press seeks to divert attention by pointing the finger at English action in Palestine or lynching in the United States, without influencing the people here very much. They do not believe the stories of "an international Jewish plot" to destroy Germany as the basis of the Paris murder.

Among business people, great and small, the natural question is what will be the reaction of all this on Germany's foreign trade. In fact, there is strong evidence for saying that a halt was cried at the end of last week, mainly as the result of protestations from circles engaged in foreign trade, where the consequences were clearly foreseen. Already such consequences have made themselves felt through an intensified boycott on the part of Jewish business circles in America. Certain of the home industries of Thuringia and Silesia—toys, etc.—have had to report to Berlin that orders have been cancelled, even those for the coming Christmas, in some cases. The foreign trade deficit, which amounted to Rm. 8 millions in October, will certainly not be diminished by recent happenings.

The Anglo-American Trade Pact

The new Anglo-American trade treaty, too, is seen as a weapon which England and the United States can use, if they so desire, to hit this country's foreign trade still further and so reduce its supplies of foreign exchange. Germany, which will undoubtedly suffer in the American market in competition with England, since it will not benefit from the concessions granted in the Anglo-American treaty, would certainly be very badly hit if President Roosevelt were to decide to extend his powers against this country as a "discriminator" against America through its foreign exchange regulations, its special barter agreements and its subsidies.

Germany has no counter-weapon against America. In September, United States exports to Germany were valued at Rm. 11 millions, while United States imports from Germany were Rm. 50 millions. Moreover, German imports were largely composed of such essentials as cotton.

An important political event of the past week has been the visit of Mr Pirow, South African Defence Minister. Mr Pirow is believed to have expressed the view that the Union of South Africa would not be prepared, under any circumstances, to return the former German territory in South-West Africa to the Third Reich.

The problem of Germany's surplus population no longer plays an important part in discussions about colonies, because, owing to the Government's armament and building

programmes, there are practically no Germans out of work. But the economic argument has perhaps increased in importance: it is well known that Germany's raw material requirements are not easy to cover at present because of export difficulties and lack of foreign exchange.

The Case for Colonies

The German Government is of the opinion that an appreciable part of the raw materials needed could be obtained from the former German colonies, if they belonged to the Reich, if their markets were fully open to German goods and if payment could be made in Reichsmarks. On the basis of present output in these colonies, it is estimated that Germany could obtain food and materials to the annual value of some Rm. 500 millions, or 10 per cent. of the Reich's total yearly imports. This percentage is not very high, but it is said that colonial production could be increased to double the supplies available to Germany. On the other hand, people here realise that any expansion of planting, mining and other productive enterprises in the colonies would entail the investment of a great deal of capital.

The chief commodities which the former colonies could supply, and of which Germany is especially in need, are palm nuts, palm oil, ground nuts, sisal, cotton, hides and skins, tin ore, vanadium, copper, cocoa, coffee, gold, phosphates and diamonds. [A series of charts on page 302 of the issue of *The Economist* dated November 5th illustrated the relation between the output of the former German colonies and the requirements of the Third Reich.—Ed., *Econ.*]

Nevertheless, however important the economic arguments for the restitution of colonies may be, they are not, in German eyes, the decisive ones. Much more important for the very sensitive nationalism of the present regime in Germany is the scotching of the so-called "colonial guilt lie." In the Versailles Treaty, Germany was compelled to renounce her colonial possessions on the ground that she was not fit to administer them. In a speech to the Reichstag in 1936 Herr Hitler made the problem of colonies a point of honour, and the return of the former colonies is an integral part of the German claim to the full status of equality with other Powers.

The occasion of Mr Pirow's visit has been taken to put out a new German colonial map which gives the impression that German demands may even be raised still further. The map includes, for instance, not only the districts colonised by Austrians in the nineteenth century, in respect of which, since the *Anschluss*, Germany believes herself to be entitled to enter a claim, but also all those places colonised by individual German States or princely houses in past centuries. In the sixteenth century, for instance, a German princely house colonised part of Venezuela. In the seventeenth century another colonised Gambia, and more recently there were German settlements of this kind in Trinidad, Tobago and parts of South America and West Africa.

Significant Trends in Trade

A comparison of this year's trade figures with those of 1937 shows that imports have been maintained at about the same level. That is to say, although this year's harvest has been unusually good, Germany has been, in fact, importing just about the same quantity of wheat this year as last, when the harvest was far from satisfactory. The conclusion must be that Germany has been gathering stocks of foodstuffs against possible war-time contingencies. Again, imports of raw materials have risen by about Rm. 80 millions in the last ten months, and, as a result of this stocking-up of food and raw materials, imports of finished goods and semi-manufactures has shrunk to practically nothing.

Turning to exports, we find that during the first ten months of the year Germany's sales abroad were markedly reduced. Exports of raw materials, for instance, are down by about Rm. 45 millions compared with last year, and, in particular, coal exports have fallen appreciably because demand in France, Belgium and Luxembourg has diminished. Of prime importance for Germany's balance of trade and payments is her export of manufactures, and during the last ten months even this has fallen by close upon Rm. 300 millions.

Although the Government issued a loan only last month which brought in Rm. 1,850 millions, and although, more recently, the levy of Rm. 1,000 millions on the Jews and the confiscated Jewish insurance claims of about Rm. 500 millions have accrued, or are accruing, to the Treasury, the Government has already been constrained to issue another loan of Rm. 1,500 millions. This is the fourth loan this year. Since the beginning of the year the Government has issued loans amounting to more than Rm. 6,000 millions, and the total amount borrowed since 1935 amounts to Rm. 14,500 millions.

Latvia

Trade in 1937

RIGA, November 12.—The Latvian balance of payments for 1937 shows a credit total of 316 million lats and a debit total of 279 million lats, or an active balance of 37 millions. In 1936 the credit side of the balance stood at 176 million lats and the debit side at 157 million lats, respectively: the increased turnover is due partly to the recent devaluation of the lat, and partly to the encouraging condition of relations with foreign countries. Foreign goods traffic is the most important of the current items, showing in 1937 an export surplus of 29.5 million lats.

Interest payments and dividends owing abroad accounted for 3.9 million lats: limited companies accounted for some 2.3 millions; and the remainder fell to State and commercial debt obligations, both for public works in Kegguan and for a loan raised on the City of Riga by the London bank of Messrs Lazard Brothers. The revenues of the Latvian merchant fleet from foreign freights and time charters are up to 23.9 millions, or 13.1 millions more than in 1936. More than half of this trade was with England. The fleet's expenditure for 1937 was 12.1 millions. Latvian port traffic revenue in 1937 was as high as 7.1 millions. The remaining items in the balance (passenger traffic, posts and telegraphs, etc.) showed a fall of 3.9 millions, in which the transference of the wages of about 50,000 Polish seasonal workers, amounting to 5.5 millions, represented a considerable charge. Insurances with foreign countries were about balanced.

Among capital movements there was the long-term Swedish loan of 2.4 millions, and on the debit side foreign real estate purchases stood at 2.5 millions and transference of capital at 3.7 millions. Foreign capital in Latvia was reduced in 1937 from 64.1 millions to 60.5 million lats. Short-term dealings with foreign countries were 2.9 million lats, while Latvian foreign credits showed an increase of about 31.5 millions.

Falling Revenue

The balance of payments for 1938 may be expected to show a substantially different picture, in which the shipping revenue, reacting from depression in the freight market, will suffer a marked fall; foreign trade, too, is falling away.

In the first nine months of the current year, Latvia imported goods to the value of 167.7 million lats, against 169.6 millions for the corresponding period of the previous year. Exports were worth 158.5 millions, against 179 millions, or a reduction of 9.2 millions, and there was an import surplus of 9.4 millions. This reduction in exports is chiefly the consequence of lower prices and diminished demand in the world timber market, and this in turn has caused a restriction in plantings in the State forests. On the import side there has been an increase in supplies of machinery, metal goods, and electrical commodities, but imports of foodstuffs and raw materials have fallen. It is interesting to note that transit commerce with Russia has fallen from 144,000 tons to 80,000 tons.

Shipping traffic in Latvian harbours has also fallen. In the first eight months of 1938 there were dockings of 1,592 vessels with a total tonnage of 853,073, as against 1,688 vessels of 909,423 tons in the corresponding period of the previous year. The reduction in loadings and unloadings in these two periods was as much as from 2.1 to 1.6 million tons.

Heavy Grain Yields

According to recent estimates the summer grain harvest was a good deal heavier than that of 1937. Ninety-eight thousand

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tons of summer wheat were reaped, against 77,000 in the previous year, and corresponding figures for barley are 237,000 and 218,000 and for oats 475,000 and 405,000. Although the flax yield per hectare was higher than in 1937, the crop is slightly smaller because of a shrinkage in flax cultivation. Fibres fell from 23,000 to 22,000 tons, linseed from 22,000 to 20,500 tons. There was a lack of agricultural workers during the harvesting season, so that the import of 50,000 Polish workers became necessary. The greatest importance is accordingly attributed to the mechanisation of agriculture. On one estimate Latvia does not possess one-half of the necessary agricultural machines, although their import in recent years has notably increased. Thus in 1933 Latvia imported agricultural machinery to the value of 1.1 million lats, and in 1937 this figure had risen to 5.7 millions, and production has shown a strong growth.

So far Latvia's general commercial position carries no clear marks of depression. In sympathy with the international political crisis at the end of September there was a certain uneasiness caused by heavy withdrawals from the banks, but conditions soon returned to normal.

India

Japan and the Indians

CALCUTTA, November 11.—The profound changes of policy represented by the new European "line-up" and the latest declarations of Japan's mission on the Asiatic mainland have not been lost upon Indian politicians. The immediate domestic issue is Federation, which assumes new and pointed significance in a world that moves from one political concept to another almost overnight, and in which new forces are stirring Asia to a consciousness of power such as she has not known for centuries.

Indian sympathy and sentiment is mainly with China in her struggle against Japan, but is somewhat mixed when it is faced with the latter's adumbration of the principle of Asia for the Asiatic. The younger generation of Indian politicians are frankly interested in, if not envious of, Japan's methods and her advance against the nations. Upon Japan's handling of the present dispute with America about the open door in the Far East depends much of her future prestige in India, where nationalism, having scored many triumphs in the domestic sphere, increasingly tends to think in terms of international politics.

Towards Federation

With the return of the Viceroy and several of the Provincial Governors from leave it may be assumed that a practical time table is now set for the accomplishment of Federation. It is more than eight years since the Princes made their dramatic gesture at the first Round Table Conference. Since then there has come the new Constitution and the long and tortuous negotiations with literally hundreds of States. It is expected that Lord Linlithgow will take an early opportunity of indicating what may be called the Government's time schedule.

The comparative ease with which the Congress Ministries are functioning in a majority of the Provinces, and above

all the reality of political power which the past eighteen months have demonstrated, have entirely changed the outlook for Federation. There are not likely to be more revisions of the Act than can be accomplished by Orders in Council. The right wing of the Congress Working Committee, which includes amongst others Mr Bhulabai Desai, leader of the Party in the Central Assembly, and the Madras contingent, are known to be in favour of trying out the Federal scheme. The Left wing, led by Mr Subash Bose, this year's Congress President, and Pandit Nehru are loud in opposing the creation of what they regard as a dead weight of reaction at the Centre. But Congress's final word will rest with Mr. Gandhi.

Some of the more vigorous communalists of the Moslem League are objecting on the grounds that the accession of the States will swell the Hindu majority in the projected Delhi Parliament. Most of the States themselves are ready. Finally, all parties realise that the British Government, in the midst of many other pressing problems, is unlikely to take on itself the task of amending the India Act before it has become fully operative. Thus the stage is set, and the signs point to a substantial step forward in the next few months.

If not positively encouraging, the recent trend of Indian trade cannot be regarded as wholly disappointing. The half-yearly (April-September) figures show that exports amounted to Rs. 79.19 crores, re-exports to Rs. 2.65 crores and imports to Rs. 70.35 crores. All these totals show a decrease compared with the corresponding six months in 1937, when exports amounted to Rs. 98.14 crores, re-exports to Rs. 3.69 crores and imports to Rs. 85.08 crores. Set against the background of general international trade, however, the Indian figures reveal no more deterioration than can be ascribed to causes over which India by herself has had no control. A circumstance of some significance is that in September an export surplus on account of merchandise was sufficient to offset an adverse balance on account of treasure, for during that month imports of silver largely exceeded exports of gold.

Slackened Exports of Gold

Indeed, there are signs that gold exports, in spite of the continuing demand for gold in Europe and America, are drying up. A recent development in the local situation is the delivery of consignments of gold to the Reserve Bank of India. These commenced a fortnight ago and have continued at intervals since. At first the Calcutta and Bombay money markets inclined to the view that the Reserve Bank was employing a new technique to obtain sterling in face of a weakening rupee exchange. Purchases of gold in India and sales of a corresponding amount in London would, in any case, have been a crude method of achieving such an object. As the amounts of bullion held by the Reserve Bank in London and India, respectively, have shown no change during the last three weeks of October, the more rational interpretation of the bank's transactions is that it is acting as an agent in the matter, and that gold is being bought and stored in India, probably for the Bank of England.

Australia

Lower Prices for Wool and Wheat

MELBOURNE, November 10.—The business outlook is influenced by the prospect of low prices for wool and wheat and a reduced wheat harvest. The wool clip is not expected to reach even the 2,970,000 bales anticipated a few months ago and a further reduction of possibly 100,000 bales is now foreshadowed by the conference of wool selling brokers and the National Wool Council. A revised estimate is to be issued when November statistics are available.

The wheat harvest is difficult to estimate at the moment, even after recent rains in certain districts, but it will show a considerable reduction compared with the harvest of 188 million bushels in 1937-38. Exports of wheat and flour since December 1, 1937, now amount to over 124½ million bushels—with a few weeks still left to complete the season. The prospect of prices lower than those recorded in recent years has raised afresh the question of assisting the growers by arrangement between the Commonwealth and State Governments to fix a home consumption price, as well as to give direct assistance to drought stricken farmers.

The quarterly returns of the ten trading banks (excluding the Commonwealth Bank) up to September 30th show deposits of £312,049,728, an increase of £3,775,453 compared with a year ago; and advances of £288,606,581, an increase of £22,802,911. The large increase in advances reflects the greater trading activity during 1937-38, following the large

exports in the 1936-37 season. Government and municipal securities held by the banks amounted to £38,866,939, a decrease of £6,465,575 in the year and cash items £32,769,974, a decrease of £4,191,169. These movements leave a balance of several millions accounted for by a reduction in external assets.

The Commonwealth Government is about to issue a conversion loan to provide for two sums, amounting to £67,600,000, maturing on December 15th. The rate of interest is £3 17s. 6d. per cent., the price of issue par, and the loan will be redeemable between 14 and 16 years hence at the option of the Government. The price of £3 17s. 6d. per cent. compares with the redemption yield of £3 15s. 10d. for the loan issued last May. A defence loan of £4,000,000 is also to be issued.

Slightly Increased Expenditure

The Budgets of the six Australian States show total estimated expenditure of £128,972,642 for 1938-39, against £126,243,576 for 1937-38, an increase of £2,729,066. Revenue is estimated at £128,533,173, an increase of £2,311,107. Estimates of three States show a surplus, namely, New South Wales, Victoria and Tasmania, while Queensland, South Australia and Western Australia show deficits. The six States show a net estimated aggregate deficit for 1938-39 of £439,469, against a net deficit of £21,510 for 1937-38. (The various surpluses and deficits are shown after providing for sinking funds.)

The Commonwealth Budget for 1938-39 shows estimated expenditure of £93,136,000 and revenue of £93,162,000. The Commonwealth figures cannot be combined with those of the States owing to various duplications, but, taking taxation by itself, the estimated total for the Commonwealth is £71,560,000 for 1938-39, against £69,048,485 for 1937-38; and for the six States £42,444,225, against £40,975,919; the estimated total being £114,004,225, against £110,024,404. These figures do not include some forms of taxation for special funds outside the regular Budgets. The increase in the total is partly due to the need for providing for increased defence expenditure, which will in all probability require still further augmentation.

Canada

Trade Treaty Sceptics

OTTAWA, November 12.—The Federal Parliament will meet in the first or second week of January. Its first business will be the approval of the new trade treaty with the United States. If serious sacrifices of the preferential privileges now enjoyed by Canada in the British market are involved by its terms, it is certain to produce a very controversial debate. Opposition to such sacrifices will be intensified by the results of the recent Congressional elections in the United States, since they seem to open up at least a prospect of the return to power of the Republican Party in 1940. If the Republicans remain true to their high protectionist traditions, a Republican administration would serve notice for the abrogation of any trade treaty with Canada negotiated by their opponents. Canadians have unhappy memories of the unfortunate dislocations of their foreign trade arrangements and economic life on several occasions in the past through changes of administration and reversals of tariff policy at Washington; and the question will be raised by the Conservatives whether, in view of the uncertainty about the future of American tariff policy, it is worth while sacrificing valuable preferences in the British market for what may prove to be a very temporary compensation in the American market.

The Canadian Government has issued a proclamation to make operative on November 15th a section of the Transport Act passed last session, conceding to the Canadian railways the legal right to make contracts with shippers for the carriage of goods at rates below the regular schedules. Hitherto the railway freight structure has been characterised by a rigidity which deprived the companies of any effective means of competing with other forms of transport not under statutory regulation. It is true that the Transport Board, which has replaced the old Railway Commission, will retain authority over the agreed charges, but the latitude now available to the railways for meeting the unregulated competition of motor trucks will be much greater than in the past, and it is expected that both the railway systems will regain a substantial amount of lost traffic and thereby improve their earnings.

The hearing of evidence in the Bren gun inquiry has now been finished and after he has heard the arguments of counsel

next week, Mr Justice Davis will proceed to draft his report. Its publication will be awaited with keen interest, as the fate of a member of the King Ministry is apparently at stake. Some of the evidence given has aroused widespread disquietude about the administration of the Department of National Defence and *The Ottawa Citizen*, an independent Liberal paper, recently made the following comment:—

Evidence has been brought out before the Royal Commission of inquiry into the Bren gun contract fully to warrant a public demand for the drastic reorganisation of the Department of National Defence as well as for a more enlightened defence policy on the part of the Government. Even the efforts of Colonel Ralston, K.C., chief Government counsel, and Mr L. A. Forsyth associated with him have failed to present the Department in a reassuring light. It has been made plain that political patronage and profit influences operate at the expense of the public interest. The cash nexus of politics may place the security of Canada in jeopardy.

Business Slack

The abnormal mildness of October has been followed by unseasonably warm weather for November in Eastern Canada; and it is only within the last week that severe frost and any serious snowfall have been experienced on the prairies. The effect of such weather has been to retard sales of winter clothing, fuel and winter sports equipment; and retail trade has been disappointing. Another adverse factor has been the uncertainty about the terms of the projected trade agreement with the United States; manufacturers and merchants have hesitated to make heavy commitments until they get some idea of the increase in American competition which they fear will confront them, in both the Canadian and British markets.

Thus business has been marking time. The general economic index of the Bureau of Statistics, which stood at 108.2 for the week ended October 22nd, was at exactly the same figure in the week ended November 5th. The index for the week ended November 5th, however, was 2.8 points above the figure for the corresponding week in 1937; and there is some encouragement in this, since a survey recently published by the Bureau of Statistics shows that, during the first nine months of 1938, the general index of the physical volume of business averaged 110.8, compared with 121.8 in the parallel period of 1937, a decline of 9 per cent.

For the rest of the year comparatively little improvement in business conditions is now expected. There has been a welcome gain in railway earnings, largely as a result of the bigger wheat crop; for the ten-day period ended October 31st there was a gain of 7.3 per cent. in the combined gross traffic revenues of the two companies. The increase in industrial activity resulting from the first batch of aeroplane contracts placed by the British Government in Canada has been smaller than was expected; but hopes are entertained that further large orders will be forthcoming.

The production of newsprint in October was 254,872 tons, an increase of 9.8 per cent. compared with the September figure and the highest monthly figure since last December. Shipments of newsprint totalled 255,100 tons, which exceeded production and, as North American publishers' stocks of newsprint on October 31st were reported to be only 0.9 per cent. above normal, the outlook for the industry is considered to have improved in recent weeks. There has also been a betterment in the fortunes of the flour-milling industry, which owing to the low cost of wheat now finds itself better able to compete in foreign markets.

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Letters to the Editor

French Financial Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—A true friend of France and freedom, as Dr Balogh claims to be, and no doubt is, will surely not take in ill-part the answer of a true friend of Britain and freedom. His interesting letters published in your issues of October 15th and November 5th call for more comments. I should have thought recent events would have helped him to understand why such stubborn resistance was waged in France against devaluation up to 1936. No doubt the true grounds of that resistance were weakened by the untimely support of false orthodoxy: but with a middle-class already ruined by the previous inflation—with a class of investors (small or big) shown beyond expectation by a series of State bankruptcies, devaluation, and other currency manipulations—any new measure of devaluation must inexorably have led to a widespread and lasting fever of distrust: once bitten, twice shy.

The present panicky state of French investors has its roots far down in a past strewn with the disasters of currency depreciation. Earners of fixed incomes—whether in the form of interest, salaries or pensions—could hardly fail to seek refuge wherever they could hope to escape the full amount of a burden they alone have once again been forced to shoulder. The flight of capital before a roguish State certainly cannot be called unpatriotic, neither can it be ascribed to any kind of fetishism.

There never was much justification in the contention that devaluation was necessary to relieve the pressure on the overvalued franc. High prices in France were, and still are, in my opinion, largely the product of an economic legislation the importance of which Dr Balogh appears hardly to appreciate. Ferocious protectionism and restrictionism in every possible way; our transport policy; our wheat policy; our petrol policy; our fiscal policy—all these have been per-

manent factors which no measure of currency depreciation could alter. Depreciation could only bring a readjustment of French paper prices to the old equilibrium, at the cost of incalculable sufferings among the middle classes.

The second point I wish to answer is the contention that some measure of exchange control might stop the ruinous process of capital flight. May I respectfully remind Dr Balogh that what hampers recovery in France to-day (even leaving aside the problem of capital-repatriation stressed by M. Istel) is not that capital is being invested abroad; it is that capital is not being invested at home—a very different thing. The control of the exchanges might well, indeed, stop investors (small investors, at any rate) from sending their savings to Wall Street, but it could never compel them to invest the proceeds in French industrials or State loans. These savings will be hoarded—they will be stored up in banknotes, gold, jewels, land, stocks—but they will not be invested. Failing a "return of confidence," nothing, indeed, short of a totalitarian policy can achieve that purpose, for the sake of which Dr Balogh, who seems afraid, not without reason, of the destruction of democracy in France, would not shrink from imposing a "control of France." But this would precisely reduce what are now his fears to a certainty.

French history—with the exception of two relatively short periods in the nineteenth century—is a record of financial mismanagements. Some of them are not ascribable to French recklessness alone—especially the more recent ones. But, while I quite agree that France will never regain strength until she recovers from financial folly, I think the best advice our British friends can give us must come from their own traditions: monetary integrity—budgetary severity.

After having urged upon us devaluation, Dr Balogh now assures us that the only remedy is "credit expansion," propped up with totalitarian control. We have experienced, as he well says, the crudest type of underconsumptionism; now he would have us taste the crudest form of inflationism. It ill behoves us, he declares, who introduced quota systems, to talk of *laissez-faire*: this can only mean that, not content with having upset the bath water of international trade, we must in addition drop the baby of international money. Currency depreciations—exchange restrictions—we know these only too well. As early as a century and a half ago, Burke was calling them "the beggarly contrivances of narrow-minded wisdom." That precisely was one of the reasons why so many friends of freedom felt it so difficult, in those times, to be the friends of France.

I am, Sir,

Your obedient servant,
ETIENNE MANTOUX.

Paris.

German Trade Subsidies

TO THE EDITOR OF THE ECONOMIST

SIR,—Your comprehensive analysis of Germany's present trade offensive, in the issue of November 5th, fails in my opinion to give sufficient prominence to one aspect of Germany's trade methods, namely, her monetary subsidies. You state that: "At present the use of blocked marks in payment for German exports has almost completely ceased." There is evidence, however, that this is not the case, and that, in fact, purchases of blocked marks and depreciated bonds at a discount are still used extensively to subsidise German export trade. Only there has been a change of procedure; the buyer is now the *Golddiskontbank* itself, whereas under the old *Zusatzfuhr* system the German exporter was authorised to purchase depreciated marks or securities, if by so doing he could secure an order which he could not otherwise obtain.

In this connection the following translation from the Tenth Edition of *Die Devisengesetze* of January 20, 1938, is of special interest:—

Profit on Discount (of Credit Repayment Marks)

The Exchange Control Offices of the Reich or Central Exchange Office, shall decide to what extent permission shall be given for the utilisation of acquired blocked balances for the granting of credits, but only on condition that the lender hands over to the *Deutsche Golddiskontbank* Additional Export Department ("Abt. Zusatzfuhr") or to the borrower, all or part of the profit on discount.

The new method of operation whereby the *Golddiskontbank* is the sole buyer ensures a smoother working of the *Zusatzfuhr* scheme. If further illustration is needed it can be found in the active market which exists in the various categories of blocked marks centred in Amsterdam, Zurich and Paris, and in the sales of German international securities in London and elsewhere to the *Golddiskontbank*.

The following figures, taken from the semi-annual reports of the *Reichs-Kredit-Gesellschaft*, showing the reduction of German foreign debt, are interesting in this connection:—

Date.	Long Term	Short Term	Total
	(Thousand million reichsmarks)		
February, 1934	7.2	6.7	13.9
1935	6.4	6.7	13.1
1936	6.1	6.3	12.4
1937	5.4	5.4	10.8
1938	5.0	5.0	10.0

It will be seen that Germany in February, 1938, still had outstanding ten milliard marks of foreign debt, of which a substantial proportion may become available for subsidising her export trade.

This whole question of German monetary subsidies is, in my view, of the greatest importance. Unlike the usual internal Government subsidies they operate entirely at the expense of the foreign creditors of Germany, and do not depress the internal standard of living of the country. New

blocked marks are constantly being created (profits of foreign-controlled companies operating in Germany, emigrants' balances, etc.), and the amounts available are in consequence both substantial and continuous; there is no reason to suppose that, while these conditions remain unaltered, Germany will abandon the method which puts her in a unique competitive position.

I would therefore suggest that to your list of suggested remedies, in Part 4 of your admirable article, should be added:—

Final settlement of all outstanding and future claims on Germany by British nationals, involving the prevention of the sale of these claims to Germany at a discount.

Such action, supported perhaps by a flexible anti-dumping tariff, would have to be initiated by the British Government, since a modification of the Anglo-German Payments Agreement would be involved.

In view of the magnitude of the figures involved, it does seem to me important that the present "intolerable" situation, whereby one section of the community (those with monetary claims on Germany) are forced to subsidise German export trade, to the detriment of another section which depends on British exports for its livelihood, should be brought to an end.

Yours faithfully,
RALPH JARVIS.

London, E.C.2.

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Classical Economics Reprinted

THIS* is the first of a series of reprints to be published under the general title of the Library of Economics. The series is to be directed by an Editorial Board consisting of distinguished representatives of American, French, Italian, Swedish and English economists. Unlike many earlier reprints this volume is strongly and not inelegantly bound, while its price is more than reasonable. One may regret, however, that, doubtless for good reasons, it should have been found necessary to reproduce the dreary typography of the *Encyclopædia Metropolitana*.

The choice of Senior's only full length work on economic theory to open the series is an excellent one. Senior has suffered neglect during the last few years—how unmerited Dr Bowley's recent book amply if partially showed. He is brilliant as an analyst of terms, and perhaps unique among English economists in having the capacity to render a page of definitions good reading. Whether or not Senior was really influential in the development of the science in his lifetime there can be little doubt that he has been influential since and should continue to be.

This is not a book only for the historian or antiquarian. What Jevons said of its first pages—that "so far as they go, they form the best exposition of the basis of economics"—is still true and would be broadly true even without the qualification. That the "Outline" was published in 1836 scarcely affects the issue: few of us who were born in Georgian houses feel for that reason anachronisms.

There are further reprints to come in the series, as well as some "outstanding modern contributions to knowledge" (two of which, a volume on theory by Professor Lindahl and a history of theory by Dr Rosenstein-Rodan are announced). Thornton on "Paper Credit," J. S. Mill's early "Essays," Bentham's "Manual," and Böhm-Bawerk's "Positive Theory," are the titles so far promised, and, as these are all books that one would like to have easily accessible, it is greatly to be hoped that the Library will flourish. The tendency for good books on economics to be forgotten as quickly as good films is not a healthy one.

It needs little learning to see the limitations of the classics of political economy; but a great deal more than any ordinary student possesses to derive no stimulation from them. Ricardo, Malthus, Thornton, Torrens, Senior and their fellows were a group who, in their combination of wisdom and intellect, have rarely been matched. Intellectually

* An Outline of the Science of Political Economy. By Nassau Senior. George Allen and Unwin (London). 249 pages. 7s. 6d.

the science has, of course, raced forward, but economists are surely not much wiser than they were, while the need for wisdom has grown. Wisdom is a quality easily recognised and infectious by long contact and such a series as this does a real and direct service. But, this said, perhaps it would not be ungrateful or greedy to hope that the later members of the series will not be quite so dry as those already promised. The selection made so far is rather biased in the direction of precise theory, and it is doubtful whether it fully represents the good inaccessible work of the nineteenth century. Anyone turning over the pamphlets and journals of the years 1800-30 will find masses of material of the greatest interest and value which, even though little of it is of the calibre as theory of the three books by Thornton, Bentham, and J. S. Mill, is equally worth reading as common sense, and far more useful as lessons in controversy. May we not be given some of this? Perhaps, if we do our duties by the first instalments, we may.

Shorter Notices

"The Hire Purchase Act, 1938: Its Meaning and Effect." By A. C. Crane. The Trader Publishing Co. 129 pages. 3s. 6d.

Miss Ellen Wilkinson's Hire Purchase Act does not come fully into force until January 1st, so that its virtues or defects have not been tested in the courts. The Act deliberately leaves considerable scope for the judges to exercise their

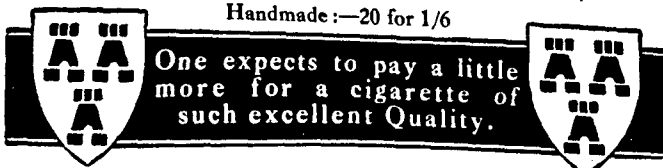


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discretion, and in the absence of any leading cases around which these discretionary powers can crystallise, the final effect of the Act must remain indefinite. Consequently, this admirably compact book by Mr A. C. Crane, although it may have to be brought up to date later, serves a very useful purpose. Mr Crane goes through the Act clause by clause, explaining the obscurities and generally interpreting it in the light of his legal experience. It is inevitable that a complex piece of legislation of this kind should in its undiluted form be beyond the grasp of the layman. Legal interpretation can be even more obscure than the original. But Mr Crane, by avoiding legal jargon as far as possible, makes the Act completely intelligible to the ordinary person, and it is the ordinary person who is, or should be, interested in the workings of the new Act. It is doubtful whether any attempt will be made by unscrupulous tradesmen to batten on ignorance and avoid the provisions of the Act—the risk is too great—but any attempt to reduce that ignorance is a move in the right direction. In fact, it would be a very good idea if everybody, before entering on any hire-purchase agreement, were to read through this book, particularly Chapters 4 and 11, which deal with the key sections of the Act. The blank forms of hire-purchase agreements printed in the Appendix are also useful in that they show what form of words agreements under the new Act may take, and any pronounced divergence from them should be regarded with suspicion.

"The Spanish Arena." By William Foss and Cecil Gerahy. Gifford. 517 pages. 18s.

The Spanish war has produced rich outcrops of special pleadings on both sides. Introduced by Dean Inge and the Duke of Alba, expensively produced, excellently illustrated and decked with all the devices of selected documentation, this book is just another pro-Franco pamphlet, no nearer the truth than any other piece of gross propaganda. Its theme is a gigantic Communist plot, "the struggle of Franco against the hydra-headed monster of International Communism"; and its burden a warning to the world that what has befallen Spain may happen in other places. The authors accuse the Press of England, among other countries, and the B.B.C. of servility and falsehood; and at the end leave the impression that little of what they themselves have said can really be believed.

Published 1st December

THE LEGAL ASPECT OF MONEY

By

F. A. MANN

21/- net

This book is the first in the English language to treat the legal problems of money in a comprehensive and systematic manner. It is divided into two parts which cover all questions of theoretical and practical importance. The first part relates to the legal aspect of money in general while the second deals with the problems connected with foreign money obligations

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Books Received

Financial Organisation and the Economic System. By H. G. Moulton. (London) McGraw Hill Publishing Company. 515 pages. 21s. net.

The Story of Money. By E. Cornwall. (London) Raphael Tuck and Sons. 86 pages. 1s. 6d. net.

The Official Year Book of New South Wales, 1935-36. Edited by T. Waites. (Sydney) Bureau of Statistics and Economics. 975 pages. Cloth 7s. 6d., paper 5s.

Statistics of the Iron and Steel Industries for the year 1937. (London) British Iron and Steel Federation, Tothill Street, London, S.W.1. 306 pages. 10s. 6d. net.

Fact: Roosevelt and His New Deal. By S. K. Bailey. (London) "Fact." 96 pages. 6d. net.

Les Mouvements de Fond de l'Economie Anglaise, 1800-1913. By P. Rousseaux. (Brussels) L'Edition Universelle. 53 Rue Royale. 293 pages. No price stated.

The I.L.O. Year-Book, 1937-38. (Geneva) International Labour Office. 650 pages. 10s. 6d. net. \$2.75.

The Finance of British Government, 1920-1936. By Ursula K. Hicks. (London) H. Milford. 391 pages. 15s. net.

Report of Fourth Annual Research Conference of the Cowles Commission. (Colorado Springs.) 106 pages. No price stated.

Effective Investment, with Plans, Objectives and Safeguards. By W. J. Cantopher. (London) W. Straker, Ltd. 167 pages. No price stated.

American Far Eastern Policy and the Sino-Japanese War. Edited by M. S. Parley. (New York) American Council, Institute of Pacific Relations. 71 pages. No price stated.

Canada To-Day. By F. R. Scott. 163 pages. (London) H. Milford. 6s. net. (Toronto) Oxford University Press. Cloth \$1.25, paper \$0.75.

Full Recovery or Stagnation? By A. H. Hansen. (London) A. and C. Black, Ltd. 350 pages. 15s. net.

The Bankers of London. By P. Arnold. (London) The Hogarth Press. 108 pages. 4s. 6d. net.

Hitler's Magician: Schacht. By N. Mühlen. (London) Routledge. 228 pages. 10s. 6d. net.

La Question de la Monnaie d'Argent aux Etats-Unis des Origines à 1900. By J. P. Hütter. (Paris) Les Editions des Presses Modernes. 493 pages. 75 francs.

L'Incidence Economique de la Frappe de Monnaie d'Argent aux Etats-Unis de 1878 à 1893. By J. P. Hütter. (Paris) Les Editions des Presses Modernes. 82 pages. 18 francs.

Le Juste Salaire. By P. Levesque. (Paris) Marcel Rivière et Cie. 120 pages. 20 francs.

A Century of Bank Rate. By R. A. Hawtrey. (London) Longmans. 328 pages. 10s. 6d. net.

Australia's Foreign Policy. Edited by W. G. K. Duncan. (London and Sydney) Angus and Robertson. 218 pages. 6s. net.

Brest-Litovsk. The Forgotten Peace, March, 1918. By John W. Wheeler-Bennett. (London) Macmillan. 478 pp. 21s.

Des Crises Générales et Periodiques de Surproduction. Fifth edition. By J. Lescure. (Paris) Les Editions Domat-Montchrestien. F. Loviton & Cie. Vol. I. 445 pp. Vol. II. 253 pp. 100 frs. the two volumes.

Official Publications

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

Finance Accounts of the United Kingdom for the Financial Year 1937-38. 1s. 6d.

Report of the Chief Registrar of Friendly Societies, 1937: Part 4. Trade Unions. 1s. 6d. net. *Part 5. Building Societies.* 1s. 6d.

Agricultural Statistics, 1937, Part I. 1s. 6d. net.

Annual Statement of The Trade of the United Kingdom with British Countries and Foreign Countries, 1937. Vol III. 41 net.

Report of the Sugar Commission for the Year ended March 31, 1938. 6d. net.

Customs and Excise Tariff of the United Kingdom of Great Britain and Northern Ireland in operation on August 20, 1938. 1s. net.

Index Numbers of Agricultural Prices, 1938. 9d. net.

Imperial Economic Committee. Wool Production and Trade, 1937-38. 2s. 6d. net. *Supplies of Canned and Dried Fruit, 1937.* 2s. 6d. net. *Tobacco Intelligence. No. 3, November, 1938.* Gratis. *Meat.* 2s. 6d. net.

THE BUSINESS WORLD

Arms and the Investor—II

The Aircraft Industry

THE expansion of the Air Force has become so rapid that investors themselves must take wings to keep up with the consequential changes in the structure of the aircraft industry. But the fifth official increase in the air programme, announced by Sir Kingsley Wood early this month, is obviously an important landmark by which the aircraft shareholder may take his bearings. The current increase is to be concentrated mainly on the fighter force, whose first-line strength is to be raised by 30 per cent., while for bombers the depth of reserves will be increased. As on the four previous occasions, the increase in the programme is linked to a drastic expansion of the aircraft industry itself. This time, however, the intended expansion in the capacity of the aircraft industry appears, even on a comparative basis, to be more far-reaching than any programme envisaged in the past.

The plan appears to have three main features. In the first place, it embodies a major extension of the "shadow" factory system. It is noticeable that the Air Ministry is now relying more on the professional aircraft companies to manage these factories than it did when the shadow scheme was first adopted. Thus, the Hawker-Siddeley group has been allotted two of the new factories, and it may possibly be given a third. Fairey Aviation has been allotted one, Rolls-Royce another, while the Ministry is financing extensions costing £1,500,000 to the Bristol Aeroplane works. The Ministry's early practice of enlisting shadow factory managers without first-hand experience of aircraft manufacture, it is not perhaps unfair to surmise, has led to some disappointments.

Secondly, the latest expansion programme involves a large-scale sub-contracting system. Sub-contracting is no new development for the aircraft industry; in any main contract there may be as many as fifty sub-contracts involved. But the recruiting of a large number of firms to manufacture parts for assembly in a central factory is a new departure in the manufacture of airframes. The Vickers organisation was an obvious choice for a scheme on these lines; the Vickers-Armstrong group and other firms will do the sub-contracting and Vickers itself the assembly. And a similar scheme, under the technical management of A. V. Roe, a member of the Hawker-Siddeley group, has been adopted for the Lancashire area, where Associated Electrical Industries will manage the assembly unit. The textile machinery manufacturers, such as Howard and Bullough and Dobson and Barlow, have also been brought into the Lancashire scheme.

Finally, firms formerly outside the aircraft industry—including some with no previous aircraft connections whatever—have now been brought within its scope. The outstanding example of this development is the financial interest which, first, John Brown, and later Associated Electric, have taken in the Westland Company. It will be noticed that Associated Electric now has two connections with the aircraft industry. Further, there is the arrangement between Handley Page and English Electric, under which the latter company will make parts for Handley Page and later the complete Handley Page machine. Again, the four main-line railway companies are to manufacture parts in their workshops for (among others) the Hawker and Blackburn machines. Indeed, there are now about 3,500 companies producing aircraft parts or components. And it can safely be said that the number is still increasing.

In the main, therefore, this further expansion in manufacturing capacity has not entailed any considerable capital expenditure by the professional aircraft companies. Nor do these new entrants into the industry undertake any major capital risk. The Government is bearing the greater part of the initial expenditure, and is thus becoming less the industry's customer and more its owner. Indeed, the point may well have been reached already where the Government, through the Air Ministry, owns the greater part of the capital equipment in the aircraft industry itself, if capital which it has not provided directly, but which it has guaranteed, is included. This position may eventually give rise to serious problems. If rearmament slows down, will all future Governments, for instance, be content to have their own factories idle while those in private ownership are employed? For the near term future at any rate, however, this development of Government ownership is desirable. For, with two major exceptions, the aircraft industry has been able to undertake this latest expansion without raising any additional capital in the market.

These two exceptions are Hawker-Siddeley and Bristol Aeroplane. The former has issued this week £3,500,000 4 per cent. debenture stock at 99, redeemable by 1946, while Bristol has announced a 75 per cent. capital bonus and an issue of one new 10s. ordinary share at par for every one held before the bonus. The Hawker-Siddeley debentures will be liquidated as the contracts which are to be financed by the new issue are completed. Thus, if everything goes according to plan, as it should do, there will be no permanent increase in the company's capital. Hawker-Siddeley is financing what is still thought to be a short-term programme by short-term finance. But it does

AIRCRAFT PROFITS AND DIVIDENDS.

Company (and Denomination)	Date of Accounts	1935-36				1936-37				1937-38				Ordinary Shares		
		Issued Share Cap.	Net Profits	Earned	Paid	Issued Share Cap.	Net Profits	Earned	Paid	Issued Share Cap.	Net Profits	Earned	Paid	Curr. Price	Earnings Yield	Div. Yield
Bristol Aeroplane (10/-)	Dec. 31	£1,800	£265,088	30.1	22.5	£1,800	£344,579	36.6	25.0	£1,800	£594,193	46.8	42.5	54/6d	?	?
Hawker Siddeley (5/-) (f)	July 31	2,000	378,193	44.5	30.0	1,850	573,196	47.7	42.5	5,455	594,193	46.8	42.5	24/9	9.5	8.6
Short Bros. (5/-)	Aug. 31	150	75,971	57.1	30.0	180	88,025	51.9	40.0	457	...	...	...	42/3	?	5.0
De Havilland (1/-)	Sept. 30	600	71,709	14.5	10.0	800	122,184	23.0	12.5	800	92,957	27.9	15.0	49/6	9.3	5.1
Blackburn (10/-)	Mar. 31	...	...	...	...	630	87,200	28.0	12.5	808	...	...	...	24/9	11.2	6.1
Fairey Aviation (10/-)	Sept. 30	1,000	35,696	9.4	10.0	1,000	162,678	16.2	12.5	1,003	...	...	...	29/4	11.8	5.1
Handley Page (5/-)	Dec. 31	323	102,679	72.0	50.0	448	211,389	104.2	30.0	...	...	...	...	10/6	4.6	2.4
Westland (5/-)	June 30	250	4,614	2.4	Nil	250	18,255	9.7	5.0	400	...	...	...	7/-	Nil	Nil
Phillips and Powis (5/-)	Dec. 31	250	Dr 31,586	Nil	Nil	250	Dr 19,296	Nil	Nil	250	...	...	...	...	...	...

† Tax free. (a) On capital of £500,000; balance did not rank. (b) And capital bonus of 10 per cent. (c) Interim dividend of 10 per cent. paid on £124,466 capital and final on capital of £248,930. In addition capital bonuses of 100 per cent. and 50 per cent. were paid in December, 1937, and July, 1938. (d) Cum the rights to the new issue and capital bonus. (e) Equivalent to 69.5 per cent. on new capital. (f) 55-week period in 1935-36.

not necessarily follow that, if the Hawker-Siddeley method is right for Hawker-Siddeley, the Bristol policy of issuing ordinary shares is wrong for Bristol. Financial policy at this stage must be governed by the demand which each company can envisage for its products when the re-armament programme has passed its peak. Whatever happens, Bristol can expect a large replacement demand for, say, engines in the future. And as the company's present capital is low in relation to its effective earning assets—a position for an armament concern which has its disadvantages—the issue of ordinary shares is probably justified.

So much for the general structure which is at present envisaged for the aircraft industry. That structure is important, because it will largely govern the industry's future profits. If the Government follows its previous policy, the companies chosen as managers for shadow factories will receive an agent's fee while the factories are being erected, based, it is believed, on a percentage of total cost. When production starts the companies receive a management fee, which is based on actual output—for the present shadow factories this management payment is £200 or £225 per airframe and £75 per engine. The speech of Mr T. O. M. Sopwith at the Hawker-Siddeley meeting suggests, however, that the Air Ministry has adopted the policy of renting at least some of their new "shadow" factories to the companies concerned. If this is the case, the prices paid for airframes and aero engines produced in the "shadow" factories will presumably be fixed by the normal costing method, with no allowance for depreciation of the building or wear and tear of the machinery.

Prices and profit margins for the regular aircraft industry are still governed by the McIntock agreement, which was concluded shortly after the expansion commenced and has since been brought up to date. This agreement provides three alternative methods for fixing prices. The first is the normal bargaining between buyer and seller. If the two sides cannot reach agreement the Air Ministry then fixes a "target" price, which is based on the cost of pro-

ducing the first few batches, each batch comprising, say, twenty machines. If the actual cost of completing the contract is below the "target," then the Ministry and company share the gain. If the cost is above the target, then the company receives only a fixed profit, which consists of a fixed sum and not a fixed percentage. The final method, used only when agreement cannot be reached on the other two, is arbitration.

That agreement appears to have worked well enough in the circumstances. The Ministry's costing system is very comprehensive; it takes into account total turnover, the capital employed in the business, etc., but it seems to allow a fair margin of profit. It is certainly true that the industry is more contented on this price question than it was. And it is also true that the industry is now satisfied with its output programme, which, unlike that of a year ago, is based on long-term principles with a reduction in the number of types being produced. Profits will not expand in the same proportion as turnover—the amount spent on aircraft in 1939-40 may well be double the estimated expenditure of £51 millions in the current financial year. But there is a reasonable chance that earnings will increase, and a reasonable chance that shareholders in the leading aircraft concerns, whose recent earnings record is set out in the accompanying table, will obtain their due share of the benefit.

Subtle differentiation between one aircraft share and another would be out of place, for in the short run all companies will be fully occupied, and their profits should be uniformly satisfactory. Nor is there a case for exalting the shares of companies which concentrate on fighters, at the expense of those concerned with bombing planes, for an increased depth of reserves is in no way different from increased first-line strength, so far as the aircraft industry is concerned. On a longer-term view, of course, differentiation may be very necessary. But in the meantime, the speculative investor can hardly err seriously in holding a selection of the leading professional aircraft shares, of which the least invidious choice would perhaps be Bristol, Short Brothers, Fairey Aviation and Hawker-Siddeley.

Lead and Spelter

SINCE the beginning of this century the total world demand for the five base metals—copper, lead, spelter, tin and aluminium—has more than trebled. This increase has not been uniformly spread over the different metals, and substantial changes in their relative position have occurred. For instance, although lead and zinc are, as a rule, mined together, world consumption of the treated zinc ore, spelter, more than trebled between 1900 and 1937, while that of lead barely doubled. In 1937 zinc supplied 26.3 per cent. of the combined consumption of the five leading base metals against 24.4 per cent. in 1900, while the share of lead declined during the same period from 44.7 to 28.3 per cent. of the total.

These unequal movements are only partly due to changes

in consumption. The demand for lead has always come chiefly from two large consumers, the building and the electrical industries. The building trades absorb up to one-third of the total world production in the form of paint, sheets and pipes, while the electrical industry absorbs more than two-fifths for cable-covering material and storage batteries. Recently lead has been used to an increasing degree in the armament trades, where zinc, although important, plays a smaller part. No less than two-fifths of the world's spelter is usually required for galvanising; between one-quarter and one-third is absorbed by brass-makers, and an increasing, but still small, proportion is used in die-casting.

The recent expansion of the zinc industry has been due

less to new developments in the use of the metal than to the enormous changes that have occurred since the beginning of this century in the conditions of supply. Until shortly before the war it was very difficult to separate zinc from the complex lead-zinc ores, but the perfection of the selective flotation method of metal concentration enabled producers to recover separately the greater part of both the lead and zinc content from the ore. The treatment of zinc, however, still remains a more complicated process than the recovery of lead. Consequently, only about three-fifths of the world's zinc is recovered in the countries of production, while no less than 85 per cent. of the world's lead output is treated in the mining territories, and the proportion is tending to increase, to the disadvantage of the independent (or customs) smelters. On the other hand, the recent demand for high-grade spelter required for die-casting and armaments has given the zinc smelters a new lease of life, and their influence will continue to be important.

The world's lead and spelter industry can be divided into three territorial sections—the United States, the British Empire and the rest of the world. The first is the world's largest producer and consumer of the two metals, but it is a self-contained unit and has thus only an indirect influence on the world market. Exports are small and imports into the United States are rendered difficult by duties of 2½ cents per lb. on lead and 1½ cents per lb. on spelter. The British Empire is much less of a closed unit than the United States, although the introduction of the Ottawa duties in 1932 put some obstacles in the way of free international trade. These duties on Britain's imports of foreign lead and zinc amounted originally to 10 per cent. *ad valorem*, but they were reduced in August, 1935, to 7s. 6d. per ton for lead and 12s. 6d. per ton for spelter. At present the Import Duties Advisory Committee is examining an application for an increase in the spelter duty, which will probably be raised again to about 10 per cent. *ad valorem*. These duties have provided a considerable stimulus to the Empire production of lead and zinc, particularly in Canada, Australia and Newfoundland. Consumption has also increased sharply in recent years, both in the United Kingdom and in the other countries of the Empire; some of the Dominions, notably Australia and India, have erected their own paint, rolling and galvanising works. The United Kingdom now ranks second to the United States as a consumer of lead and spelter.

In the rest of the world, the German demand for the two metals is the dominating influence. Although Germany's ore production has been increased in recent years with the help of large State funds, the country is still dependent on foreign supplies. Belgium has maintained in recent years her position as a smelting country, working almost entirely on imported ore. Supplies from Mexico and Spain, two countries formerly of considerable

importance in the lead and spelter trade, have been affected by internal disturbances. New supplies have been developed in Russia, Yugoslavia and Peru to a sufficient extent to raise the world output of zinc in 1937 to a record level.

Unlike the copper, tin and aluminium industries, the production of lead and spelter is uncontrolled. Between 1929 and 1932, some of the main producers of lead endeavoured to stabilise the market through a pool, and in 1935 producers outside the United States arranged not to increase their production without notice, but neither of these arrangements were ever really effective. A cartel for zinc was in existence between the autumn of 1931 and the end of 1934. It comprised all the large producers except those in the United States, but collapsed because several members were unwilling to reduce their output sufficiently. The prevalence of isolated and protected markets, the differences in production costs (which have been intensified in recent years by currency devaluation and State subsidies), the importance on the zinc market of the customs smelters who work on imported ore—all these factors make it difficult for the producers of lead and spelter to exert unified and effective control over their total output.

Owing partly to this lack of regulation, the production of lead and spelter has been maintained during the last two years at levels considerably in excess of consumption, as is shown by the table on page 430. The statistics for the mines output in the current year are not yet available, but, according to the Metallgesellschaft, the output of lead outside the United States increased from 926,660 metric tons in the first nine months of 1937 to 939,338 tons in the corresponding period of the current year. During the same period the production of spelter outside the United States increased from 831,492 tons to 861,111 tons, while the consumption of lead (again excluding the United States) is estimated to have fallen by 10 to 15 per cent. and that of zinc by 15 to 20 per cent. Consequently, stocks of both metals must have risen considerably this year.

It is not, therefore, surprising that the prices of lead and spelter should have fallen in the past twelve months relatively to those of the other important base metals, or that fresh attempts should be made to introduce some form of production control. Last September, the main non-American producers of lead and zinc agreed to form a Lead Producers' Association, with this object in view. So far no details have been published, but it is understood that the completion of the lead agreement is to be followed by a similar scheme for the control of spelter production. Recent events on the copper and tin markets have demonstrated the advantages of production control. While the special conditions of these industries render centralised control difficult, the experience gained in the last few years may now make closer co-operation possible.

Valuation for Customs

THE last of the eight Exchanges of Notes appended to the Anglo-American Trade Agreement refers to the problem of determining the values of goods for the purposes of Customs duty. In these Notes the two Governments make reference to discussions that have occurred between them "concerning the bases and methods of determining dutiable value in the United Kingdom and the United States of America, and the desirability of removing, in so far as possible, any uncertainties in respect of these matters" and pledge themselves "to afford full opportunity . . . for consultation between representatives of the two Governments concerning general problems of valuation as well as specific difficulties of application which may arise from time to time."

The problem of valuation here referred to is not often mentioned in discussions of the tariff policies of the two countries concerned. In point of fact, however, among those acquainted with the facts of Anglo-American trade, fiercer controversy rages over this question than over any actual

rates of duty, and there are many informed Americans who are of the opinion that an alteration in British methods of valuation would be of far greater benefit to American trade than any practicable alterations of duty.

The practices of the two countries in the matter of valuation are almost diametrically opposed to each other. American tariff duties are levied on the value of the article in the exporting country and before it has had any costs of ocean freight or insurance added to it. The primary basis for valuation is the so-called "foreign value," which is defined in the Tariff Act of 1930 as "the market value or the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale to all purchasers in the principal markets of the country from which exported. . . ." Only if this "foreign value" or the "export value" (which is similarly defined) cannot be ascertained, are the appraisers entitled to refer to the United States value, and this is carefully defined as "the price . . . in the principal

WORLD PRODUCTION, CONSUMPTION AND PRICES OF LEAD AND SPELTER
(In thousands of metric tons)

LEAD	1929	1934	1935	1936	1937	ZINC	1929	1934	1935	1936	1937
Mines Production						Mines Production					
U.S.A.	587.9	260.8	300.4	338.3	415.7	U.S.A.	657.2	398.0	469.9	522.2	561.1
British Empire (a) ..	489.4	356.6	531.8	543.7	583.5	British Empire (e) ..	326.1	407.6	430.7	473.8	496.2
Rest of world (b) ..	610.5	482.6	536.4	599.1	659.3	Rest of world (f) ..	719.2	568.8	613.4	695.3	767.1
World total	1,687.8	1,300.0	1,368.6	1,481.1	1,658.5	World total	1,702.5	1,374.4	1,514.0	1,691.3	1,824.4
Consumption						Consumption					
U.S.A.	657.5	302.2	351.4	443.4	500.0	U.S.A.	528.1	230.4	230.4	230.4	230.4
British Empire (c) ..	330.3	382.1	384.8	403.9	400.1	British Empire (g) ..	230.4	230.4	230.4	230.4	230.4
Rest of world (d) ..	715.2	688.8	719.9	731.9	821.9	Rest of world (g) ..	230.4	230.4	230.4	230.4	230.4
World total	1,703.0	1,373.1	1,456.1	1,579.2	1,722.0	World total	230.4	230.4	230.4	230.4	230.4

(a) Consisting of Great Rhodesia, Canada, New South Wales, Australia, and New Guinea.
(b) Including Mexico, Germany, and Japan.
(c) Consisting of Great Britain, Ireland, and the Channel Islands.
(d) Including Germany.

Index Numbers of Agricultural Prices, 1938. 9d. net.
Imperial Economic Committee. Wool Production and Trade, 1937-38. 2s. 6d. net. Supplies of Canned and Dried Fruit, 1937. 2s. 6d. net. Tobacco Intelligence. No. 3. November, 1938. Gratis. Meat. 2s. 6d. net.

market of the United States . . . with allowance made for duty, cost of transportation and insurance and other necessary expenses from the place of shipment to the place of delivery. . . . In brief, the American duty is levied on the f.o.b. value of imports.

The operative clause of the British Import Duties Act of 1932, on the other hand, lays it down that the dutiable value of imported goods "shall be taken to be the price which they would fetch on a sale in the open market at the time of importation"—i.e. in Great Britain. Duty is charged on the value of the goods in the exporting country *plus* the costs of shipping and insurance—in short, on the c.i.f. value.

From the administrative point of view, both systems have their advantages. Under the American f.o.b. system, value can be taken, in the great majority of cases, from the invoice. But it has been found necessary to station attachés of the United States Treasury Department in foreign countries to ensure the accuracy of invoice values. The British c.i.f. system avoids this necessity, and, for goods which have an open market, provides a very simple test of value. But where there is no open market, it provides no sure and easy way of establishing value.

It is obvious that a very considerable difference may emerge in practice between valuations established under the two systems. For one thing, comparisons of *ad valorem* duties in the two countries are impossible: a duty of 10 per cent. in the United States is considerably lower than a duty of 10 per cent. in Great Britain. This fact should be borne in mind in comparing the tariff schedules of the two countries.

An f.o.b. system works in favour of an importer who has to bring his goods a long way; a c.i.f. system in favour of the near-at-hand importer. Thus if, say, timber from the United States and Sweden is selling in competition in the British market at, say, £22 a standard, the c.i.f. value and duty on timber from the two countries will be the same—if the rate of duty is 10 per cent., both importers will be paying £2 a standard. But it may well be that of the £20 per standard received by the American seller, £10 represents freight and insurance, while the Swedish seller has only £5 to pay for these costs. On the basis of these illustrative figures, an application of the f.o.b. system would lead to a duty of £1 per standard on American wood and £1 10s. per standard on Swedish wood. It would be wrong to suggest that either method is inherently more fair than the other. It is natural, however, that American shippers to the British market, being accustomed to the f.o.b. system in their own country and having, for geographical reasons, to bear heavier shipping charges than many of their competitors, should feel themselves hardly used by the British system, especially since the bulk of their heavier shipping charges goes to British shipowners and insurers.

This disability applies more severely, of course, to goods whose bulk is large relatively to their value—that is, in the main, to raw materials. For the majority of manufactured goods, especially such goods as are sent to Great Britain by the United States, the difference between f.o.b. and c.i.f. valuation would, in itself, be of comparatively small importance. But the American importer of manufactured goods into the British market has another set of grievances against the British system of valuation. The great majority of manufactured goods cannot be valued by any open market quotation. Indeed, the Import Duties Act specifically exempts from this method of valuation patented, registered or trade-marked goods and any goods imported by sole agents or firms affiliated in any way with their suppliers—exemptions which cover nearly all American manufactured goods imported into this country.

For goods whose value cannot be determined in the open market, the Act, in effect, specifies that value shall be determined by the price at which the goods are sold in the United Kingdom "less an allowance in respect of duties of Customs and reasonable merchanting expenses and profits incidental to the marketing of the goods after importation." It is in the interpretation placed upon these words that difficulties arise. The Act enjoins the Customs to arrive at the duty payable by calculating backwards from the price. When, consequently, an American firm, wishing

to market its goods in this country, inquires what the duty would be, it is first asked to state its selling price. And since the selling price depends on the duty, it is difficult to give an answer.

Even this logical difficulty, however, does not create as much trouble as some of the methods of assessment. It has been decided that the only satisfactory way of determining what are the "reasonable merchanting expenses and profits incidental to the marketing of the goods after importation" is to examine the books of the importing firm or agency in Great Britain and to divide its actual expenses and profits into two categories—those that can and those that cannot be deducted from selling price to arrive at dutiable value.

This gives rise to remarkable anomalies. The Customs authorities have placed some rather curious definitions on what constitutes a post-importation expense. Thus no expenditure on advertising in Great Britain is usually allowed as a deduction. The theory is that if goodwill is built up by advertising a product in England, its value at the moment of importation is thereby enhanced. The logical point can be appreciated, but it has the curious effect that the more an American manufacturer spends on advertising in England, the more duty he will have to pay. The authorities have also been very parsimonious in allowing expenditure on such things as depreciation of stocks, losses on instalment sales, exchange losses, etc.

Apart altogether from these questions of definition, however, the system itself leads to peculiar results. When the allowable deductions of a firm have been totalled, they are, of course, divided by the number of units sold. In this way dutiable value will be higher in a year when sales fall off than in a good year. Perhaps the most serious complaint that is raised against the system, however, is its uncertainty. Dutiable value frequently cannot be finally established until long after the goods have been sold. In so far as the assessment depends upon the examination of balance sheets, such a result is almost inevitable. Moreover, for the same reason, values may change from year to year. The net effect is that the American firm selling goods in the British market is compelled, in self-protection, to quote a retail price which leaves a profit margin large enough to cover all contingencies, even though by so doing the valuation will be automatically increased.

The way in which the system works in practice can be illustrated by the actual experience of an American firm selling, through a British subsidiary, a certain variety of machinery. The machines are invoiced to the subsidiary at the same price as to other sellers in the United States, without any discount for the quantity taken. In 1932, when the Act came into force, the Customs agreed, for the time being, to take this invoice value as a fair valuation. In 1933, the valuation was revised upwards to invoice price plus 25 per cent., and finally, after very lengthy negotiations (during all of which duty was being paid at this higher valuation), the figure was revised to invoice plus 8 per cent., subject to annual review.

There can be little doubt that this system of valuation, by its uncertainty and its necessarily arbitrary character, imposes an "invisible trade barrier" to American imports into Great Britain. When an American duty of 10 per cent. is compared with a British duty of 10 per cent., therefore, it should be remembered not only that the British duty is levied on the c.i.f. value, but also that the value may be considerably higher than what is in fact the c.i.f. cost of the goods to the importer.

These are the arguments that have doubtless been raised by the Americans in the negotiations now concluded, and will be repeated in the consultations to come. So far as is known, there are no equivalent grievances on the British side. The Americans stand very little chance of persuading the British Government to modify the whole basis of its tariff system (and, incidentally, of its import statistics) from c.i.f. valuation to f.o.b. But even with the maintenance of a c.i.f. system, it would not seem entirely unreasonable to suggest that invoice prices (including freight and insurance) should be taken as the basis of valuation in all cases except where there is a reasonable suspicion of under-valuation. The yield to the British Treasury might be rather smaller; but there would be a very large saving in time, trouble and ill-will.

THE RAILWAYS ASK FOR A SQUARE DEAL

Much is being said about the poor financial position of the Railway Industry.

The real position can be stated in a few short sentences.

1. In fixing rates and conditions for carrying merchandise the Railways are bound by statutory controls and regulations which have lasted a hundred years and grown more rigid with age.
2. No other form of goods transport is subject to such restrictions or anything comparable with them.
3. Moreover, no other form of transport has or can have such basic duties and responsibilities to the State as those which the Railways must bear at all times and more especially in times of national emergency.
4. It will be impossible for the Railways adequately to discharge those national services and duties unless they are now set free to put their house in order, and to run their business on business lines.
5. The Railways have no desire whatsoever to interfere with other transport services or with any other business.
6. They merely want the chance to put themselves right so that they may be able to meet fair competition in a fair way. The main transport services should all start equal.
7. The time honoured shackles which fetter the Railways alone and well nigh strangle their goods traffic must go.
8. And they must go before it is too late.
9. A short Act of Parliament is required this Session to meet a crying national need.

The Railways ask for a Square Deal

ISSUED BY THE RAILWAY COMPANIES' ASSOCIATION

Finance and Banking

Sterling's Downward Path.—This week the pound has taken another step downwards, roughly, \$4.70 to \$4.65. This follows last week's decline from \$4.75 to \$4.70, and in each week the attendant circumstances were much the same. Both on November 14th and November 22nd the British Control remained out of the market, and it was on these days that the pound took its largest downward steps. On other days the Control has given vigorous support. Naturally the market is a little puzzled at what is happening. One theory is that the Anglo-American Trade Agreement is based on the tacit understanding that \$4.60 is the "natural" rate for the pound. It was, the theory runs, clearly undesirable for the pound to jump out of the window from \$4.75 to \$4.60 all at once, and it is therefore now coming down by the stairs. If so, it still has to descend another flight. But it is extremely improbable that any such understanding on a fixed rate formed part of the Agreement, and another market suggestion is that the authorities wish to encourage the market to become long of dollars, on the argument that the Exchange Account's gold will presently be reinforced by a draft on the Bank's gold, on the lines discussed in *The Economist* of November 12th. This may temporarily create an atmosphere unfavourable to sterling, but if the market is already short of pounds, it will be much easier to dispel that atmosphere by bringing about a rally in sterling. This, however, is all pure surmise. Its only importance lies in emphasising the market's difficulty in understanding the Control's policy. The time therefore may be opportune for some intimation how the authorities view the present trend of sterling, and what action they deem appropriate both on the short-term and the long-term view.

Control's New Tactics.—Little more than a month ago, the Exchange Equalisation Account began to operate systematically in forward dollars. During the last few weeks it has further extended the scope of its activities by embarking upon the control of the "day dollar" market. As is well known, speculators who buy spot dollars which are due for delivery in two days usually cover themselves the next day by selling "day dollars," which are to be delivered on the following day. Owing to the one-sided trend of speculative operations, there has for some time been a persistent selling pressure on day dollars, which at times went to a considerable discount in relation to spot dollars. As a result, arbitrageurs were able to earn 2 per cent. per annum, and more, by selling spot dollars against the purchase of day dollars. The authorities

intervened, however, and to a large extent took the place of the arbitrageurs by covering their sales of spot dollars through the purchase of day dollars. The result was that the discount on day dollars narrowed down to something like $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent. per annum. Even that rate attracts a certain number of arbitrageurs, but most of the covering operations in "day dollars" are now provided by the authorities themselves. The Exchange Equalisation Account thus uses its funds at what may be regarded as fairly remunerative rates in the existing circumstances. At the same time, however, its tactics tend to encourage speculation in spot dollars, since the cost of covering through sales of day dollars has been materially reduced through official intervention.

To keep down the premium on forward dollars through official intervention serves a useful purpose, even though the cost of speculation is thereby reduced, because the evidence of the widening of the forward rate would tend to increase the selling pressure on spot sterling. In the case of the "day dollar" market, however, the rates are never published, and are known only to a comparatively small number of specialised dealers. For this reason the widening of the discount on "day dollars" would produce no psychological effect similar to that produced by the widening of the premium on forward dollars, and there seems to be little object in pursuing tactics which tend to stimulate speculation without at the same time discouraging genuine withdrawals. Indeed, it would perhaps be wiser for the authorities deliberately to widen the discount on day dollars in order to discourage speculation in spot dollars, which has lately assumed considerable proportions. Most of the short positions in spot sterling are carried by the sale of day dollars against the purchase of spot dollars. If the cost of these operations were raised to, say, 5 or 6 per cent. per annum, this might induce some of the more conservative speculators to cover.

New Zealand Bank Rate Increased.—The Reserve Bank of New Zealand decided at the end of last week to raise its official discount rate from 2 per cent., where it had stood since June, 1936, to 4 per cent. It is not difficult to interpret the general motives underlying this move, though it is definitely more difficult to follow the proposed mechanics by which the desired objective is to be attained. The unpalatable fact in New Zealand's monetary situation is the severity of the recent decline in the reserve of London funds. How to arrest and reverse that movement is the main financial problem facing the New Zealand authorities to-day. In this task they start with the handicap that the programme on which the Labour Party was recently re-elected provided for additional pensions and social services which, however commendable in principle, must to some extent inflate the cost and price structure in the Dominion and therefore bring further indirect pressure on the balance of payments. None the less, if the exchange rate is to remain at its current level, retrenchment of some kind appears to be called for. The doubling of the discount rate is the first answer to that call. It is unfortunately a wholly ineffective answer, for the discount rate of the Reserve Bank of New Zealand has little more than academic significance at the moment. The last annual report of the Bank admitted that, despite the low level of the rate (it had remained at 2 per cent. throughout the year), no bills had been presented for discount or re-discount. If any other indication of the ineffectiveness of this official rate were needed it would be provided by the fact that the doubling of the rate has made no difference whatever to the deposit or overdraft rates charged by the trading banks

in New Zealand. As there is no money market in New Zealand, the rise in Bank rate has occurred in a virtual vacuum. If, indeed, the Reserve Bank decides to make a reality of the policy of credit restriction it has better means at its disposal. Under the banking law of New Zealand the trading banks must maintain with the Reserve Bank certain proportionate reserve balances. The Reserve Bank, moreover, has the power to vary these minimum ratios. The weapon of contraction is thus ready to hand.

Bank of France.—This week's Bank of France return records the changes due to M. Reynaud's new proposals, classified in *The Economist* of November 19th. The Bank's gold has been duly written up from a basis of 43 to one of 27.5 milligrammes per franc, with the result that it has increased by Frs. 31,456 millions. The counterpart to this revaluation is a reduction of Frs. 27,507 millions in provisional advances, which are now consolidated under the Reynaud Convention of November 12, 1938. The permanent advances have also been duly raised by Frs. 6,800 millions to Frs. 10,000 millions. This last represents new borrowing facilities, while the repayment of provisional advances also falls Frs. 3,949 millions short of the increase in the Bank's gold. Incidentally, the whole of this last increase can be shown by a simple calculation to be due to revaluation, and none of it represents any acquisition of fresh gold.

	BANK OF FRANCE		Change
	Nov. 10	Nov. 17 (Frs. millions)	
Gold	55,808	87,264	+ 31,456
Commercial bills	14,239	13,499	- 740
Advances on securities...	4,005	3,971	- 34
Loans to State:—			
(a) General	3,200	10,000	+ 6,800
(b) Provisional	48,134	20,627	- 27,507
Note circulation	108,771	107,348	- 1,423
Deposits:—			
Public	3,548	6,181	+ 2,633
Private	23,322	31,492	+ 8,170

The total new borrowing, therefore, amounts apparently to Frs. 6,800 plus Frs. 3,949 millions, or to nearly Frs. 11,000 millions. Frs. 2,633 millions have been placed to the credit of the Treasury in public deposits, but the major part has gone into private deposits. It would be interesting to know

what this means. It is inconceivable that the whole of this Frs. 8,170 millions has already reached the banking system, for this would imply that it has been spent in one week.

English, Scottish and Australian Bank.—Mr S. M. Ward, in his speech at the annual meeting held on November 23rd, discussed the past year's change in Australia's balance of payments. The value of wool exports had been affected by the fall in prices, but as there had been improvements in other items, the total value of Australia's exports only showed a reduction of £stg. 3,500,000 between 1936-37 and 1937-38. Imports, however, were £stg. 21 millions higher, and so the export surplus had been reduced from £stg. 36.4 to £stg. 11.8 millions. Mr Ward's conclusion was that, for the two years taken together, Australia's export surplus was sufficient to cover her sterling debt service, and he also regarded last year's increase in imports as a passing phase. The outlook for Australian business was not altogether satisfactory, the adverse factors being drought, the fall in the price of wheat and increased Government expenditure. He regarded the banking position as thoroughly sound, and the banks had been able to meet all legitimate demands without unduly straining their resources. How far they will be able to do so in the near future is perhaps more debatable, but Mr Ward called attention to a remark made in September by the Federal Treasurer. The Commonwealth Bank, the Treasurer explained, could within the limits of sound finance be relied upon to use appropriate central banking measures to assist in counter-acting or lessening a decline in activity. Some indication of possible needs in this direction is given by the English, Scottish and Australian Bank's own accounts. The ratio of cash to current accounts during the past year has fallen from 79.2 per cent. to 57.5 per cent., and the ratio of cash to all deposits has fallen from 32.1 per cent. to 23.5 per cent. Meanwhile the ratio of advances to deposits has risen from 77.3 per cent. to 82.7 per cent. Thus the banking position is not quite so liquid as it was a year ago, and if the banks are to provide further assistance to agriculture and trade it looks as if some enlargement of the credit base might be necessary. Whether this is the best way of dealing with a possible recession is, of course, open to argument.

MONEY MARKET NOTES

Foreign Exchanges

THE broad aspects of this week's fall in sterling from \$4.70 to \$4.64½ are discussed in a Financial Note. The British Control gave no support on Tuesday, and only intervened intermittently on Wednesday and Thursday. There were also indications in the market that on Wednesday the Control may have been buying dollars. This week the movement in the rate was out of proportion to the limited volume of business actually passing. French francs were bid until Thursday, when labour troubles necessitated some support from the French authorities. Spot francs have been at Frs. 178½, with three months' francs at Frs. 21½ discount, or slightly better than a week ago. Belgas and Swiss francs moved with the dollar, their respective rates dropping from bel. 27.82 to bel. 27.46, and from Frs. 20.85 to Frs. 20.46. One month's belgas were quoted at 1 cent. premium to par, and three months' at 1 to 3 cents discount. Guilders continued to be bid in connection with the repayment of the French credit, and the spot rate has come down from Fl. 8.65½ to Fl. 8.54. The market still finds difficulty in taking a view

on sterling, but the general impression in both London and Paris is that the decline is not yet at an end.

The Money Market

MONEY has been distinctly less plentiful this week, and, contrary to the usual experience, the shortage has been most noticeable in the case of loans from the clearing banks. It is true that outside lenders have been inclined to call every morning, but equally regularly they have been offering money every afternoon. Thus bond-money has been $\frac{1}{2}$ per cent. in the morning and $\frac{1}{4}$ per cent. in the afternoon.

	Nov. 25, 1937	Nov. 17, 1938	Nov. 24, 1938
Bank Rate	2	2	2
London Deposit Rate...	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	$\frac{1}{2}$ - $\frac{3}{4}$ -1*	$\frac{1}{2}$ -1*	$\frac{1}{2}$ -1*
Others	$\frac{1}{2}$ - $\frac{3}{4}$	$\frac{1}{2}$ - $\frac{3}{4}$	$\frac{1}{2}$ - $\frac{3}{4}$
Discount Rates:			
Treasury bills	$\frac{9}{16}$ - $\frac{1}{2}$	$\frac{1}{2}$	$\frac{3}{4}$
Three months' bank bills	$\frac{5}{8}$	$\frac{9}{16}$	$\frac{3}{4}$

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

The Bank Return

THIS week has witnessed a further slight contraction in the note circulation, which is now at its lowest level immediately prior to the Christmas expansion. So far the fiduciary note issue has remained unchanged, but as the circulation is now only four millions less than it was a year ago, it looks as if the fiduciary note issue can hardly remain unaltered.

In the banking department the increase in the Reserve has been duly neutralised by a reduction in Government securities.

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Investment

London Transport Fares.—Last Thursday's announcement by the Standing Joint Committee of the London Passenger Transport Board and the main line railways brought within the realm of official discussion a matter which has for several weeks been more than an open secret. The Joint Committee decided to recommend its members to take steps to secure an increase of certain fares in the London Transport area. It now lies with the respective undertakings to devise, in co-operation, a scheme for fare adjustments. The Board has the power to adjust railway fares in cases where they are below the statutory maxima, to fix bus fares as it deems fit, and to adjust anomalous and reduced-rate fares, subject to any statutory limits. It is probable that the Board, for its own part, will seek a solution of the net revenue problem by concentrating primarily on fare anomalies rather than by seeking any given basic increase in charges. The main line railways, for their part, will need the sanction of the Railway Rates Tribunal for any increase in fares above existing statutory limits. The retention of a given basic increase may be easier for the main line companies, since the average length of passenger journeys is longer, and fare adjustments are simpler to devise. For London Transport, on the other hand, the revision of charges and modifications of tickets is a lengthy and detailed process. To enable London Transport to earn the standard dividend of 5½ per cent. on the "C" stock, net pool receipts would have to increase by £620,000 to cover the margin between a 4 per cent. dividend and the standard rate, or by £990,000 if allowance is made for the exceptional income-tax credit of £230,000 last year. These two sums represent respectively 1.5 per cent. and 2.4 per cent. on the Pool's gross takings for the year to June last.

A "C" Stock Guarantee?—The expectation that fare adjustments would permit the payment of standard dividends on London Transport "C" stock at a future date has been linked during the past month with the assumption that, in such circumstances, steps to seek the appointment of a receiver for the undertaking (since it has failed in each of three consecutive years to pay standard dividends) might not be taken. In letters to the Press this week, however, Mr J. F. Heaton (chairman of the Tilling group, which itself controls the requisite 5 per cent. of the "C" stock on which to base a receivership application) has argued that the Board is in default, and must remain so until the interest deficit for the past

year is made good. Hence, it follows in his view that holders of the "C" stock have a "more or less perpetual right to apply for a receivership." And Mr Heaton also concedes that the payment of a 5½ per cent. dividend or a possible maximum of 6 per cent. may be represented as an excessive burden upon the travelling public. He therefore proposes as a "permanent solution" that "C" stockholders should waive their existing rights (except those affecting redemption) in return for a fixed interest rate of 4 per cent., guaranteed, together with redemption, by the Government. The proposal would mean a loss of potential income, compared with the standard dividend of £385,482, which would be available for the travelling public.

The wheel has indeed come full circle. The "C" stock began as an equity, was granted the highest powers of a debenture under statutorily defined conditions of default and now, it is suggested, should be elevated to a status even superior to that of the "A" and "B" stocks of the Board. For a stock which was founded upon the equity capitals of the constituent companies taken over by London Transport (and offered, at the time of its creation, reasonable prospects that standard revenues would be achieved), this would indeed be a translation to a new sphere. At present, on a strict definition of earnings, the Board is not covering, by a margin of nearly 1 per cent., the rate of dividend which Mr Heaton would wish to be guaranteed, even though fare adjustments may bring the stock into the standard dividend zone, say, two years hence. The market price of such a stock would also present some striking anomalies. Taking 4 per cent. Funding as a model, the translated "C" stock would stand at 109, compared with 79 at present. It is not the difference in these prices which constitutes a necessary objection to the suggestion, although it would be striking enough to the public eye. From the investment aspect, the fact that the new stock would provide a flat yield of, say, 3½ per cent. compared with 4½ per cent. for the 5 per cent. "A" stock and 4½ per cent. for the 5 per cent. "B" stock (with similar margins for redemption yields) is sufficient illustration of the anomalies which would be involved by the suggested revision of status. It may, indeed, be asked why the statutory rights already in the hands of the "C" stockholders should be extended in a way which has no reference to the conditions contemplated under the Act of 1933.

	Nov. 24, 1937	Nov. 9, 1938	Nov. 16, 1938	Nov. 23, 1938
Issue Dept.:	£ mill.	£ mill.	£ mill.	£ mill.
Gold	326.4	326.4	326.4	326.4
Notes in circulation	480.4	482.7	478.6	476.1
Banking Dept.:				
Reserve	67.5	43.7	47.8	50.4
Public Deps.	35.4	15.9	35.0	31.7
Bankers' Deps.	83.6	109.5	89.5	92.2
Other Deps.	36.3	35.5	35.0	35.0
Govt. Secs.	76.2	101.6	95.2	91.8
Discounts & Advances	8.6	11.1	12.4	12.2
Other Secs.	20.9	21.0	20.6	21.1
Proportion	43.4%	27.9%	30.7%	32.4%

There has been a slight change-over from public to bankers' deposits, easily explained by discrepancies in Treasury bill maturities and securities. Apart from the fact that last year the seasonal increase of £20 millions in the fiduciary note issue had already been made, this year's return bears a strong resemblance to that of a year ago. In particular, the present high level of public deposits and low level of bankers' deposits was paralleled last year. It may, therefore, be as much due to Treasury preparations for next week's War Loan dividend payments as to more spectacular causes.

The Bullion Market

UNTIL Thursday, business in gold was limited. The fall in sterling was so rapid as to make arbitrageurs fear that there might be a sudden recovery immediately after they had bought their gold and before they could cover their exchange. During the first three days of the week, therefore, the demand was mainly of a general character and was met largely out of resales. On Thursday there was a big increase in the demand, which had to be met mainly by official sales. This demand, however, came mostly from the Continent, and there was very little direct arbitrage. On the other hand, much of the buying has been by big interests, who buy gold as an indirect means of acquiring or borrowing dollars. This is more satisfactory than buying dollars direct at a time when the exchange market is very sensitive. Wednesday's and Thursday's prices at the fixing were only 2d. short of the March 6, 1935, record.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1938			£'000		
Nov. 18 ...	147 7	1/2 pm	922	197 1/2	191 1/2
" 19 ...	147 11	1 pm	805	191 5/16	193 1/8
" 21 ...	147 11 1/2	1 1/2 pm	259	20 1/8	195 1/8
" 22 ...	148 9	1 pm	642	20 1/8	195 1/8
" 23 ...	149 2	1 pm	231	20 1/8	195 1/8
" 24 ...	149 2	1 pm	1,077	20 1/8	195 1/8

* Above or below American shipping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing.

The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The fact that Bombay silver prices are below London parity has made arbitrage profitable through spot purchases in Bombay and forward sales in London. As a result an initial shipment of six lakhs is already being made from Bombay. This week has witnessed some American trade buying for cash, and the margin between cash and forward has widened to 1/4d. per ounce.

Sharepushing Bill Second Reading.—The unopposed second reading of the Prevention of Fraud (Investments) Bill on Monday testifies to the general desire, irrespective of political opinion, to stop the vicious exploitation of the ignorance, credulity, or even the greed, of the small investor. At the outset of the debate, the President of the Board of Trade gave an assurance that he would accept any suggestions designed to strengthen the Bill, to make it as effective as possible in dealing with the rogue, and as little hampering as possible in dealing with the honest man. On the subject of Clause 10 (formerly Clause 9), Mr Oliver Stanley had little to add, but the revisions in the second version were not at all to the taste of Mr Tom Johnston, whose work in fighting sharepushing is universally acknowledged. Yet it was surely ungenerous of Mr Johnston to ascribe the modifications of the original Clause 9 to the clamour of certain financial journalists who "write up or write down companies in the columns of the daily newspapers." Undoubtedly, it is true, as *The Economist* pointed out when the first draft of the Bill was published, that financial journals stood to be liable for any statements which they might "reasonably be expected to know" to be false or misleading. And it is also true that the new Clause, although it represents an improvement on the old, still leaves the respectable financial Press, like other institutions, with an unwelcome additional burden. For this reason, the Clause will be closely scrutinised in Committee. If, as Government spokesmen insisted on Monday, the sharepushing evil is of minor importance compared with legitimate dealings in securities, that reason is the more cogent for avoiding any restrictions on the freedom of the Press to give *bona fide* advice to the genuine investor, and to expose with vigour the activities of the share-pusher.

L.M.S. Preference Position.—At their meeting on Thursday the directors of the London Midland and Scottish Railway decided to defer the recommendation of a dividend on the 5 per cent. redeemable preference stock until February 8, 1939, when the audited accounts will be available. This stock, of course, ranks *pari passu* with the 4 per cent. preference stock—a consideration which, together with the serious fall in receipts in recent months, is responsible for the deferment. The decision itself suggests a fall in net receipts of at least £3,048,082—the margin by which the 5 per cent. dividend was covered last year. The net decrease during the first half-year amounted to £1,496,000, and there has since been a gross fall in traffic of £1,749,000 during the past twenty weeks. It was not, of course, to be expected that any substantial savings in direct operating costs would be achieved to offset the gross fall in traffic during this period. Indeed, on the basis of the estimate published in *The Economist* of November 12th, it is probable that earnings for the 5 per cent. redeemable stock are running at the rate of about 4½ per cent., with approximately 3½ per cent. for the 4 per cent. preference stock. And if our basis of estimation is fairly near the mark, there will be no dramatic change in these potential earnings during the remaining weeks of this year.

New Unit Trusts.—At the present rate of development the number of unit trusts will reach treble figures by no distant date. Two further trusts have been launched this week. Of these, Universal Second Unit Trust provides a new unit of flexible type, which is available both for the new investor and also in exchange for existing sub-units of Universal Fixed Trust, for holders who desire to "switch" up to December 17th next. The terms of the exchange are no less interesting than the character of the new trust. Until the final date, Universal Second Trust will, in effect, remain a fixed trust, with a panel of securities identical with those held by Universal Fixed Trust. In other words, exchange will be on a basis of complete equality. After that date, the managers will have power, subject to the Trustee's veto, to invest in the securities of 320 companies, as compared with the pre-

sent number of 73 securities held by the fixed trust. The initial service charge will be 4 per cent. In this respect also, original purchasers of Universal Fixed Trust will be treated equitably, since the trust was formed four years ago, with a twenty-year life, and a loading charge of 5 per cent. In addition, a management charge of 1½ per cent. will be levied each half-year, of which one-half will be set aside in a "Trust Renewal Fund" to provide for the extension of the new trust, at the end of its sixteen-year life, if necessary. In general, the method of "flexing" the Universal Fixed Trust is optional, simple, and equitable. It is for the investor himself to decide whether to pay the extra charge for its advantages.

The second introduction, Cumulative Investment Trust, formed by the Allied Investors' group, is of the "appropriation" type, covering a range of 50 companies initially, and a permitted range of 78 concerns in all. The Trust also adopts the principle of reserve fund accumulation, which has recently been advanced by at least one other formation. Five-sixths of the income received during each distribution period will be paid out to unit holders, and the remainder put to reserve fund. While this provision for automatic saving has a legitimate investment appeal, it is somewhat counter to the usual conception of the needs of the smaller type of unit trust investor who, to judge by the relative success of different types of advertising, is most easily wooed when the cash payment is highest. From the technical point of view, it is important to note that the reserve portion of the Trust's income will be treated as capital, and will thus be costed in the price of units.

Insurance Share Index.—The moderate recovery in insurance share prices which occurred during the second quarter, did not continue between June and September. In general, insurance share quotations were barely maintained, and *The Economist* index of insurance share values shows a slight fall from 4,312 to 4,307 (based on an investment in 1913 of £1,000 in the ordinary shares of 24 insurance companies). The index takes account of bonus share issues, by assuming the sale of rights and purchase of an additional holding. Details are given below:—

Company	Average, 1936	Average, 1937	Sept. 30, 1937	Dec. 31, 1937	Mar. 31, 1938	June 30, 1938	Sept. 30, 1938
Alliance	2,525	2,341	2,226	2,268	2,058	2,142	2,100
Atlas	3,968	3,698	3,619	3,809	3,428	3,873	3,746
Caledonian	5,464	5,457	5,284	5,032	4,655	4,906	4,655
Commercial Union	4,870	4,490	4,354	4,354	4,136	4,408	4,136
Employers' Liability	2,540	2,509	2,567	2,432	2,117	2,442	2,297
Equity and Law	5,909	6,986	6,428	6,517	5,604	5,439	5,274
General Accident	14,716	14,582	14,666	14,332	11,999	12,333	13,332
Gresham Fire	5,016	4,571	4,381	4,286	4,190	3,619	3,619
Guardian	3,793	3,548	3,384	3,384	3,128	3,487	3,487
Legal and General	13,716	12,944	11,749	11,475	9,836	10,929	10,929
Life Assn. of Scotland	3,932	3,792	3,638	3,590	3,447	3,400	3,115
London and Lancashire	5,676	4,962	4,692	4,616	4,231	4,308	4,462
Nth. Brit. and Mercantile	3,293	3,172	3,056	3,056	2,668	2,814	2,911
Northern	6,975	6,433	6,115	5,860	5,096	5,414	5,860
Phoenix	2,597	2,395	2,448	2,388	2,149	2,328	2,269
Prudential	2,177	2,025	2,030	2,097	1,860	1,962	1,928
Royal Exchange	3,669	3,369	3,261	3,261	3,069	3,309	3,261
Scottish Life	5,499	5,090	5,052	4,805	4,436	4,929	4,682
Sun Fire	3,366	3,129	3,011	2,925	2,753	2,925	2,925
Sun Life	4,761	4,192	4,101	4,101	3,933	3,933	3,933
Yorkshire	5,490	5,352	5,176	4,880	4,584	4,880	4,732
Average	5,031	4,795	4,620	4,549	4,109	4,312	4,307

BRITISH - AMERICAN UNITS

A Unit Trust of 26 leading American and 26 British Ordinary Stocks

Particulars from Stockbrokers and Banks or The Managers,

36-37 KING STREET, E.C.2

Some fairly considerable movements in individual shares are evident. Thirteen of the twenty-four shares registered a fall, but the combined effect was offset by an improvement in General Accident and North British and Mercantile, and to a lesser extent in London and Lancashire and London Assurance. Six shares were unchanged during the quarter.

Company Notes

Electric and Musical Prospects.—The sharp fall in profits of Electric and Musical Industries for 1937-38 (discussed on page 333 of *The Economist* of November 12th) was not, in Mr Alfred Clark's view at the annual meeting, such as to cause any surprise to those who had closely followed events in the radio, household appliance, and bicycle industries. In the course of his address, he explained how, after the second or third month of the past

financial year, sales of radio sets began to fall off, and the fall in profits was intensified by price reductions, which were later employed in an attempt to stimulate sales. Radio sets are largely bought on the hire-purchase system, and in times of serious political uncertainty would-be purchasers hesitate to enter into long-term engagements. To a smaller extent, the same factors are present in the household appliance and cycle trades. The bicycle section had, however, returned a loss for 1937-38 owing partly to additional expense in starting up the new factory at Hayes, where some of the facilities will be used for handling armaments orders which have been received. Government orders have been placed for products manufactured during the last war, and also for electrical goods. Mr Clark suggested that the contribution of Government work to profits would be small, but that it would spread overheads. Television sets were sold in 1937-38 in far greater number than in the previous year (the first of television broadcasting). Few company chairmen are bold enough to look forward, even in the most tentative words, to the "year after next." But while Mr Clark admitted that trading in the early part of the current year had not been good, and while he stressed the fact that the armaments work would not be in full swing for some time, he saw no reason why former earning power should not be resumed in 1939-40.

* * *

Charterhouse Investment Trust.—The fall in gross profits of Charterhouse Investment Trust from £196,430 to £110,456 is of a severity suggested by the dividend cut, but it is not surprising for a year of poor industrial issue activity. Although the ordinary dividend is reduced from 10 per cent. to 3 per cent., and there is some saving in expenses and taxation, the distribution is covered by earnings of no more than 3.7 per cent. as compared with 15.7 per cent. in 1936-37. The surplus is thus sufficient to cover little more than the usual allocation of £3,227 to premises reserve, for most of the special reserve provision of £6,686 is offset by a draft on the carry-forward, now reduced to £30,032. With the diminution in new issue activity, however, increasing importance must be attached to the investment trust side of the business, and the report is chiefly interesting for the information it discloses on the assets position. Quoted investments stand in the balance sheet (dated November 11, 1938) at £1,047,533, the valuation of £972,360 thus showing a depreciation of 7.18 per cent., while the original book cost appears to be about £1,230,000. This is in itself a moderate depreciation, and assuming the unquoted securities (which have increased from £7,759 to £68,059) to be fully represented, the over-all depreciation of 6.7 per cent. on book value is only 1 per cent. higher than that recorded a year ago, taking into account the internal reserve of £186,000. In addition to this reserve, however, there is now a visible securities reserve of £80,000, formed by a transfer from general reserve, which remains at £120,000. Although there has been some revival in large issues of fixed-interest securities, the outlook for a resumption of the kind of industrial issue activity in which this company is most concerned is not at the moment encouraging. Dependence on investment income will therefore probably continue, though some confidence in the company's future is suggested by a yield of no more than £4 16s. on the £1 units, which stand at 12s. 6d.

* * *

United Steel Finance.—New financing of some importance, though it will not be effected through a public offer, is announced by the United Steel Companies. Something over £2,000,000 of cash is involved, and though its exact uses are not specified, it appears that the need to augment the company's resources arises from important negotiations which are now taking place. The Appleby Frodingham works, which were originally expected to be completed in the second half of 1938, are—according to later information given by Sir Walter Benton Jones at the annual meeting—not expected to be ready before January next in the case of the coke ovens and before June in the case of the blast-furnaces. While the new negotiations

(possibly for armaments work, since the larger part of the fresh capital consists of short-term notes) are the major factor, it is not impossible that some of the new money is wanted in connection with these extensions already in hand. Ordinary stockholders are to be offered 882,180 £1 ordinary shares at par, on the basis of one new share for £10 of stock held, and at the reduced price of 24s. 9d. per share this represents a small bonus of about 6d. In addition the company has placed, through Messrs Morgan, Grenfell and Company, £1,500,000 of 4½ per cent. 10-year notes. The new money thus represents an important addition to the £11,166,000 of share and loan capital already in existence. The notes were dealt in on Thursday on the basis 101½-102.

* * *

Wall Paper Manufacturers' Outlook.—In the preliminary profits announcement at the end of October, shareholders were informed that total earnings of Wall Paper Manufacturers for the year to August 31st had fallen from £765,963 to £646,760. The disappointment aroused by this 17 per cent. reduction in earnings is not mollified by the full report. In the second half of the period sales were affected by the international situation, while profit margins were also smaller on the average. This reduction, as Mr Alan Sugden explained at this week's meeting, was due to increased costs, which it was not practicable to offset by raising selling prices. Although a consolidated profit and loss account is provided, it adds but little to the information in the parent company's profit and loss account, and no particulars of expenses are available apart from debenture interest. After charging £48,217 interest and paying £71,991 on the 5 per cent. preference stock and the maximum 10 per cent. dividend on the ordinary stock, earnings for the deferred stock show a fall from £480,273 to £361,070—a movement which corresponds exactly with the reduction in total earnings. The 12½ per cent. dividend is thus covered by earnings of 17.4 per cent., against 24.3 per cent., and £79,208 is written off goodwill, patents, etc.—after which this item will account for £1,100,000, out of total assets of £8,075,000. A year ago goodwill was reduced by £100,000, and in addition £65,000 was provided for the temporary depreciation of securities. After taking this reserve into account, the market value of the investments shows a surplus of £59,000 above book values. The latest results are not encouraging, and while 12½ per cent. has been paid on the deferred shares in each of the past five years, they show a rather defensive yield of £7 4s. per cent. at the current price of 34s. 9d.

* * *

Prospect for "Kaffirs."—This week has provided two statements of importance for the gold-mining shareholder. In the first place, the valuation price for Rand output in November has been fixed (subject to confirmation) at 146s. 6d. per ounce, thus exceeding the previous record of 146s. set up in March, 1935. Secondly, Sir Robert N. Kotzé, at the Johannesburg Consolidated meeting held in Johannesburg, has provided an able review not merely of the position of the constituent companies in the group (which may be regarded as generally favourable), but also of the gold mining industry as a whole. Sir Robert did not seek to minimise the industry's burden which arises from indirect costs, such as taxation and railway charges—the latter particularly important for coal—nor was his stress upon the continued need to ensure adequate supplies of labour excessive. The industry has succeeded, however, in combating the rising tendency of costs through increased efficiency and mechanisation. During the period 1928-30, when the average number of natives employed totalled 192,000, the output in tons milled per annum per native employed amounted to 159. Last year the native labourers employed numbered 285,000, but output per head had increased to 178 tons. But for this increase in efficiency which these figures indicate, the output actually attained would have been 10 per cent. lower. Further mechanical advance is still possible, and Sir Robert suggested that even if in certain operations it was not cheaper than manual labour, mechanisation provided a valuable insurance against labour shortage.



Announcing:

UNIVERSAL Second Unit Trust Certificates

A NEW UNIT TRUST INVESTMENT
IDENTICAL IN INITIAL PORTFOLIO WITH THE WELL-KNOWN
UNIVERSAL FIXED TRUST, BUT WITH NON-RIGID OPERATION
AND A WIDE LIST OF "PERMITTED" SECURITIES.

Here are some of the more important features:—

PORTFOLIO: Until 17th December, 1938, the investments of the Trust will be identical with the 73 diversified securities which constitute the portfolio of the present Universal Fixed Trust, whose invested funds now exceed £4,500,000. Thereafter the portfolio may, subject to the limitations set out in the Trust Deed, be varied by selection of securities from a list of some 320 Companies and from Trustee Investments and such other Investments as may, subject to the Trust Deed, be added by the Managers.

LOW SERVICE CHARGE: The initial service charge is 4 per cent. of the purchase price of sub-units plus any sum that may be required to make the price of each sub-unit an exact multiple of three-halfpence. The only additional charge is a semi-annual service charge which will be raised out of the Unit each half-year and will be equal to one-eighth of one per cent. of an amount to be determined in accordance with the Trust Deed based on the Stock Exchange offered prices of the investments comprised in the Unit during each half-yearly distribution period and of any uninvested capital produce and cash of a capital nature. Half of this semi-annual service charge will accrue to the benefit of sub-unit holders.

LONG TRUST PERIOD: The Trust period is 16 years but sub-unit holders will have the option, subject to the agreement of the holders of a certain minimum of sub-units as defined in the Trust Deed, to renew the Trust for a further 16 years. Thus the effective period may be 32 years in all.

YIELD: On the basis of the actual distributions made during the year ended 1st September, 1938, to Universal Fixed Trust Certificate Holders on the securities constituting the initial portfolio and at a price of 17s. 9d. per sub-unit, the price of the Universal Fixed Trust sub-units on 22nd November, 1938, the gross annual yield from cash dividends only was:—

£5 15s. 3d. per cent.

It is pointed out that this yield is not a fixed yield and is stated only as an indication of the return obtained during the past year on the type of investments which will form the initial portfolio of the new Trust.

TRUSTEE: National Provincial Bank Limited.

CONVERSION OPTION
open to holders of
UNIVERSAL FIXED TRUST
Sub-units.

Holders of Universal Fixed Trust Certificates are offered the right until 17th December, 1938, to convert their sub-units into an equal number of sub-units in the new Trust. This option is extended for the benefit of those who may prefer a somewhat less rigid method of operation than that of a Fixed Trust.

Sub-units of the new Trust may be purchased in minimum amounts of 10 sub-units, subject to an initial purchase of not less than 20 sub-units, through any Stockbroker, Bank or direct from the Managers. The Booklet, including the full Trust Deed, on which all transactions are based, may be obtained from any branch of National Provincial Bank Limited or by writing direct to:

COMMERCIAL FIXED TRUST LIMITED

Member of the Unit Trusts Association

125, Pall Mall, London, S.W. 1.

Telegrams: Comfix, Pircy, London.

Telephone: Whitehall 4657.

A DIVISION OF
THE NATIONAL GROUP OF UNIT TRUSTS

ALLIED INVESTORS FIXED TRUSTS LTD.

Chairman: HARTLEY WITHERS

Paid-up Capital and Reserves exceed £100,000
Invested Trust Funds exceed £3,500,000

Dealings commenced on Wednesday, 23rd Nov. in a
New Unit Trust created by Trust Deed dated Nov.
15th 1938 between the Managers and

THE MIDLAND BANK EXECUTOR AND
TRUSTEE CO. LTD.

known as

THE CUMULATIVE INVESTMENT TRUST

The Trust Fund is based on the shares of 50 leading British Industrial companies (with a possible range of 78), and constitutes in itself an absolutely first-class investment in British "equity" stocks.

A permanent holder of well-selected "equity" shares may rely upon a gradual appreciation of the capital value of his investment as the years go by. No single investment fact is better attested statistically than this.

The investor in equities, moreover, can afford to supplement this passive growth in the value of his holdings over a period of years by a *positive act of saving*. At the present time the Trust Fund of Cumulative Investment Trust, containing only first-class securities, yields over £5 5s. per cent. gross. British Government Securities yield no more than £3 10s. per cent. per annum for permanent investment. The investor in equities can spend substantially more than that, and yet reserve a proportion for accumulation which will rapidly augment the total value of his holdings.

This is the principle on which the Cumulative Investment Trust is based. Out of anticipated earnings at current unit price of £5 5s. per cent. per annum, from cash dividends only, the Trustees will place one-sixth (or the equivalent of 17s. 6d. per cent. per annum) to reserve and will distribute approx. £4 7s. 6d. per cent. gross.

The booklet of the Trust, which can be obtained free on application, explains the plan fully and contains interesting tables showing how it would have operated over the last 25 years.

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Consolidated Gold Fields.—The reduction in the earnings of New Consolidated Gold Fields is at first sight spectacular, for income shows a fall of £993,170 to £1,221,440 for the year to June 30th. During the preceding year, however, profits increased by no less than £908,160, of which part may have been due to the profitable realisation of certain holdings, while the provision for the Jubilee bonus of 12½ per cent. doubtless contributed to the display. A comparison of last year's results with those of either 1935-36 or the preceding year shows no very material change; and the Consolidated Gold Fields dividend rate of 20 per cent. is the same. The latest balance sheet of New Consolidated Gold Fields shows a further substantial expansion in investments which is doubtless attributable in the main to participations in the developing undertakings. The operating company has again provided £100,000 for depreciation. Reserve account, however, is credited with £200,000, which raises the fund to £2,000,000. Recent reports of New Consolidated and Consolidated Gold Fields are summarised below:—

	Years to June 30th		
	1936	1937	1938
<i>New Consolidated Gold Fields</i>			
Investments.....	5,373,183	7,636,073	8,571,368
Shares in subsidiaries.....	1,232,491	1,162,426	1,232,258
Properties and ventures.....	101,111	65,375	13,935
Loans at short call.....	347,874	172,476	54,951
Debtors.....	221,793	359,223	199,306
Cash advances, etc.....	496,835	546,921	404,177
Cash.....	2,091,376	1,179,812	1,034,075
Creditors.....	1,293,080	2,014,281	2,310,186
<i>Consolidated Gold Fields</i>			
Net profit.....	691,263	1,033,151	677,547
Preference dividend.....	142,783	141,721	139,458
Ordinary dividend.....	544,740	886,982	533,597
Do. per cent.....	20	32½*	20
Carried forward.....	26,485	30,933	35,425

* Includes special jubilee dividend of 12½ per cent.

Reduced dividends received from some holdings (such as Gold Fields Rhodesian and Mill Close Mines) must have been partly offset by larger distributions from other interests, such as Bulolo, Gold Coast Selection Trust and Marlu. But market conditions, of course, were not favourable for reaping substantial investment profits. A satisfactory account is given of the progress of the West Witwatersrand group and of Lake George Mining Corporation, whose annual meeting was held recently. The 1937-38 reports of the various producing undertakings in the gold-fields group have been reviewed in these columns as issued. On the basis of a 20 per cent. distribution, Gold Fields shares at current quotation of 70s. *ex* dividend offer a return of approximately 5½ per cent.

Burma Corporation Report.—The trading results of Burma Corporation for the year to June 30th are in sharp contrast to those of 1936-37. In the latest year the average London price per ton for lead fell by £5 12s. 8d. to £17 10s.; of zinc by £3 7s. to £16 15s.; and of electrolytic copper by £6 10s. 8d. to £48 18s. In view of the steady fall in base metal prices, it is not surprising that the first quarter of 1937-38 contributed 40 per cent. of the year's net profits, and the final quarter only 18 per cent. In addition, while the output of refined lead increased, production of zinc fell sharply owing to the lower content of the ore. Taxation was substantially reduced in consequence of the fall in working profits from £1,715,340 to £963,220, but net profits, at £656,950, did not greatly exceed half the amount of £1,236,790 secured in 1936-37; and the record dividend for that year has been almost halved, to a rate equivalent to 6.9 per cent. free of Indian and British tax. Features from the reports of the past three years are set out in the next column.

OVER ONE HUNDRED AND TEN YEARS OF SERVICE
SCOTTISH UNION & NATIONAL
 INSURANCE COMPANY
 ASSETS EXCEED £17,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35 St. Andrew Square
 London: 5 Walbrook, E.C.4, and 45 Pall Mall, S.W.1.

	1935-36	1936-37	1937-38
Ore mined..... tons	468,900	478,810	472,800
Yield, refined lead..... tons	70,560	74,880	77,700
Zinc concentrates..... tons	77,670	78,210	65,980
Yield, fine silver..... ozs.	5,847,000	6,135,000	6,050,000
Working profit..... £	1,078,250	1,715,340	963,220
Sundry revenue..... £	38,040	33,720	44,750
Depreciation, etc..... £	75,450	51,990	57,520
Taxes and duty..... £	255,370	457,280	293,490
Net profit..... £	785,460	1,236,790	656,950
Per cent. earned.....	8.6	13.5	7.2
Dividends..... £	761,720	1,174,320	634,770
Per cent. paid (free of Indian and British tax).....	8.3	12.8	6.9
Reserve funds..... £	179,390	280,710	265,120
Carried forward..... £	46,890	109,320	86,510

Development work is held to establish the fact that No. 11 level represents the bottom of the Meingtha Lode. Nevertheless, despite the extraction of 472,800 tons, the ore reserves at 3,764,650 tons show a decrease of less than 100,000 tons on the year. Exploration on several of the intermediate levels has indicated the existence of considerable quantities of commercial ore. The average values disclosed by the latest estimate show a slight reduction compared with a year ago. On the basis of last year's output, the quantity represents about eight years' supply. Any improvement in metal prices would tend to increase this life, and current quotations show improvement over those of last June. On the basis of last year's dividend, the shares at 9s. 4½d. give a yield of fully 9½ per cent. free of both British and Indian income tax.

Trepca Mines Report.—This mixed-metal producer suffered from last year's fall in prices, but in a somewhat greater degree than Burma Corporation, since it derived less advantage from the comparative steadiness of silver prices. Operating profit for 1937-38 thus fell to £343,280, compared with £943,940 for the year to September, 1937. General reserve receives only £25,000, against £125,000; but amalgamation and other expenses absorbed approximately £21,000. Depreciation, at £52,700, required slightly more, but taxation absorbed £88,440, against £266,680. The total dividend of 6d. per share, tax free, compares with 1s. 6d. for the previous year. The company's position has now been changed by the merger with the Kopaonik, Zletovo and Novo Brdo subsidiaries and by the share issue to finance the two smelting concerns formed under agreement with the Government of Yugoslavia. The Lead Smelter (Zvecan) has an initial capital equivalent to £286,000 and the Zinc Smelter (Sabac) a capital of £143,000. The former should be in operation by October, 1939, with an initial capacity of 12,000 tons; while the zinc smelter, due for completion in July, 1940, will handle 10,000 tons annually. In connection with the merger of the subsidiaries, 991,270 shares were allotted, and the financing of the smelting concerns entailed an issue of 1,683,790 5s. shares at par, raising the issued capital to £1,789,030. On September 30th, cash and government securities stood at £1,076,060. Ore reserves at the Stantrg mine increased last year by 300,000 tons to 4,100,000 tons, lead and silver values being slightly lower, and zinc values slightly higher. In addition, reserves at Vojetin (formerly Kopaonik) are estimated at 750,000 tons, averaging 9 per cent. lead, 6.5 per cent. zinc and 3.7 ozs. silver per ton, and at Dobrovo (Zletovo), 948,000 tons averaging 11.5 per cent. lead, 1.7 per cent. zinc and 3.5 ozs. silver per ton. Earnings last quarter showed a slight improvement upon those of the preceding quarter, the operating profit amounting to £61,980 as against £60,890.

The Week's Company Profits.—Some 35 companies (excluding five for which comparable figures are not available) swell our profits figures this week. These show net profits of £1,817,000 against £2,029,000 in the preceding year—a decline of 10½ per cent. The cumulative profits total for 2,167 companies this year is £272,558,000 as

compared with £250,996,000. Thus profits continue in the aggregate to run well above those for the previous year, but at a slowly diminishing rate, which by now has fallen to 8½ per cent. We discuss the week's results in preceding Notes, and on page 443 under the heading "Shorter Comments," while the profit and loss accounts are analysed on page 464.

Company Meetings of the Week.—In this issue reports of company meetings will be found from page 453. The part to be played by *Hawker Siddeley Aircraft Company* in the air programme is referred to in a leading article on page 429. The chairman's survey at the *English, Scottish and Australian Bank* meeting is referred to in a Note on page 435, and Mr Alfred Clark's review of *Electric and Musical Industries* developments is discussed on page 438. Shareholders of *Prices Tailors, Ltd.*, were informed by Sir Henry Price at the annual meeting that the number of depôts showed a net increase of 27 to 340. The chairman's speech at the *Wall Paper Manufacturers'* meeting is discussed in a Note on page 439. At the *North British Rayon* meeting, Mr Ernest Walls disclosed that

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
DECEMBER 6	DECEMBER 8

THE volume of business and the general tone of the "House" remains sub-normal and dull. With the solitary exception of home rails, no group has given any decided leadership, and the special circumstances in this exceptional case need no emphasis. There was less discussion of immediate political factors, but investors with money to place were not eager buyers. It has, in fact, been the most apathetic week since Munich.

The *gilt-edged market* remains affected by the uncertain fiscal outlook, and would welcome some indication of the Government's intended division of the re-armament burden between taxation and borrowing. Dated stocks mainly suffered from small selling, which produced falls of about ¼ on Tuesday and Wednesday. The undated list remained steady, and War Loan even registered a slight improvement in mid-week, although it was not maintained. Further falls were recorded in New Zealand stocks.

In the *bond market* the continued fall in sterling assisted the Boxer loan, but Far Eastern issues were otherwise dull. European bonds were generally flat, and the South American list showed further falls.

The gloomy opening in the *home railway stocks* gave little promise of what was in store. At first prior charges were again sold, falls ranging up to 2 points. On the announcement of the discussion between the Minister of Transport and the companies, the bears sought cover on Tuesday, and the total traffic loss of £288,000, which in any other week would have plunged the market into dejection, was forgotten in consideration of the dramatic claims of the railways for freedom to fix charges unlimited by statute. Preference and guaranteed stocks were prominent in Wednesday's recovery, with gains ranging up to 3 points, but the further advance on Thursday morning was less decisive than some quarters had expected.

Official news on Monday that *Argentine rails* would be exempt from the recent exchange decree was followed by big rises of up to 3 points in the marginal preference stocks, but the benefit of the concession was soon spent, and the market relapsed into idle conditions.

This week the listlessness in the *industrial section* has been almost unrelieved. Prices on the whole drifted a little lower. Though changes were unimportant, iron and steel share quotations reacted, with the exception of Thornycroft, and United Steel fell on the new financing proposals, the notes opening at 101½-102. Coal shares were featureless, most changes being downwards. Though uninteresting, engineering issues behaved a little better than other groups, and some small gains were actually recorded. The motor section was irregular, a firm tone in the makers of the "heavies" early in the week not being maintained. Among aircraft issues, Bristol were weaker on the bonus proposals, and most prices gave way towards mid-week. Some independence was displayed by textiles, which again progressed on the Anglo-American trade agreement, and reacted only slightly on profit-taking. An easier tendency was evident among rayon shares. Carreras hardened on dividend expectations, but otherwise tobacco shares reacted. Ind Coope gained on the distribution and bonus, but after a firm

start brewery shares gave way. Provision and catering issues were irregular, and the stores group followed the general trend. The miscellaneous section was undecided and dull. United Molasses rose on dividend hopes and then reacted. There was more inquiry than usual for textile machinery companies on reports of aircraft developments. Shipping shares remained dull.

The *oil share* market was again idle, both investors and professionals holding aloof. The undertone, however, was satisfactory. Rubber shares were again inactive, but a tendency towards reactionary prices early in the week was arrested later on the improvement in the commodity. Tea shares were easier.

The *mining market* was no less dull than other sections, though price changes were unimportant. Among Kaffirs, the dividend-payers were firm, helped by Paris support. In contrast, the developing mines turned weak on Cape selling following the rumours (later denied) that Palmietkuil were suspending development work. Activity in Western Reefs revived in mid-week, but movements were irregular. Rhodesian copper shares drifted downwards at the opening. There was some recovery on the reimposition of restriction, but the best prices were not held. Tin shares were indifferent to the decision to leave the quota unchanged, and lead-zinc shares remained idle.

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"FINANCIAL NEWS"
INDICATORS

1938	Total Barangains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 18	5,830	7,770	84.7	125.2
Nov. 21	5,770	7,480	83.8	125.0
Nov. 22	5,730	7,480	83.4	124.9
Nov. 23	5,625	7,480	82.7	124.8
Nov. 24	5,355	7,480	82.6	124.8
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 73.7	Feb. 4 119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The stationary conditions of the past few weeks have continued, and on Tuesday, November 22, the Actuaries' index of 151 industrial ordinary share prices stood unchanged (compared with a week ago) at 63.8. A month ago the index was also practically the same, at 63.7. The average yield was 5.87 per cent., against 5.83 and 5.85 per cent., a week and a month ago respectively. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1938 High
	Oct. 25, 1938	Nov. 15, 1938	Nov. 22, 1938	
Banks, etc. (10)	109.8	110.7	110.2	117.0
Coal (9)	81.1	82.3	81.7	106.7
Cotton (6)	22.7	22.9	25.1	37.1
Elec. mfg. (12)	117.2	120.2	121.1	129.7
Iron & steel (17)	55.6	56.0	55.5	66.4
Motors (6)	34.1	35.6	35.2	39.0
Home rails (4)	37.6	35.0	33.4	71.0

Group	Yield (%)			Price 1938 Low
	Oct. 25, 1938	Nov. 15, 1938	Nov. 22, 1938	
Banks, etc.	4.27	4.24	4.25	100.6
Coal	6.30	6.25	6.29	69.0
Cotton	3.33	3.19	3.08	22.4
Elec. manufg.	5.75	5.59	5.54	108.0
Iron and steel	7.38	7.28	7.35	45.4
Motors	6.25	5.99	5.89	39.5
Home rails	9.21	9.66	10.10	33.4

New York

WALL STREET has fallen back into lighter trading and unimpressive price movements. The post election boom had already evaporated only four days after it reached its peak, and this week has merely continued the unimpressive story since November 16. The decline in steel activity (according to *Iron Age*, from 62½ to 61½ per cent. of capacity) was generally expected, and formed no new factor in the market's action. The weakness of sterling caused some restraint, and Thursday's Thanksgiving Holiday prevented any general market movement. Sounding of warning notes regarding the lofty position of aircraft shares caused a general profit-taking movement in the group, which swamped the mid-week firmness of the steel, rubber, chemical and copper groups—the latter being favourably affected by the reimposition of restriction. Rail stocks continued firm on good car-loading indications.

Owing to the closing of the New York Exchange for Thanksgiving Day, we are unable to publish the usual Standard Statistics index figures. Last week's figures are repeated below for reference (1926 = 100).

WEEKLY AVERAGES

	1938				
	Low Mar. 30	High Nov. 9	Nov. 2, 1938	Nov. 9, 1938	Nov. 16, 1938
347 Ind's.	75.9	117.9	113.0	117.9	112.4
32 Rails	19.0	31.8	29.7	31.8	29.7
40 Utilities	57.7	83.2	81.2	83.2	79.9
419 Stocks	63.7	98.2	94.2	98.2	93.6
Av. yield %	3.35	3.30	3.46%	3.30%	3.35
	High	Low			

* 50 Common Stocks.

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

Nov. 10	Nov. 11	Nov. 12	Nov. 14	Nov. 15	Nov. 16
135.2	Closed	136.1	132.6	131.9	128.3

1938 High: 136.1 November 12th. Low: 83.6 March 31st. * Armistice Day

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Nov. 17	990	5,700	187
" 18	1,420	6,930	300
" 19*	440	2,870	110
" 21	940	5,590	226
" 22	880	6,200	234
" 23	1,000	6,940	246

* Two-Hour Session.

New York Prices

	Close Nov. 17, 1938	Close Nov. 23, 1938		Close Nov. 17, 1938	Close Nov. 23, 1938
--	------------------------------	------------------------------	--	------------------------------	------------------------------

1. Rails and Transport		4. Manufacturing	
Atchafalpa	40½ 39	Briggs	32½ 31½
Balt. & Ohio	7½ 7¼	Chrysler	82½ 80½
B.M.T.	12½ 12½	Elec. Autolite	32 32½
Can. Pacific	6¼ 6½	Gen. Motors	50½ 49½
Ches. & Ohio	34½ 33½	Hudson Mtr.	8½ 8
G.N. Ry. Pl.	26 25	Johns Kelvnrn	9½ 9½
Illinois Cent.	15½ 15½	Packard Mtr.	5 4½
N.Y. Cent.	19½ 18½	Bendix Avtn.	22½ 23½
Northern Pac.	12½ 11½	Douglas Airpln.	30½ 32½
Pennsylv. R.	22½ 20½	Boeing Airpln.	67 68½
Southern Pac.	19½ 18½	Douglas Airpln.	36 36½
Southern Ry.	93½ 93	United Aircraft	36½ 37½
Union Pac.	93½ 93	Air Reduction	64½ 64½
Greyhound	19½ 19½	Allied Chem.	183 182
		Col. Carbon	96½ 96

2. Utilities and Communications		Nov. 17, 1938	Nov. 23, 1938	Nov. 17, 1938	Nov. 23, 1938
Am. W. Works	13½	12½	44½	42½	
C'with. & S...	13½	13½	17½	15½	
Con. Edison...	30½	30½	97½	99½	
Col. Gas & El	7½	7½	29½	27½	
El Bond & Sh	11½	10½	46½	46½	
Nat Pwr & Lt.	8½	7½	39½	38½	
N. American	22½	22½	107½	107½	
Pac. Gas & El	28½	29½	62½	61½	
Pac. Lighting	42½	41½	102½	101½	
Pub Serv N. J.	33	32½	17	16½	
Stan Gas & E.	3½	3½	65½	65½	
United Corp.	3½	3½	91½	90½	
Un. Gas Imp.	11½	11½	25½	24½	
Amer. Tel.	148	147½	53½	52	
Internat. Tel.	91½	87½	12½	11½	
West. Union	26	25	23½	23	
Radio	8½	7½	26	25½	
" B. Pref	64	62½	15	15½	

3. Extractive and Metal			Eastm'n Kdk. 181	179 ¹ / ₄
Am. Rol. Mill	22 ¹ / ₂	21 ³ / ₄	Gillette	8 ¹ / ₂ 8 ³ / ₈
Beth. Steel ...	74	74	Loews	59 ¹ / ₄ 58
Beth. S.			20th Cen. Fox	26 ³ / ₄ 26 ¹ / ₂

Republic Steel	113½	112		
U.S. Steel	241½	24		
U.S. Steel/Pf.	67½	66½		
Alaska/Neau	117	116½		
Am. Metal	40½	39½		
Am. Smelting	548½	53		
Alcoa	35½	35½		
Barr Alu.	271½	265		
Cerro Alu.	49	48½		
Int. Nickel	548½	53½		
Kennecott	111	110		
Petroleum Mines	111	110		
Tex. Gfl. Sul.	32	32		
U.S. Smelt.	65	65½		
Vanadium	261½	262		
Atlantic Refg.	225½	222½		
Phillips	401½	398		
Shell Union				

5. Retail Trade, etc.				
Mont. Ward	501½	499½		
J. C. Penney	79	79½		
Sears Roebck	741½	728		
Walgreen	17	16½		
Woolworth	515½	51		
Borden	175½	165½		
Gen. Foods	394	378		
Kroger Corp.	197½	201		
Nat. Biscuit				
Nat. Dairy	131½	125½		
Am. Tob. B.	881½	861		
Lorillard	201½	193		
Reyn. Tob. A.	202	194		
Nat. Distillers	281½	271		
Schenley Dis.	211½	209½		

Shell Un. Pf...	14 ¹ / ₂	14 ³ / ₈		
Socony Vac....	103 ³ / ₄	103 ¹ / ₂		
Stan. Oil Cal.	13	13 ¹ / ₂		
Stan. Oil N.J.	28 ⁵ / ₈	28 ¹ / ₈		
Texas Corp.	52 ⁵ / ₈	51 ⁵ / ₈		
	43 ⁷ / ₈	43 ¹ / ₄		

6. Finance			
Comcl. Credit	56	55 ³ / ₄	
Atlas Corp....	8 ¹ / ₈	8 ¹ / ₈	
Com. Inv. T...	50 ¹ / ₂		

	Nov. 17, 1938	Nov. 23, 1938	Nov. 17, 1938	Nov. 23, 1938
Comel. Credit	56	55½		
Atlas Corp.	8½	8½		
Com Inv. Tr.	59½	59½		

Capital Issues

Two large debenture issues were made on Thursday this week. *London Power Company* 3½ per cent. debenture stock, 1952-72, at 98½ must be regarded as a first-class security of its type, for its service is, in effect, guaranteed by the London supply companies who take power in bulk from London Power. An eight-year debenture is something of a rarity in the industrial market, but the special reasons for the decision of the *Hawker Siddeley Aircraft* directors to use this medium for short-term finance are well known. The debenture offers a small premium on redemption, and should receive due support, particularly from the institutional investor. It is understood that redemption of the stock will be effected by the release of working capital from production in the new aircraft factories which are to be operated by the company, and that no amortisation charges against profits will arise. Statements for information have been published on behalf of *Doulton and Company* and *Brooke Tool Manufacturing*—a Birmingham concern with a rapidly expanding profits record.

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
November 26	£ 4,500,000	£ 4,450,000	£ 4,450,000
To the Public	150,000	121,880	24,730
To Shareholders	1,120,000	1,167,250	1,167,250
By S.E. Introduction	421,085	...	447,163
By Permission to Deal	...	...	...
Sav. Certs., week ended November 19 ...	Dr. 50,000	...	Dr. 50,000

Year to date	Including Conversions	Excluding Conversions
1938 (New Basis)	267,758,185	245,889,895
1937 (New Basis)	509,462,219	438,918,191
1938 (Old Basis)	191,158,396	170,270,201
1937 (Old Basis)	294,014,042	235,352,393

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign
1938 (New Basis)	191,107,066	51,932,652	2,850,177
1937 (New Basis)	375,018,842	60,640,990	5,258,359
1938 (Old Basis)	144,799,697	22,650,432	2,820,072
1937 (Old Basis)	215,673,371	18,386,522	1,492,500

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	144,453,573	18,190,275	83,246,047
1937 (New Basis)	218,486,422	25,955,129	190,476,041
1938 (Old Basis)	130,353,183	9,947,005	29,970,013
1937 (Old Basis)	158,609,824	18,855,819	58,086,750

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

London Power Co.—Issue of £1,000,000 3½ per cent. redeemable debenture stock 1952-72 at 98½. Ranks *pari passu* with existing stocks. Redeemable at par July, 1972, or from 1952 on notice. Stations' output, B.O.T. units: 1936, 2,161,743,639; 1937, 2,313,727,560. Installed capacity, k.w. 840,000; capital expenditure, £2

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1938		Name of Security	Price, Nov. 23, 1938	Change since Nov. 16, 1938	Yield, Nov. 23, 1938	Prices, Year 1938		Name of Security	Price, Nov. 23, 1938	Change since Nov. 16, 1938	Yield, Nov. 23, 1938
High	Low					High	Low				
84 1/2	73 1/2	British Funds	72	...	£ s. d.	84 1/2	73 1/2	British Funds	72	...	£ s. d.
113	105 1/2	Consols 2 1/2 %	107 1/2	- 1 1/2	13 9	113	105 1/2	Consols 2 1/2 %	107 1/2	- 1 1/2	13 9
103 1/2	94 1/2	Do. 4 % (alt. 1957)	97 1/2	...	53 9	103 1/2	94 1/2	Do. 4 % (alt. 1957)	97 1/2	...	53 9
108 1/2	97 1/2	Conv. 2 1/2 %, 1944-49	98 1/2	...	72 6	108 1/2	97 1/2	Conv. 2 1/2 %, 1944-49	98 1/2	...	72 6
106 1/2	95 1/2	Do. 3 1/2 % 1948-53	100	...	10 3	106 1/2	95 1/2	Do. 3 1/2 % 1948-53	100	...	10 3
117 1/2	111 1/2	Do. 3 1/2 % after 1961	99 1/2	+ 1 1/2	£ 9 10 1/2	117 1/2	111 1/2	Do. 3 1/2 % after 1961	99 1/2	+ 1 1/2	£ 9 10 1/2
92 1/2	89 1/2	Do. 5 % 1944-64	105	...	64 6	92 1/2	89 1/2	Do. 5 % 1944-64	105	...	64 6
90 1/2	87 1/2	Fund. 2 1/2 % 1956-61	98 1/2	...	89 3	90 1/2	87 1/2	Fund. 2 1/2 % 1956-61	98 1/2	...	89 3
101 1/2	92 1/2	Fund. 3 % 1959-69	95 1/2	...	61 6	101 1/2	92 1/2	Fund. 3 % 1959-69	95 1/2	...	61 6
116 1/2	109	Fund. 4 % 1960-90	109 1/2	...	41 2	116 1/2	109	Fund. 4 % 1960-90	109 1/2	...	41 2
99 1/2	96	Nat. D. 2 1/2 % 1944-48	99 1/2	...	12 6	99 1/2	96	Nat. D. 2 1/2 % 1944-48	99 1/2	...	12 6
114 1/2	107 1/2	Do. 3 % 1954-58	98	...	48 8	114 1/2	107 1/2	Do. 3 % 1954-58	98	...	48 8
105 1/2	98 1/2	War L. 3 1/2 % alt. 1952	99 1/2	...	51 3	105 1/2	98 1/2	War L. 3 1/2 % alt. 1952	99 1/2	...	51 3
102 1/2	99 1/2	Austrian 3 % 1933-53	95 1/2	...	99 1	102 1/2	99 1/2	Austrian 3 % 1933-53	95 1/2	...	99 1
72	62	India 2 1/2 %	65	...	3 0	72	62	India 2 1/2 %	65	...	3 0
85 1/2	74 1/2	Do. 3 %	77 1/2	...	17 3	85 1/2	74 1/2	Do. 3 %	77 1/2	...	17 3
98 1/2	87 1/2	Do. 3 1/2 %	91 1/2	...	17 0	98 1/2	87 1/2	Do. 3 1/2 %	91 1/2	...	17 0
119 1/2	112 1/2	Do. 4 1/2 % 1958-68	115	...	8 11	119 1/2	112 1/2	Do. 4 1/2 % 1958-68	115	...	8 11
109 1/2	105	Dom. & Col. Govts.	105 1/2	...	4 9	109 1/2	105	Dom. & Col. Govts.	105 1/2	...	4 9
105 1/2	101 1/2	Austr. 5 % 1945-75	102 1/2	...	11 3	105 1/2	101 1/2	Austr. 5 % 1945-75	102 1/2	...	11 3
118	114 1/2	Canada 4 % 1940-60	112 1/2	...	20 3	118	114 1/2	Canada 4 % 1940-60	112 1/2	...	20 3
110	104 1/2	Nigeria 5 % 1950-60	101 1/2	...	16 1	110	104 1/2	Nigeria 5 % 1950-60	101 1/2	...	16 1
107 1/2	103 1/2	N. Zealand 5 % 1946	101 1/2	...	16 1	107 1/2	103 1/2	N. Zealand 5 % 1946	101 1/2	...	16 1
114 1/2	110 1/2	Queens. 5 % 1940-60	102 1/2	...	10 1	114 1/2	110 1/2	Queens. 5 % 1940-60	102 1/2	...	10 1
103	93	S. Africa 5 % 1945-75	109 1/2	...	4 10	103	93	S. Africa 5 % 1945-75	109 1/2	...	4 10
105 1/2	97 1/2	Foreign Governments	86	...	5 6	105 1/2	97 1/2	Foreign Governments	86	...	5 6
102 1/2	94 1/2	Arg. 4 1/2 % St. Bds.	90 1/2	...	18 0	102 1/2	94 1/2	Arg. 4 1/2 % St. Bds.	90 1/2	...	18 0
101 1/2	94 1/2	Austria 1930 5 %	60 1/2	...	8 13	101 1/2	94 1/2	Austria 1930 5 %	60 1/2	...	8 13
33 1/2	24 1/2	Belgian 4 1/2 % 1914-59	92	...	7 11	33 1/2	24 1/2	Belgian 4 1/2 % 1914-59	92	...	7 11
89 1/2	37	Bulgaria 7 % 1910	33	...	7 11	89 1/2	37	Bulgaria 7 % 1910	33	...	7 11
28	15	Brazil 5 % Fd. 1914	14 1/2	...	6 6	28	15	Brazil 5 % Fd. 1914	14 1/2	...	6 6
95 1/2	54 1/2	Chile 6 % (1929)	15	...	10 9	95 1/2	54 1/2	Chile 6 % (1929)	15	...	10 9
101 1/2	59	China 5 % (1912)	40 1/2	...	1 19	101 1/2	59	China 5 % (1912)	40 1/2	...	1 19
108 1/2	101 1/2	Do. 5 % (1913)	55	...	1 9	108 1/2	101 1/2	Do. 5 % (1913)	55	...	1 9
100 1/2	92 1/2	Czechoslovakia 8 %	58 1/2	...	13 13	100 1/2	92 1/2	Czechoslovakia 8 %	58 1/2	...	13 13
106 1/2	100 1/2	Denmark 3 %	97 1/2	...	4 1	106 1/2	100 1/2	Denmark 3 %	97 1/2	...	4 1
18 1/2	11	Egypt United 4 %	93	...	6 6	18 1/2	11	Egypt United 4 %	93	...	6 6
49 1/2	35	French 4 1/2 % (British)	41 1/2	...	5 9	49 1/2	35	French 4 1/2 % (British)	41 1/2	...	5 9
66	52 1/2	Ger. Dawes Ln. 5 %	40	...	10 4	66	52 1/2	Ger. Dawes Ln. 5 %	40	...	10 4
49 1/2	35	Do. Young Ln. 4 1/2 %	38	...	11 9	49 1/2	35	Do. Young Ln. 4 1/2 %	38	...	11 9
40 1/2	30	Greek 6 % Stab. Ln.	31	...	7 15	40 1/2	30	Greek 6 % Stab. Ln.	31	...	7 15
88 1/2	53	Hungary 7 1/2 %	41 1/2	...	10 16	88 1/2	53	Hungary 7 1/2 %	41 1/2	...	10 16
94 1/2	57 1/2	Japan, 5 1/2 % 1936-65	57	...	10 10	94 1/2	57 1/2	Japan, 5 1/2 % 1936-65	57	...	10 10
61 1/2	40 1/2	Do. 6 % (24) Ref. 1939	53	...	10 10	61 1/2	40 1/2	Do. 6 % (24) Ref. 1939	53	...	10 10
20 1/2	16	Peru 7 1/2 % 1922	50	...	8 0	20 1/2	16	Peru 7 1/2 % 1922	50	...	8 0
83 1/2	56	Poland 7 %	65	...	16 0	83 1/2	56	Poland 7 %	65	...	16 0
96 1/2	88 1/2	Roum. 4 % Con. 1922	79 1/2	...	3 15	96 1/2	88 1/2	Roum. 4 % Con. 1922	79 1/2	...	3 15
118	111 1/2	U.K. & Arg. C. 3 %	101	...	3 15	118	111 1/2	U.K. & Arg. C. 3 %	101	...	3 15
118 1/2	112 1/2	Corporation Stocks	104 1/2	...	3 8	118 1/2	112 1/2	Corporation Stocks	104 1/2	...	3 8
95 1/2	82 1/2	Bristol 5 % 1948-58	113	...	3 10	95 1/2	82 1/2	Bristol 5 % 1948-58	113	...	3 10
101	93	C.C.C. 3 %	82 1/2	...	3 12	101	93	C.C.C. 3 %	82 1/2	...	3 12
104 1/2	100 1/2	Liverpool 3 % 1951-61	93	...	3 11	104 1/2	100 1/2	Liverpool 3 % 1951-61	93	...	3 11
		Midland 3 1/2 % 1957-62	102 1/2	...	3 7			Midland 3 1/2 % 1957-62	102 1/2	...	3 7

Prices, Year 1938		Name of Security	Price, Nov. 23, 1938	Change since Nov. 16, 1938	Yield, Nov. 23, 1938	Prices, Year 1938		Name of Security	Price, Nov. 23, 1938	Change since Nov. 16, 1938	Yield, Nov. 23, 1938
High	Low					High	Low				
36 1/2	20 9	Iron, Coal, & C. — cont.	33 9	...	£ s. d.	36 1/2	20 9	Iron, Coal, & C. — cont.	33 9	...	£ s. d.
75 1/2	38 1/2	Thornycroft, John £1	70 1/2	...	4 14 10	75 1/2	38 1/2	Thornycroft, John £1	70 1/2	...	4 14 10
27 1/2	17 1/2	U. States Steel £100	25 1/2	...	7 16	27 1/2	17 1/2	U. States Steel £100	25 1/2	...	7 16
27 1/2	17 1/2	Un. Steel Cos. Ord. £1	23 1/2	...	9 10	27 1/2	17 1/2	Un. Steel Cos. Ord. £1	23 1/2	...	9 10
29 1/2	18 1/2	Vickers 10/-	25 1/2	...	10 0	29 1/2	18 1/2	Vickers 10/-	25 1/2	...	10 0
43 1/2	33 1/2	Ward (Thos. W.) £1	39 1/2	...	8 16 0	43 1/2	33 1/2	Ward (Thos. W.) £1	39 1/2	...	8 16 0
51 1/2	37 1/2	Weardale S. etc. £1	44 1/2	...	7 6 0	51 1/2	37 1/2	Weardale S. etc. £1	44 1/2	...	7 6 0
66 1/2	40 7 1/2	Whitehead I. & S. £1	60 1/2	...	6 13 3	66 1/2	40 7 1/2	Whitehead I. & S. £1	60 1/2	...	6 13 3
		Yarrow & Co. £1	...	...	...			Yarrow & Co. £1	...	...	...
5 1/2	2 1/2	Textiles	3 1/2	...	7 12 1/2	5 1/2	2 1/2	Textiles	3 1/2	...	7 12 1/2
5 1/2	2 1/2	Bradford Dyers £1	3 1/2	...	7 12 1/2	5 1/2	2 1/2	Bradford Dyers £1	3 1/2	...	7 12 1/2
5 1/2	2 1/2	Brit. Cel. Ord. 10/-	3 1/2	...	7 12 1/2	5 1/2	2 1/2	Brit. Cel. Ord. 10/-	3 1/2	...	7 12 1/2
7 1/2	4 1/2	Calico Printers £1	4 1/2	...	7 12 1/2	7 1/2	4 1/2	Calico Printers £1	4 1/2	...	7 12 1/2
41 1/2	30 1/2	Coats, J. & P. £1	36 1/2	...	5 8 4	41 1/2	30 1/2	Coats, J. & P. £1	36 1/2	...	5 8 4
48 1/2	25 1/2	Courtaulds £1	29 1/2	...	6 15 0	48 1/2	25 1/2	Courtaulds £1	29 1/2	...	6 15 0
39 1/2	26 1/2	English Swg. Ctn. £1	21 1/2	...	5 14 1/2	39 1/2	26 1/2	English Swg. Ctn. £1	21 1/2	...	5 14 1/2
6 1/2	2 1/2	Fine Cotton Spin. £1	28 1/2	...	5 18 3	6 1/2	2 1/2	Fine Cotton Spin. £1	28 1/2	...	5 18 3
33 1/2	25 1/2	General Electric £1	28 1/2	...	4 2 0	33 1/2	25 1/2	General Electric £1	28 1/2	...	4 2 0
49 1/2	36 1/2	Patons & Baldwins £1	48 1/2	...	7 9 1/2	49 1/2	36 1/2	Patons & Baldwins £1	48 1/2	...	7 9 1/2
18 1/2	5 1/2	Whitworth & Mit. £1	11 1/2	...	...	18 1/2	5 1/2	Whitworth & Mit. £1	11 1/2	...	...
		Electrical Manufact.	...	...	...			Electrical Manufact.	...	...	...
45 1/2	32 1/2	Associated Elec. £1	39 1/2	...	5 2 0	45 1/2	32 1/2	Associated Elec. £1	39 1/2	...	5 2 0
95 1/2	77 1/2	British Insulated £1	88 1/2	...	4 9 6	95 1/2	77 1/2	British Insulated £1	88 1/2	...	4 9 6
103 1/2	78 1/2	Callenders £1	76 1/2	...	2 6 0	103 1/2	78 1/2	Callenders £1	76 1/2	...	2 6 0
32 1/2	18 1/2	Crompton Park A 5/-	27 1/2	...	14 3 9	32 1/2	18 1/2	Crompton Park A 5/-	27 1/2	...	14 3 9
33 1/2	24 1/2	English Electric £1	28 1/2	...	5 2 6	33 1/2	24 1/2	English Electric £1	28 1/2	...	5 2 6
39 1/2	27 1/2	General Electric £1	28 1/2	...	5 0 0	39 1/2	27 1/2	General Electric £1	28 1/2	...	5 0 0
21 1/2	16 1/2	Henleys (W. T.) 5/-	20 1/2	...	5 0 0	21 1/2	16 1/2	Henleys (W. T.) 5/-	20 1/2	...	5 0 0
41 1/2	32 1/2	Johnson & Phillips £1	36 1/2	...	6 18 0	41 1/2	32 1/2	Johnson & Phillips £1	36 1/2	...	6 18 0
30 1/2	20 1/2	Siemens £1	24 1/2	...	6 3 2	30 1/2	20 1/2	Siemens £1	24 1/2	...	6 3 2
		Electric Light, & C.	...	...	...			Electric Light, & C.	...	...	...
81 1/2	62 1/2	Brazil Trac. no par.	67 1/2	...	8 17 9	81 1/2	62 1/2	Brazil Trac. no par.	67 1/2	...	8 17 9
39 1/2	24 1/2	Bournemouth & L. £1	28 1/2	...	4 17 6	39 1/2	24 1/2	Bournemouth & L. £1	28 1/2	...	4 17 6
34 1/2	28 1/2	British Pow. & L. £1	31 1/2	...	4 15 0	34 1/2	28 1/2	British Pow. & L. £1	31 1/2	...	4 15 0
42 1/2	32 1/2	City of London £1	36 1/2	...	4 8 3	42 1/2	32 1/2	City of London £1	36 1/2	...	4 8 3
51 1/2	38 1/2	Clyde Valley Elec. £1	47 1/2	...	4 7 6	51 1/2	38 1/2	Clyde Valley Elec. £1	47 1/2	...	4

Industry and Trade

Our Changing Industries.—The annual exchange of unemployment books, which takes place at the beginning of July, provides accurate information of changes in the geographical and industrial distribution of insured persons. The results of last July's census of insured persons are analysed in the November issue of the *Ministry of Labour Gazette*. The number of insured persons aged 16 to 64 in the United Kingdom increased by 158,730 or 1.1 per cent. between July, 1937, and July, 1938. There was an increase in all administrative divisions. The highest increase was recorded in the South Western division, where the number of insured persons last July was 2.3 per cent. larger than a year earlier. But in contrast to the rapid growth in preceding years, the increase in London was only 1.1 per cent. The heavy influx of labour to London, therefore, has been arrested. So far as individual branches of activity are concerned, the increase in insured persons was most marked in explosives (+33.7 per cent.), constructional engineering (+15.9 per cent.), railway carriage and wagons (+15.3 per cent.), public works contracting (+11.6 per cent.), and motor vehicles, cycles, and aircraft (+9.9 per cent.). The majority of the expanding industries are those which have benefited from re-armament orders. The principal industries showing a decline in the number of insured persons are the cotton and wool textile, coal mining and railway industries. These statistics, however, relate to the total number of insured persons, and make no allowance for changes in unemployment. The analysis of changes in the number of insured persons actually employed, to be published in the December issue of the *Ministry of Labour Gazette*, will therefore throw further light on Britain's industrial changes during the past year.

* * *

Increase in Coal Output Quota.—The domestic demand for coal has shown an increase in recent weeks—a reflection of the improvement in industrial activity, especially in the iron and steel industry. In the second and third quarters of this year both domestic consumption and exports were substantially lower than in the corresponding quarters a year ago, and the quotas fixed for these quarters by the Central Council exceeded sales. The inland quota for the current quarter was originally fixed at 88 per cent. of the allocation made for October-December, 1937; this represented a cut from 46.7 million tons to 41.1 millions. Under the present system of output regulation the initial allocations are subject to modification if the Central Council can be satisfied of its justification. In view of the recent improvement in home consumption, the Central Council of Coal Owners decided last week to increase the inland quotas of all coal fields for the current quarter by 10 per cent. The export supply allocation, however, was left unchanged. As a result, the output quota for October-December has been increased from 56.5 million tons to just over 61 million tons. The pressure on the home market of excess production in the exporting districts was somewhat relieved in October, when exports were higher than in any other month this year. If the improvement in foreign trade continues, the export supply quota may also have to be increased.

OTARD'S EST. 1793
V.S.O.P.
LIQUEUR BRANDY
MATURED AND BOTTLED AT CHATEAU DE COGNAC

Tin in Short Supply.—At its meeting on Tuesday the International Tin Committee decided to maintain the export quota for the first quarter of 1939 at its present level of 35 per cent. for the free market, plus 10 per cent. for the buffer pool. This decision seems to suggest that the I.T.C. is aiming at still higher prices, although the present level of nearly £215 per ton compares very favourably with the low price of £153 5s. per ton early in May, 1938. The maintenance of the 35 per cent. quota will keep the supplies of tin very low in the first few months of 1939. It allows exports from the seven restricting countries at an annual rate of 77,388 tons, to which about 25,000 tons must be added as the supply of non-restricting countries. According to the International Tin Research and Development Council, the world's apparent tin consumption reached 115,300 tons in the first nine months of 1938, which is equivalent to a yearly total of about 153,600 tons. In the first three months of next year, consumption will reach a seasonal maximum; as a fall in demand is unlikely, the free market will be short of supplies. The maintenance of the quota for the buffer pool means an increase in reserves from 10,000 to 15,000 tons. A pool of this size is certainly an important factor on the supply side of the market, although it is most unlikely that it will start to sell below £230 per ton. The continuation of the present low quota, therefore, indicates that the tin market is likely to return to those artificial conditions which prevailed between 1933 and 1935.

* * *

Revival of Copper Restriction.—The situation on the copper market is the reverse of that on the tin market. Since the reopening last month of a number of mines in the United States, and the lifting of copper restriction in the rest of the world on October 15th, the output of copper has been rising rapidly. The world's mining output reached 185,077 short tons in October, an increase of no less than 37,621 short tons on the month. Both in and outside the United States production last month was the highest for exactly one year. Under the influence of these developments, the standard cash quotation of copper in London fell on Tuesday afternoon to £43 15s. per ton, a reduction of £5 per ton from the recent high level. The co-operating producers, however, have taken swift action to stem the decline. On Wednesday it was officially announced that output restriction will be reimposed on January 1st, with a quota of 110 per cent. of the standard tonnages. The size of the standard tonnages has never been published, but it is believed to be 750,000 short tons. Hence, the output of the restricting producers under the new quota should be at an annual rate of 825,000 tons, a level only slightly, if at all, below last month's output. Nevertheless, the decision to reimpose restriction is of decisive influence, since it indicates that the co-operating producers are trying to keep prices as nearly as possible to £45 per ton. Should the high quota fail to have the desired effect—the first reaction to its announcement was very favourable—it may be reduced before long.

* * *

Mechanical Beet Lifting.—The cultivation of sugar beet, like that of other root crops, employs more labour than almost any other form of arable farming. The rise in agricultural wages since the war and the actual shortage of agricultural labour in some districts during the last few years have been one reason for the steady decline in the area under roots and for the growing interest in the use of machinery in the cultivation of beet. The use of tractors is now general in the beet-growing areas, and every effort has been made to reduce as far as possible the labour required in singling and hoeing the young plants. But the peak of labour requirements comes in the beet-lifting

season, which lasts from the end of October to the early days of January, and has been met by the employment of special gangs, organised and paid by their own contractors. In the last ten years, much attention has been given, both here and abroad, to the problems of mechanical lifting, but it has been found extremely difficult to design a machine which will lift from ground of varying degrees of hardness sugar beet of varying sizes, clean them of earth and "top" them—separate the beet from its leaves, which provide, after treatment, a valuable source of cattle fodder. During the present season, however, an improved lifting machine has been working, which seems to have met with considerable success. It is possible, therefore, that the next few years may see a further stage in the application of machinery to the arable farm and a further reduction in the demand for seasonal labour. As the cost of this very complicated machine is likely to be large, and its use is limited to a few weeks in the year, sales must necessarily be limited to the larger growers of beet; a certain number of such machines could find employment by being let on hire to the numerous small growers in the sugar beet districts.

* * *

Recovery in Hide Prices.—From July, 1937, until June, 1938, the price of hides, and of the immediate derivatives, pelts and leather, fell continuously. The international market, supplied mainly from South America and South Africa, was affected by a cessation of American buying, and the consequent fall in prices was later accentuated by the decline in business activity in the United States and Great Britain. The boot and shoe industry normally absorbs some two-thirds of the total supply of leather in this country; between June, 1937, and June, 1938, unemployment in this trade increased from 9.0 per cent. to 17.7 per cent. of the total number of persons insured. During the last few months, however, prices both in the international and in the English market have been fairly stable. The table here given shows the index of pelt prices compiled by the United Tanners' Federation, which is corrected for seasonal variations, and the separate indices for the two most important of its seven components:—

PELT PRICE INDEX
(Monthly average, 1923 = 100)

		Pelts from		Pelt
		English Hides all classes	South American wet-salted hides	Price Index
Average	1929.....	105	107	106
"	1932.....	52	55	56
"	1934.....	60	63	66
"	1936.....	74	80	79
"	1937.....	92	98	99
July	1937.....	98	107	105
October	1937.....	87	88	92
January	1938.....	70	70	76
April	1938.....	64	70	69
July	1938.....	57	69	65
October	1938.....	69	86	74

The international crisis at the end of September led to a certain amount of precautionary buying by merchants, but the better conditions in the boot and shoe trade, which have already induced an improved demand for "upper" leather, indicate that industrial demand is likely to expand in the immediate future. The rise in prices in October, therefore, is regarded as a hopeful sign, not only for the leather trade, but also for farmers in many countries, since the price they receive for their livestock is appreciably influenced by the value of the hide.

* * *

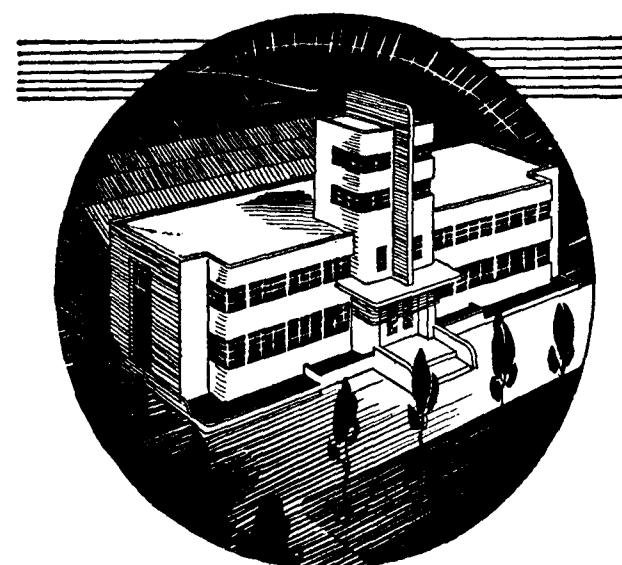
East African Sisal Co-operation.—Early this week it was learned that the East African sisal producers, mostly plantation companies of a considerable size, have formed an association to improve their position. As far as can be ascertained, no definite plan has yet been drawn up for immediate action, but there is no doubt that steps will soon be taken to improve the price of the product.

The price of East African No. 1 is now £16 15s. per ton, compared with £20 5s. per ton at the end of last year, £43 per ton in 1926, and an average of £29 per ton in the five immediate pre-war years. Sisal is used chiefly as binder twine for grain crops and in ropes, cordage, bags and mats, and the demand for it is on the increase. An exceptionally good market might have been expected in the current year, with a world wheat crop of record size, but the expansion in production has exceeded any likely increase in consumption. The output of the four largest producing countries—Mexico, Kenya, Tanganyika and the Dutch East Indies—is now in excess of 350,000 tons per annum, compared with less than 215,000 tons ten years ago. Sisal is now the most important commodity in Tanganyika's export trade and the second largest item in that of Kenya, where coffee holds the first place. The conclusion of an agreement between the East African producers is therefore of considerable importance to these two territories, though the control which the association can exercise over prices is limited.

* * *

Declining Cocoa Consumption.—The publications of the Imperial Economic Committee have won a high reputation for their comprehensive and accurate information. Its latest volume—"Plantation Crops"—maintains the high standard set up by its predecessors. Statistics of production, exports, consumption and prices are here collected for seven commodities, sugar, tea, coffee, cocoa, spices, tobacco and rubber. A few of these commodities are still plantation crops in the old sense of the phrase, but the cultivation of most of them is no longer limited to large estates; in some cases, notably cocoa in West Africa and rubber in the East Indies, the produce of small holdings farmed by native growers is now an

* "Plantation Crops." Imperial Economic Committee. Stationery Office. 2s. 6d.



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important factor in the trade. The statistics given for cocoa confirm the statements made by the Gold Coast Commission that the fall in the price of cocoa during 1937 was caused by a check to the steady increase in consumption which had taken place since the war. Apparent consumption in the United States is estimated to have fallen from 298,000 tons in 1936 to 229,000 tons in 1937; in the United Kingdom consumption fell from about 102,000 tons to 94,000 tons. World exports of cocoa, derived mainly from the Gold Coast, Nigeria and Brazil, fell from 712,000 tons in 1936 to 645,000 tons in 1937, largely owing to the hold-up of supplies in the Gold Coast, which resulted in an abnormally large proportion of the 1937 crop being marketed in the summer of 1938. The existence of these large stocks prevented the shortage of immediate supplies from exerting a favourable effect on prices, which declined continuously until June of this year. By that time the bulk of the Gold Coast supplies had been marketed and the price of Accra cocoa recovered to close the 1937-38 cocoa season on September 30th at 25s. per cwt. Since then demand has continued dull, and with the prospect of a large crop in the Gold Coast and Nigeria, prices have again declined to nearly 22s. per cwt.

* * *

British Tobacco Imports.—Imports of unmanufactured tobacco into this country have shown a steady upward trend during the last decade, with only a very slight break during the years of the depression, and again in 1937. For that year, however, as the table shows, the reduction in re-exports more than compensated for the decline in imports. During the first six months of the current year, imports were almost double those in the corresponding period of 1937, and though the excess was considerably smaller in the third quarter of the year, imports were still larger than in 1937. The increase in gross imports during the first nine months of 1938 of about

BRITISH IMPORTS OF UNMANUFACTURED TOBACCO
(Million lbs.)

	1929	1935	1936	1937	January-Sept. 1937	1938
Imports	240.0	251.6	270.9	268.9	139.4	210.6
Re-exports	9.4	11.3	6.1	11.7	4.1	6.9
Net imports	230.6	240.4	259.2	262.6	135.3	203.8

70 million lbs. was supplied mainly by the United States, but Empire countries, principally India, sent 23 million lbs. more in 1938 than in 1937. According to the figures published by the Imperial Economic Committee in *Tobacco Intelligence*, stocks of unmanufactured tobacco in bonded warehouses have been consistently higher than in 1937, but withdrawals from bond, which reflect more accurately than the level of imports the rate of consumption, were 3 per cent. larger in the first nine months of 1938 than in the corresponding months of 1937. There is evidence, however, that this rate of increase is tending to slow down, and it is not likely that the statistics for the completed year will show as large an increase in consumption as that which took place in the past two years.

INDUSTRIAL REPORTS

The improvement in the domestic demand for coal has been maintained; the Central Council has therefore decided to increase the inland supply quota for the last quarter of the year by 10 per cent. Business in iron and steel is being held up by the uncertainty concerning prices after the end of this year. Meanwhile, the position of the industry is much healthier as a result of the liquidation of surplus stocks. Business in cotton goods has been patchy, but improvement in the activity of the

cotton and wool textile trades has been maintained. The general trade outlook, as well as the position of individual industries, is discussed in the *Trade Supplement* accompanying this week's *Economist*.

Coal

Sheffield.—There is a distinct improvement in the demand for industrial coal, large screened being chiefly in request. Heavy deliveries are being made

Downward Turn in Prices.—The past fortnight has witnessed a set-back in both British and American wholesale prices. In England, both the complete *Economist* index number and the primary products index number have fallen by 0.4 per cent., and they are now at their lowest point for the year. In the United States, the complete Irving Fisher index number is fractionally lower, while *The Economist* primary products index number has decreased by 0.9 per cent. The Irving Fisher index number is still just above its low point for the year, while the primary products figure still has a fair margin in hand.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Générale	Italy, Milan Chamber of Commerce	Germany, Statistische Reichsanstalt
	British Complete Index (sterling)	Primary Products (sterling)					
1936							
Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	95.4
1937							
Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28	142.0	169.9	183.5	165.4	135.6	120.5	97.0
June 2	142.7	170.2	178.9	165.6	134.3	119.8	97.5
June 30	139.5	165.9	176.8	165.7	134.1	119.8	97.5
July 28	140.2	167.1	171.8	164.5	133.8	118.8	97.9
Aug. 25	137.9	164.4	165.3	164.2	133.0	113.3	98.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	113.4	97.6
Oct. 20	133.6	156.2	152.3	165.4	129.5	108.8	97.3
Dec. 1	127.5	145.4	138.9	164.8	125.1	104.3	97.0
Dec. 29	127.8	147.4	135.3	164.2	120.5	103.8	97.0
1938							
Feb. 2	126.6	144.4	135.4	164.5	119.8	102.9	97.0
Mar. 2	125.1	143.1	138.7	164.5	120.3	103.1	97.2
Mar. 30	122.7	137.0	129.3	164.6	117.7	103.4	97.1
Apr. 27	121.4	137.8	127.5	164.3	116.9	103.9	97.0
May 25	119.6	132.2	121.9	165.5	117.2	105.6	96.3
June 22	119.3	133.2	124.8	165.8	117.6	107.3	96.9
July 6	120.8	135.7	129.7	165.9	117.7	108.7	97.0
July 20	119.5	137.4	128.6	166.5	118.2	107.8	97.1
Aug. 3	119.2	138.0	127.1	167.2	117.4	104.6	97.5
Aug. 17	118.3	136.1	124.7	167.6	115.9	105.5	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	104.9	97.3
Sept. 14	115.2	133.0	126.9	170.6	117.0	105.8	97.0
Sept. 28	116.2	134.8	127.0	172.3	116.6	106.0	97.0
Oct. 12	116.8	135.9	127.0	171.6	116.6	105.1	97.3
Oct. 26	116.1	134.9	127.0	171.6	116.7	104.7	97.4
Nov. 9	114.8	133.1	127.2	172.2	116.7	104.7	97.4
Nov. 23	114.3	132.6	126.0	175.7	116.6	104.7	97.4

* These figures relate to November 16th. † Monthly average.

The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Nov. 17, 1937	Nov. 9, 1938	Nov. 23, 1938
Cereals and meat...	64.5	89.8	67.3	66.8
Other foods	62.2	65.5	58.5	57.6
Textiles	43.7	60.6	53.6	53.6
Minerals	67.4	96.4	96.0	95.5
Miscellaneous	65.8	80.6	75.4	75.5
Complete index	60.4	78.4	69.3	69.0
1913 = 100	83.1	107.8	95.4	95.0
1924 = 100	52.2	67.7	60.0	59.7

Wheat and maize prices were steadier during the past fortnight, but there was a further fall in bacon. Butter was higher in price, but there were declines in tea and cocoa. Cotton and flax were firmer and wool unchanged, but hemp and jute were cheaper. Tin was dearer, but copper and spelter cheaper. In the miscellaneous group, rubber reacted while linseed oil advanced in price.

scheme for co-ordinating district prices comes into operation. All supplies are ample, except of cobbles and trebles. Bunkers continue very quiet.

*

Newcastle-on-Tyne.—Apart from the usual foreign inquiries, the North-East coal market is featureless. The Norwegian State Railways are in the market for 85,000 tons of steam coals and it is expected that this district will obtain a good share of the order. Northumberland steam collieries continue to work regularly; the market in screened steam coal is firm, but it is difficult to clear smalls. The market in Durham manufacturing coal is steady, but gas coals are easy owing to the mild weather.

*

Workington.—More wintry conditions have brought a quickening in the coal trade. Supplies of house coal are promptly absorbed. The Irish trade is steady; the weekly shipments from Workington, the only port in use while repairs are being carried out at Whitehaven and Maryport, average nearly 10,000 tons. Industrial fuel is a poor trade because of the short-time employment of the coking plants which supply the furnaces on hematite pig iron.

*

Cardiff.—Under last week's decision of the Central Council to increase the original allocation for inland supply during the December quarter by 10 per cent., the South Wales coalfield received a supplementary inland quota of 376,609 tons and an additional output quota of 420,016 tons. But although the local volume of trade is better than a few months ago, it is doubtful if business will expand sufficiently to absorb these larger quotas.

Shipments in the foreign and coast-wise trades last week totalled 350,100 tons, compared with 368,900 tons in the previous week and 422,958 tons in the corresponding week last year. Exports to Italy continue moderately active, but to France they are down heavily compared with last year under the import restrictions, and German competition in the Mediterranean market is becoming more active. Best large steam and sized coals, as well as duffs among smalls, are well placed, but for other classes there are still large stocks. Prices are nominally unchanged.

Iron and Steel

London.—Some irregularity has developed in the iron and steel markets, but most branches of the industry are moderately busy, says the official report of the London Iron and Steel Exchange. There seems to be a general expectation that the volume of business will expand in the New Year. Most consumers persist in their attitude of buying limited quantities for near delivery only, until the prices which will rule after December 31st are known.

It is understood that pig iron consumers have allowed their stocks to fall to low levels in anticipation of a reduction in quotations, and it is suggested that when the new rates are made known there will be a considerable expansion in the demand. Most of

the business now passing in this department is limited to small supplementary tonnages for delivery over the next few weeks.

Business in the semi-finished steel branch of the industry is increasing as the stocks in consumers' hands decline. The production of this class of steel appears to be growing and larger quantities of British material are passing into consumption.

The home demand for finished steel is maintained at recent levels; but the producers are able to give early delivery and would welcome a more regular flow of orders. The export side of the market is rather more active than for some time, but most overseas buyers continue to pursue a cautious policy.

*

Sheffield.—The iron and steel market shows a slow but steady improvement; consumers are taking up slightly larger parcels for immediate delivery, indicating that stocks are falling. Not until an official intimation of next year's prices is made, however, is forward business likely to show expansion. Good parcels of foundry iron are being taken up, and forge is also beginning to show improvement. Basic pig is a good feature, and some readiness to enter into new business in hematites is noted. Business in finished iron continues dull, except in common and marked bars.

There is more interest in basic and acid steel billets, as well as in stainless steel sheets, wire rods and bright drawn steel.

Local industry is more active than at any time in the past two months, and some important orders are coming into this area from both home and overseas sources. The pressure of armament work is increasing, and the call for high class steels is bringing more furnaces into operation.

*

Middlesbrough.—Transactions in pig iron cover only prompt requirements; forward business is held up pending some official announcement regarding prices next year. Local foundries have consumed the bulk of the stocks of foreign iron and deliveries of foundry pig iron and hematite from local producers are steady.

Semi-finished steel is in rather better demand and more orders are being placed; the output of finished steel continues to increase. Specifications for heavy material are satisfactory, with one or two departments producing lighter steel rather better occupied. There is still room, however, for considerable improvement, and orders for shipbuilding material are desired.

Imports of foreign ore during the present month amounted to 63,270 tons, compared with 54,700 tons up to October 22nd. Blast furnace coke is in good supply with demand tending to expand.

*

Workington.—The North-West Coast hematite pig iron trade has undergone no change. It is not expected to improve until prices are revised, and it may be the turn of the year before demand expands. The present restricted make is adequate to satisfy needs, and as heavier deliveries to the motor and tinplate industries in Birmingham and South Wales, respectively, are offset by the smaller local consumption, stocks

are not being substantially reduced. Prices are at the fixed minimum.

There is hardly any demand for refined or malleable iron at £8 5s. per ton delivered at Birmingham, or for ferro-manganese at £18 15s. per ton home. A furnace at Workington on the last-named alloy has changed to hematite iron. Orders are few in the steel trade, while those on the books do not necessitate full-time working at the rolling mills at Workington and Barrow. Native ore, at 24s. 6d. per ton f.o.t., is in only fair local request.

*

Glasgow.—Conditions show little change. Steelmakers are moderately busy and bookings include practically every section. Orders for somewhat heavier tonnage of shipbuilding material have been placed than for some time past. Sheet makers in Glasgow are busy and a considerable proportion of the rolling and galvanising plant is steadily employed. Sheet metal workers in this district are also maintaining a high rate of output and many of them have sufficient work already on books to ensure regular employment for plant and men for some months to come.

*

Cardiff.—On the Swansea Metal Exchange on Tuesday business was quiet. As shipments from Swansea dropped to 2,085 tons last week, stocks in vans and warehouses were higher than at any other time since last July. Prices are steady at the basic figures of 21s. 6d. per box for regulated markets and 20s. 3d. per box for other destinations. Increasing anxiety is being shown over the repercussions of the Ebbw Vale works on the factories situated in West Wales. There is under consideration a scheme for the merging of five steel and tinplate plants at Llanelly, and of the installation of improved and more competitive processes of manufacture.

Textiles

Cotton (Manchester).—Spinners and manufacturers have been fairly busy dealing with inquiries, but sales have shown no expansion. Merchants have not been in the mood to anticipate future requirements. Speculative interest in raw cotton futures is dormant and prices again moved within narrow limits.

A miscellaneous business has been done in cloth, but no foreign outlet has been really active. A few more offers have been received for India, whilst there has been some improvement in demand for Egypt. Operations for South America have been irregular, but some useful sales have taken place for South Africa and Australia. Turnover for the home trade has been slightly better.

Spinners have had another poor week. Producers of American descriptions are in more urgent need of delivery instructions. In the Egyptian branch production is about 75 per cent. of capacity, but there is much difficulty in selling and clearing current output.

*

Wool (Bradford).—The opening of the final series of London Colonial wool sales for the current year has focussed interest on the Coleman Street

BRITISH WHOLESALE PRICES

CEREALS AND MEAT			
	Nov. 16, 1938	Nov. 23, 1938	
GRAIN, etc.—			
Wheat—			
No. 2, N. Man. 496 lb.	27 6	27 6	s. d.
Eng. Gaz. av., per cwt.	4 6	4 5	
Liv. Dec., per cental	4 6	4 5	
Flour, per 280 lb.—			
Straights, d/d London	22 6	22 6	
Manitoba, ex store	22 6	22 6	
Barley, Eng. Gaz. av. per cwt.	24 0	24 0	
Oats, " "	8 1	7 9	
Maize, La Plata, landed, 48 lb.	25 0	25 0	
Rice, No. 2 Burma, per cwt.	7 3	7 1½	
MEAT—			
Beef, per 8 lb.—			
English long sides	4 0	...	
Argentine chilled hinds	4 5	4 5	
Mutton, per 8 lb.—			
English wethers	4 0	4 4	
N.Z. frozen wethers	2 10	2 10	
Lamb, per 8 lb.—			
N.Z. frozen	4 8	4 8	
Pork, English, per 8 lb.	6 4	6 4	
BACON (per cwt.)—			
English	90 0	88 0	
Danish	90 0	86 0	
Dutch	87 0	83 0	
Irish	80 0	80 0	
HAMS (per cwt.)—			
Canadian	96 0	91 0	
United States	90 0	89 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	102 0	100 0	
New Zealand	107 0	103 0	
Danish	136 0	142 0	
CHEESE (per cwt.)—			
Canadian	72 0	71 0	
New Zealand	68 0	68 0	
English Cheddars	86 0	86 0	
Dutch	64 0	63 0	
COCOA (per cwt.)—			
Accra, g.f.	23 6	22 6	
Trinidad	32 0	32 0	
Grenada	35 0	35 0	
COFFEE (per cwt.)—			
Santos sup. c. & f.	31 6	31 0	
Costa Rica, medium to good	78 0	78 0	
Kenya, medium	62 0	64 0	
EGGS (per 120)—			
English (15-15½ lb.)	21 0	20 0	
Danish (15½ lb.)	15 3	14 0	
FRUIT—			
Oranges, S. African boxes	10 9	11 0	
" Rio boxes	17 0	17 0	
Lemons, Naples boxes	10 0	10 0	
" Sicilian boxes	10 0	14 6	
Apples, Amer. (var.) barrels	16 3	20 0	
" Canadian: Nova Scotian (var) barrels	10 6	10 0	
Grapes, Almeria barrels	10 0	10 0	
Grapefruit, S. African	24 0	23 0	
" Jamaica, Seeded	9 0	0 0	
" Jaffa, Seedless	9 6	15 3	
LARD (per cwt.)—			
Irish, finest bladders	50 0	50 0	
U.S.	47 0	46 0	
PEPPER, per lb.—			
Black Lampong (in Bond)	0 2½	0 2½	
" (Duty paid)	0 3½	0 3½	
White Muntok (in Bond)	0 3½	0 3½	
" (Duty paid)	0 4½	0 4½	
POTATOES (per cwt.)—			
English, King Edward, Shiland	5 0	5 0	
SUGAR (per cwt.)—			
Centrifugals, 96%, prpt. shipm.	5 9½	5 10½	
Refined London—			
Yellow Crystals	19 3	19 3	
Cubes	23 6	23 6	

SUGAR (per cwt.)—cont.			
	Nov. 16, 1938	Nov. 23, 1938	
Crushed	21 9	21 9	s. d.
Granulated	20 6	20 6	
Home Grown	19 9	19 7½	
TEA* (Auction Average) (per lb.)—			
N. India	13 23	12 84	
S. India	13 15	13 06	
Ceylon	14 44	14 35	
Java	12 43	12 03	
Sumatra	11 27	11 42	
Africa	11 44	10 69	
Total	13 58	13 23	
TOBACCO (per lb.)—			
Virginia stemmed and unstemmed, common to fine	0 8	0 8	s. d.
Rhodesian stemmed and unstemmed	0 9	0 9	
Nyasaland stemmed and unstemmed	1 4	1 4	
East Indian—			
Stemmed	0 4	0 4	
Unstemmed	0 5	0 5	
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	5 07	5 21	d.
" Sakellaridis, F.G.F.	8 22	8 35	
" Giza, F.G.F.	8 12	8 25	
Yarns, 32's Twist	9 13	9 13	
" 40's Twist (Egyptian)	9 13	9 13	
" 60's Twist (Egyptian)	17 4	17 4	
Cloth, 32 in. Printers, 116 yds., 16x16, 32's & 50's	16 5	16 5	
" 36 in. Shirtings, 75 yds., 19x19, 32's & 40's	23 1	23 1	
" 38 in. ditto, 38 yds., 18x16, 10 lb.	9 8	9 8	
" 39 in. ditto, 37½ yds., 16x15, 8½ lb.	8 9	8 9	
FLAX (per ton)—			
Livonian ZK	65 10	66 10	s. d.
Pernau HD	66 0	66 0	
Slanetz Medium, 1st sort	93 0	93 0	
HEMP (per ton)—			
Italian PC	70 0	70 0	
Manilla, Nov.-Jan. "J2"	20 10	20 10	
JUTE (per ton)—			
Native 1st mks., c.i.f. H.A.R.B., Nov.-Dec.	19 2 6	18 15 0	
Dansec 2/2 c.i.f. Dundee, Nov.-Dec.	18 17 6	18 7 6	
SISAL (per ton)—			
African, Nov.-Jan.	14 0	14 0	s. d.
Silk (per lb.)—			
Canton	7 3	7 3	
Japan	8 3	8 3	
Italian, raw, fr. Milan	7 3	7 3	
WOOL (per lb.)—			
English, Southdown, greasy	13 13	12 12	
" Lincoln hog, washed	12 12	12 12	
Queensland, scd. super combg.	23 23	23 23	
N.S.W. greasy, super combg.	13 13	13 13	
N.Z., greasy, half-bred 50-56	12 12	12 12	
" Crossbred 40-44	10 12	10 12	
Tops—			
Merinos 70's average	27 27	27 27	
" 64's	25 12	25 12	
Crossbred 48's	16 12	16 12	
" 46's	16 16	16 16	
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	22 6	22 6	s. d.
Durham, best gas, f.o.b. Tyne	19 0	19 0	
Sheffield, best house, at pits	22 0	22 0	
IRON AND STEEL (per ton)—			
Pig Cleveland No. 3, d/d	109 0	109 0	
Bars, Middlesbrough	265 0	265 0	
Steel rails, heavy	202 6	202 6	
Timplates	21 6	21 6	
NON-FERROUS METALS (per ton)—			
Copper—			
Standard cash	45/16 3	44/18 9	
Three months	45/18 9	45/0 0	
Tin—			
Standard cash	215 5 0	215 15 0	
Three months	215 10 0	216 0 0	
Lead, soft foreign—			
Cash	15/18 9	16/6 3	
English pig	16 1 3	16 7 6	
Spelter, G.O.B.—			
Spot	14/7 6	14 2 6	
Aluminium, ingots and bars	14 8 9	14 3 9	
" rolling billets	94 0 0	94 0 0	
Nickel, home and export	102 0 0	102 0 0	
Antimony, Chinese	180 0 0	180 0 0	
Wolfram, Chinese	60 0 0	60 0 0	
Platinum, refined	7 10 0	7 10 0	
Quicksilver	14 10 0	14 19 6	

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

GOLD, per fine ounce			
	Nov. 16, 1938	Nov. 23, 1938	
Cash	148 1	149 2	s. d.
SILVER (per ounce)—			
Cash	1 7½	1 8½	
MISCELLANEOUS			
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (free, non-returnable)—			
4-ton loads and upwards	42s.	per ton	
CHEMICALS—			
Acid, citric, per lb., less 5% ...	1 0	1 0	s. d.
" Nitric	0 2	0 2	
" Oxalic, net	0 5	0 5	
" Tartaric, English, less 5%	1 1½	1 1½	
Alcohol, Plain Ethyl	12 0	12 0	
Ammonia, carb.	20 0 0	20 0 0	ton
" Sulphate	21 0 0	21 0 0	
Arsenic, lump	7 8 0	7 8 0	per ton
Borax, gran.	13 6	13 6	s. d.
" powder	15 0	15 0	
Nitrate of soda	0 4	0 4	
Potash, Chlorate, net	0 4½	0 4½	
" Sulphate	10 0	10 0	
Soda Bicarb.	10 0	10 0	
Crystals	5 0	5 0	
Sulphate of Copper	20 0 0	20 0 0	per ton
COPRA (per ton)—			
S.D. Straits, c.i.f.	10 5 0	10 6 3	
HIDES (per lb.)—			
Wet salted, Australian	0 4 3	0 5 0	s. d.
West Indian	0 3 1	0 3 1	
Cape	0 4 3	0 4 3	
Dry and Drysalted Cape	0 6 3	0 6 3	
Market Hides, Manchester—			
Best heavy ox and heifer	0 4 3	0 4 3	
Best cow	0 5 3	0 5 3	
Best calf	0 7 0	0 7 0	
INDIGO (per lb.)—			
Bengal, gd. red.-vio. to fine	5 0	5 0	
LEATHER (per lb.)—			
Sole Bends, 8/11 lb.	1 1 1	1 1 1	
Bark Tanned Sole	2 0	2 0	
Shoulders from DS Hides	0 6 1	0 6 1	
" Eng. or WS do.	0 8 2	0 8 2	
Bellies from DS do.	0 5 1	0 5 1	
" Eng. or WS do.	0 7 2	0 7 2	
Dressing Hides	1 1 1	1 1 1	
Ro. Eng. Calf, 20/35 lb. per doz.	3 6 3	3 6 3	
PETROLEUM PRODUCTS (per gall.)—			
Motor Spirit No. 1, London	1 6	1 6	
Petroleum, Amer. rfd. brl. Lond.	0 10	0 10	
Fuel oil, in bulk, for contracts ex. instal. Thames—			
Furnace	0 3½	0 3½	
Diesel	0 4½	0 4½	
ROSIN (per ton)—			
American	15 10 0	15 5 0	
RUBBER (per lb.)—			
St. ribbed smoked sheet	0 8 8	0 8 8	s. d.
Fine hard Para	0 8	0 7½	
SHELLAC (per cwt.)—			
TN Orange	39 0	38 0	
TALLOW (per cwt.)—			
London town	17 6	17 6	
TIMBER—			
Swedish u/s 3x8	21 0 0	21 0 0	per std.
" 2½x7	20 10 0	20 10 0	
" 2x4	18 10 0	18 10 0	
Canadian Spruce, Dis.	23 0 0	23 0 0	
Pitchpine	13 10 0	13 10 0	per load
Rio Deals	35 0 0	35 0 0	
Teak	25 0 0	25 0 0	
Honduras Mahogany logs	0 12 0	0 12 0	c. ft.
English Oak Planks	0 6 0	0 6 0	
English Ash Planks	0 7 0	0 7 0	
VEGETABLE OILS (per ton net)—			
Linseed, naked	22 10 0	22 12 6	
Rape, refined	32 5 0	32 5 0	
Cotton-seed, crude	17 10 0	17 15 0	
Coconut, crude	15 0 0	15 0 0	
Palm	60 0 0	60 0 0	
Oil Cakes, Linseed, Eng.	8 17 6	8 17 6	
Oil Seeds, Linseed—			
La Plata, Nov.	10 12 6	10 17 6	
Calcutta	11 18 9	12 0 6	
Turpentine	33 6	32 3	s. d.

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended	Jan.-October	1937	1938
Northumberland	297 3	299 2	11,867 3	11,084 4
Durham	665 8	667 3	27,644 6	26,231 4
Yorkshire	877 0	895 9	37,364 4	35,241 2
Lancs, Cheshire and N. Wales	338 1	346 8	14,637 2	14,115 2
Derby, Notts & Leicester	662 4	645 3	27,789 5	26,447 8
Staffs, Worcs, Salop & Warwick	392 1	397 6	16,666 6	16,201 0
South Wales & Monmouth	785 7	776 4	31,685 7	30,166 8
Other English districts*	122 5	121 6	4,578 8	4,547 5
Scotland	625 8	628 6	26,606 2	25,056 6
Total	4,766 7	4,778 7	198,840 3	188,091 9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended	Total Deliveries	Aug. 1, 1937	Aug. 1, 1938
American	23 0	21 8	379	323
Brazilian	6 0	4 2	116	67
Peruvian, etc.	2 8	2 3	47	26
Egyptian	6 6	4 6	96	81
Sudan Sakel	2 6	2 8	56	56
East Indian	4 8	4 2	93	124
Other countries	2 9	2 0	69	43
Total	48 7	41 9	856	720

Metals			
SALES ON LONDON METAL EXCHANGE			
	Week ending	From Jan. 1 to Nov. 23, 1938	
	Nov. 16, 1938	Nov. 23, 1938	
Copper	8,350	11,200	Tons
Tin	2,585	2,475	431,825
Lead	8,000	6,800	82,865
Spelter	3,050	3,200	342,950

U.K. STOCKS			
	Nov. 12, 1938	Nov. 19, 1938	
Copper (Br. official w/houses):	4,167	3,858	Tons
Refined	24,950	24,952	
Rough	9,407	9,745	
Tin (London and Liverpool)	1,679	1,679	

	Nov. 16, 1938	Nov. 1937
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, Dec.	63½	62½
Winnipeg, Dec.	59½	58½
Maize, Chicago, Dec.	47½	47
Oats, Chicago, Dec.	25½	25
Rye, Chicago, Dec.	41¼	40
Barley, Winnipeg, Dec.	34½	35
METALS (per lb.)—		
Copper, N.Y., Domestic spot...	10-72½	10-10
Producers' export	11-00	10-10

Wool Exchange. At the initial sales prices were well maintained, and the growing demand for the raw material can be taken as evidence of expanding consumption. The fact that merino and crossbred wool is now judged to be reasonably priced is helping to promote inquiry and stimulate the placing of new orders for fabrics. Competition on the part of both the home and Continental trade is keen, and this is likely to continue to the end of the series.

The West Riding of Yorkshire as well as other manufacturing centres received the news of the American trade Agreement last week-end with much satisfaction. While the reduction in the import duties is not great, it should help to promote a bigger trade between the two countries. It will certainly enable Yorkshire and Scottish manufacturers to export their specialities on a larger scale than for a good many years.

THE COMMODITY MARKETS

THE movement of the prices of primary products has shown no definite tendency during the past week, despite the further depreciation of the £ in terms of the dollar. The advance in wheat prices has been arrested, but that in raw sugar has continued. American raw cotton was also firmer, but rubber was marked down slightly in price. The International Tin Committee's decision not to increase the production quotas for the first quarter of next year and that of the co-operating copper producers to re-impose restriction at the beginning of next year, caused a sharp rise in the prices of the two metals. Lead was also marked up, but spelter was slightly cheaper.

In the United States the general price trend was slightly downwards. Moody's index of the prices of staple commodities (December 31, 1931=100) declined from 144.7 to 142.1 during the week ended last Wednesday. A month ago the index stood at 145.2 and a year ago at 145.0.

Metals

Copper.—After falling by £2 to £43 16s. 3d. per ton, the standard cash price of copper rallied sharply on Wednesday and closed at £44 18s. 9d. per ton, a net loss of only 17s. 6d. on the week. The earlier decline was due to the unfavourable effects of the Wall Street movements and the growing political tension in Europe, accentuated by fears that production might soon outpace consumption. In order to remove these fears the co-operating international copper producers decided on Wednesday to re-impose restriction with the beginning of the New Year. The quota is to be 110 per cent., i.e. 15 per cent. more than the operative quota immediately preceding the lifting of restriction on October 15th and at the same time the highest quota so far imposed under the present copper scheme. The swift re-imposition of restriction must be regarded as a sign that the co-operating producers are willing to keep the price of the metal at about £45 per ton.

Tins.—After falling sharply to £212 per ton, tin rallied rapidly on Wednesday and closed at £215 15s. per ton, a net gain of only 5s. on last week's close. The market was listless during the greater part of the period under review, but Tuesday's decision of the International Tin Committee to maintain the quotas for the first quarter of 1939 at their present low levels proved a great stimulus and led to a rush of buying orders. The effects and reasons for this decision are discussed in an Industrial Note on page 446.

Lead and Spelter.—Lead and spelter benefited from the movements of the other metal markets. The price of lead gained 7s. 6d. to close on Wednesday at £16 6s. 3d. per ton, while the price of spelter recovered to close at £14 2s. 6d., only 5s. down on the week. The daily rate of production of both metals remained very high in September, indicating that world production is still in excess of consumption. The British Metal Corporation's quarterly statistics showed the British spelter consumption in the September quarter at 44,000 tons, the same level as in the preceding quarter. On the other hand, Britain's lead consumption rose from 83,000 tons in the June quarter to 85,000 tons in the September quarter, but as no details of the consumption by individual industries have been given by the Corporation, it is difficult to trace the exact causes of the improvement.

Grains

DEMAND has been very slow for wheat, and prices have tended to sink to lower levels. The abolition as from January 1st of the import duty of 2s. per quarter on foreign wheat is not likely to have much effect on the wheat trade to this country; with a large world surplus, competition among suppliers has not been influenced by this relatively small duty. Its removal will, however, again permit the winter shipment of Canadian wheat from American ports, which, since the imposition of the duty, has been classified by the Customs as foreign wheat. There has been a moderate business in maize with a slightly rising price; exports from the Danube region are now increasing in volume. The steadiness of maize prices has given a firmer tone to the market for barley, where, however, there is little demand.

Other Foods

Provisions.—Bacon prices were further reduced at the end of last week, since when the market has been steadier. Dominion butters were again cheaper, but the price of Danish was higher on the week. There has been a fair trade in chilled meat, but demand for fresh has been slow.

Colonial Produce.—The market for raw sugar has been quiet but firm and prices for refined are unchanged. Accra cocoa has tended to fall in price, but demand at the tea auctions, after

a slow period at the end of last week, revived later and prices improved for all varieties.

Vegetables and Fruit.—Supplies of potatoes continue large in most districts, but prices are well maintained. Green vegetables have suffered from a poor demand and heavy supplies; only the best qualities have been cleared in London. There has been a moderate but steady trade in apples and pears.

Miscellaneous Commodities

Oils and Oilseeds.—The decision of the Argentine Government to fix minimum prices for linseed brought a firmer tone into the market, and Plate linseed is a little dearer than last week. A fair demand is reported from the Continent, but business in England is limited to the Indian crop. The price of linseed oil has again advanced in sympathy with that of linseed and is now about 25s. per ton higher than at the beginning of the month. The markets for other vegetable oils are steady without much fluctuation in prices. Trade in oilcakes has been below normal, owing to the long spell of warm weather.

Rubber.—The market was weak after the announcement of the decision of the Regulation Committee, and prices fell considerably below 8d. per lb. A firmer tone was apparent on Tuesday and the market closed on Wednesday at 8d. per lb. for standard smoked sheet on the spot, a decline of only 3d. per lb. on the week.

Furs.—During the current week the first silver fox sale of the new season was held in London, comprising only about 12,000 skins. There was a good demand both from home and Continental (chiefly Paris) sources and the greater part of the supply was sold. Prices showed a slight improvement of about 10 per cent. compared with the September sales, but were 10 per cent. lower than the prices paid at the opening sale of last season. In the free fur market a quiet and uninteresting tendency prevails at present and no change is expected until the New Year.

Milk.—The following table is compiled from statistics issued by the Milk Marketing Board:—

	Oct., 1937	Aug., 1938	Sept., 1938	Oct., 1938
Prices (per gall.)	d.	d.	d.	d.
Liquid	17	15	15	17
Av. manufacturing..	7.237	6.606	6.950	7.199
Av. pool	14.0	11.5	11.84	14.0
Contract sales (mill. galls.)				
Liquid	52.3	51.1	50.6	52.9
Manufacturing	15.3	32.1	24.2	20.6
Total contract	67.6	83.2	74.8	73.5
Used by farmhouse cheesemakers	2.1	3.3	2.8	2.2

Compared with October, 1937, total contract sales rose by 5.9 million gallons, of which only 600,000 gallons were absorbed by an expansion in liquid milk sales.

COMPANY MEETINGS

HAWKER SIDDELEY AIRCRAFT COMPANY, LIMITED

ENORMOUS ORDER BOOK

MR T. O. M. SOPWITH'S REVIEW

The third ordinary general meeting of the Hawker Siddeley Aircraft Company, Limited, was held, on the 21st instant, in London. Mr T. O. M. Sopwith, C.B.E., F.R.Ae.S., the chairman, in the course of his speech, said:—Ladies and Gentlemen,—You will notice that the accounts contain a consolidated statement of the assets and liabilities of the group. I do not think we should regard this as an established precedent, as under some circumstances publication might be contrary to the shareholders' interests.

The particular item in this consolidated statement to which I would direct your attention is stock and work in progress, which on July 31st last amounted to £6,397,875, which figure compares with that of £4,287,843 on the similar day last year, and the volume of work is, of course, now being increased from week to week and should continue to be so.

The accounts show that, after providing for the necessary reserves for depreciation, etc., we have brought in sufficient revenue from the operating accounts to provide the same dividend as last year and to increase our carry-forward by £45,400.

DIVIDEND AND BONUS

Dealing with the accounts in detail, you will see that the revenue for the year amounts to £821,953 13s. 6d., from which have been deducted income tax amounting to £219,491 2s. 9d., directors' fees amounting to £1,400, administration and other charges amounting to £6,869 10s. 11d., leaving a balance of £656,982 14s. 8d. available for payment of dividends on the preference and ordinary share capital. Out of this there has been paid or provided for dividends, less tax, on the 5 per cent. cumulative preference shares amounting to £57,236 3s. 7d., on the 5 per cent. redeemable cumulative preference shares £43,053 1s. 8d., and an interim dividend of 15 per cent. less tax, on the ordinary shares amounting to £158,295 2s. 10d., leaving a balance, including the amount brought forward, of £398,398 6s. 7d.

Out of this the directors recommend payment of a final dividend on the ordinary shares of 17½ per cent., together with a cash bonus of 10 per cent., both less tax, making, with the interim dividend already paid, a total dividend on the ordinary shares for the year to July 31st, 1938, of 32½ per cent., together with a cash bonus of 10 per cent., both less tax. This will absorb £290,207 15s. 2d., leaving a balance to be carried forward to next year of £108,190 11s. 5d., representing an increase of £45,400 over the previous year.

TRADING CONDITIONS

The year under review has in many respects been difficult for everybody. Although results are satisfactory, we have been called upon because of the political situation to concentrate to the utmost on the production of military aircraft, and this has been a contribution to the loss which has been sustained by one of our subsidiary companies in connection with a civil contract entered into with Imperial Airways prior to this company's existence. As this matter is still the subject of negotiation, it would be inadvisable to discuss it in detail.

The automobile section, in common with the motor trade generally, was affected by the prevalent depression, but the new models shown this year are, in our opinion, in advance of anything we have yet produced, and indications are that they will find an increasing market. We refer particularly to the new 16 h.p. and 20 h.p. types, which we are confident will become very popular both at home and abroad. We intend to develop a type embodying the benefit of the latest aeronautical research work, more of which may be said at a later date. The automobile market is admittedly subject to the effects of trade cycles, but I believe we have attained a standard which must be of value.

Our export trade, which we regard as of paramount importance, has been an appreciable asset, and, although liable to restriction dependent on the requirements of the Government, is a market which we shall continue to develop wherever possible. I am sure you will realise the great value to this country of a healthy overseas business.

The research departments have been extended, and we have made arrangements resulting in a friendly interchange of information with other organisations which have proved mutually beneficial.

GOVERNMENT TRIBUTE TO THE GROUP

During this financial year the Government decided to increase materially the strength of the Royal Air Force. All our operating

companies have grown, and are still growing, so as to do their share of providing the necessary equipment.

Without divulging any secrets, I would like to say that we are very proud of the way in which they have gone to work, and of the satisfactory proportion of aircraft which they have produced.

The Secretary of State for Air recently announced that orders have been given on behalf of the Government for the erection and equipment of two factories—one at Manchester and the other at Gloucester—at a cost of over two million pounds. These factories will be operated by two of your subsidiary companies, and this is the first occasion on which Government factories have been entrusted to the professional aircraft industry. It is a tribute, of which we may well be proud, to the proved productive ability of A. V. Roe and Company and the Gloster Aircraft Company that they have been selected to initiate and control these new organisations.

MEETING NATIONAL NEEDS

The programme for the immediate future is one of the utmost importance for the country. No stronger incentive than that indicated by the recent political crisis for the speeding up of our aircraft production programme need be advanced, and I feel that now is a suitable opportunity for me to express publicly your directors' conviction that an organisation, such as has been built up by your company, is not only at present rendering service of inestimable value to the country, but—as you will hear later—we are proposing to raise further capital so that, whatever the demands of the Government may be, private enterprise will be in a position to meet these demands in the most economical, speedy and efficient manner.

The essence of successful aircraft production is long-range planning based on a limited number of types, and to supply the numbers of aircraft required to-day will call for a greater and more sustained effort on the part of the industry.

In view, therefore, of the immediate and progressive expansion in the activities of the operating companies and the knowledge that this must continue, your directors have given very careful consideration to the question of finance. The order book is of very considerable magnitude. You will appreciate that to clarify "very considerable magnitude" is not permissible, but the phrase is accurate. The extra manufacturing capacity, plant and equipment are being provided by the Government, and your company will occupy these factories on a mutually agreed rental basis by arrangement with the Air Ministry.

ISSUE OF SHORT-TERM DEBENTURES

Your directors feel that it is imperative that the group should be adequately provided with funds to finance the actual work in progress, not only in the new factories but also the additional output in those existing. Your directors, having very carefully considered the matter and having consulted other authorities, are to-day asking you for permission to create £5,000,000 of short-term first debenture stock, of which, if sanctioned, it is proposed to issue £3,500,000 now and the balance as and when required. The advantages of this method lie in the fact that when the need for the finance is ended the debentures will be repaid and the company will not be left with capital which it no longer requires.

I must emphasise the fact that the money raised by these debentures will be used to finance the rapid and progressive increase in the company's aircraft business. No question of amortisation of the debentures arises, as they will be repaid when the contracts existing and envisaged have been completed and paid for.

COMPANY'S PROSPECTS

In view of the unsettled world political situation, it is difficult, and in any case probably unwise, to attempt to make any forecast as to the future. But it does seem reasonable to anticipate for this company a fair commercial return for the work and responsibility they are undertaking.

In conclusion, I am sure you will like me to convey to the officials and staff of the operating companies your thanks and appreciation of the work they have carried out during the past year.

The chairman concluded by moving the adoption of the report and accounts.

Mr Philip E. Hill seconded the resolution and it was carried unanimously.

The proposed dividends and cash bonus were approved; the retiring director, Mr Philip E. Hill, was re-elected; the auditors, Messrs Price, Waterhouse and Company, were re-appointed.

After discussion, a resolution extending the directors' borrowing powers was carried with only two dissentients.

At separate meetings of the holders of the 5 per cent. cumulative preference shares and of the holders of the 5 per cent. redeemable cumulative preference shares resolutions authorising the creation of £5,000,000 debenture stock were unanimously approved.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED

SUCCESSFUL YEAR'S OPERATIONS

SIR R. KOTZE ON LABOUR SUPPLY AND WORKING COSTS

The Johannesburg Consolidated Investment Company, Limited, announces the receipt from Johannesburg of the following summary of the chairman's speech at the annual meeting of shareholders held on the 22nd instant.

Sir Robert N. Kotze, who presided, said: The permanent chairman of the company has asked me to convey to you his hearty greetings and to express his regret that he is unable to be present to-day.

Notwithstanding the unsettled conditions prevailing during the year under review, the company had a successful year and maintained its strong financial position. The net profit for the year was £720,380 which, with balance of £168,753 brought forward, made a total of £889,133 available for distribution. £100,000 was transferred to reserve, which stands at the record figure of £3,050,000. A dividend of 3s. absorbed £592,500, leaving a balance of £196,633 to be carried forward.

Continuing, the chairman said: Expansion, which has been the main feature of the industry since the Union left the gold standard, continued during the year under review and more than 51,500,000 tons of ore were crushed. There was a further fall in the gold recovered per ton crushed and the yield fell to 4.414 dwts. for the first half of this calendar year. The working cost per ton crushed in terms of gold was 2.75 dwts. Working costs show a tendency to increase; the average cost per ton for 1935-36-37 was 18s. 10d. and for the first six months of this year 19s. 2d. The cost per ton crushed expressed in terms of gold is governed firstly by the sterling price of gold, over which the industry has no control and, secondly, by working costs in sterling.

The latter figure can be and is influenced by many factors; some of them which, like the sterling price of gold, are outside the control of the industry. The influence of indirect taxation is particularly unfortunate, and in this respect railway rates may be mentioned, as they are heavily weighted against the industry. One instance only need be quoted and that is the large profits made by the South African Railways from the coal traffic to the mines and power stations.

Organisation, under the group control system, which is the particular concern of the industry itself, continues to show further improvement, both in matters affecting the industry as a whole which are co-ordinated by the Transvaal Chamber of Mines, and in such organisation which is particularly the concern of mine managements.

A VITAL CONSIDERATION

It is fully realised that the trend of working costs is a vital consideration. The main reason for the present tendency for costs to rise is apparent. The prosperity of the industry made it possible to improve the remuneration of labour by means of extra leave, holiday and medical benefit allowances, savings fund and provident fund payments, which, in the aggregate, amount to 9d. per ton crushed. Recent Miners' Phthisis Amendment Acts added a further charge of over £200,000 per annum to the industry. These items represent an addition of approximately 5 per cent. to the working costs per ton.

A shortage of native labour seems to be inevitable in spite of great efforts of the native labour organisations, efforts which have met with deserved success, for during the first half of this calendar year the average number of natives employed was greater than in 1937 by over 14,000.

The mining industry can offset the effects of a labour shortage to some extent by improved organisation and methods, and efforts in this direction have not been relaxed; rather have they been intensified recently.

The effect of the better utilisation of labour is illustrated by the following figures: During the period 1928-30, the average number of natives employed on producing mines was approximately 192,000. Output in tons milled per annum per native employed was 159. In 1937, the average number of natives employed on producing mines was approximately 285,000, and the output in tons milled per annum per native was 178. The importance of this improvement can be gauged by the fact that had it not been brought about the number of natives required to produce the tons milled in 1937 would have been 319,000, an increase of 34,000 natives. It is certain that this number of natives was not available; in fact, every available native was employed by 1937. Therefore, had the output per native employed remained at 159 tons crushed, the total tonnage

crushed would have been less by more than five and a quarter million tons, equal to a reduction of 10 per cent. in the output, and the country would have had to be content with a proportionately smaller economic activity.

The maximum in the efficient usage of labour has not been reached, and further improvement will be obtained by more intensive mechanisation.

Mechanisation, which is now in an advanced stage, is expensive in first cost and in certain mining operations is not cheaper than manual labour. It is certain, however, that if the industry is not fully mechanised, it will be seriously affected in times of labour scarcity; the output will be below its capacity, and for that reason costs per ton will increase. Each mine has a duty to its neighbours in this respect, for if it operates wastefully it accentuates the general shortage.

It was emphasised at our last annual meeting that the employment of fewer natives on other work throughout the country would be the means of increasing the native labour supply to the mines. Expansion in secondary industries necessarily followed expansion in the gold mining industry, and their expansion requires more labour, but it is by no means a necessary corollary that Governmental schemes of expansion should be timed to synchronise with the expansion of industry. That they are so timed has the far-reaching effect that labour is diverted from the very industry whose expansion has permitted and encouraged such Governmental schemes.

RETURN TO THE STATE

It is generally appreciated that the foundation of the industry is native labour; that without labour of this class it could not exist. That this labour is well paid, fed, housed and cared for is acknowledged, but, perhaps, the value to the State of its employment by the gold-mining industry is not fully realised. The average number of natives employed by the industry in the year 1937 on producing mines was 285,000. The heavy income-tax of the mines produced £9,456,000, equal to £33.17 per native employed; Government share of profits from leases was estimated at £4,200,000, equal to £14.73 per native; in all, a direct revenue of £48 per native per year. The report of the Low Grade Ore Commission, which sat in 1930, stated that in the opinion of certain authorities the indirect revenue to the State amounted to 6s. 8d. per ton crushed, equal to £16,900,000 for the year 1937, or approximately £59 per native employed on producing mines. Direct and indirect revenue, therefore, amounts to approximately £107 per annum per native employed on producing mines, and in addition the country derives great benefit from the capital expenditure on new non-producing mines. These figures make it clear that the reaction should be fully appreciated by the Government before the native labour supply is unduly tapped for non-revenue producing schemes or for those industries producing less revenue.

GROUP MINING COMPANIES OF THE GROUP

A table is given in the directors' report summarising the principal details of the operations of the gold mining companies of the group for the year ended December 31, 1937, and the following are the aggregate results for the six months ended June 30, 1938: tons milled 6,156,000, yield (ozs.) 1,230,280, yield per ton (dwts.) 3.997, working costs £5,561,610, gross profit including sundry revenue £3,098,088.

The diamond trade was depressed during the year under review. It is well known that it is largely dependent on the business position in America, which was poor and uncertain. However, improvement is evident in the second half of the current calendar year, and sales are already substantially greater than in the first half.

COPPER

The annual reports of the three companies in which your company is interested all show a very satisfactory position. The Rhokana Corporation declared a final dividend of 3½ per cent., making a total of 62½ per cent. for the year ended June 30, 1938. Its total profit for the year amounted to £2,166,692, which included a dividend of £217,149 from the Mufulira Copper Mines. The Rhokana company spent considerable sums on development and equipment and is in a position to respond at once to a call for increased output. The company has subscribed large amounts of capital for the Mufulira and Nchanga properties; the former is already paying dividends and the latter promises to be a very profitable producer. Rhokana Corporation would appear to have a great future.

The enlarged reduction plant at Rustenburg to deal with sulphidic ore was brought into full production during the year. There is an unlimited supply of sulphidic ore, and it may be stated that from the technical view the future of the mine has been permanently secured; from the financial aspect prospects have improved.

The report and accounts were unanimously adopted.

ENGLISH, SCOTTISH, AND AUSTRALIAN BANK, LIMITED

ANOTHER SUCCESSFUL YEAR

MR S. M. WARD'S ADDRESS

The forty-sixth ordinary general meeting of the English, Scottish and Australian Bank, Limited, was held, on the 23rd instant, at 5 Gracechurch Street, London.

Mr S. M. Ward (the chairman), in the course of his speech, said:—When I last had the pleasure of addressing you, a year ago, the Commonwealth of Australia was passing through a period of great prosperity. With one exception all the classified lists of exports showed an increase over the preceding year, the total value of exports being higher by about £18,000,000. During the year now under review, notwithstanding many adverse factors, it is satisfactory to see that Australia has been able to maintain her high level of economic life. Employment was even better than the year before, the average trade union unemployment percentage being 8.5, compared with 10.6 in 1936-37. In like manner there was a noticeable increase in building activity, the value of building permits issued in Australia in 1937-38 being £56,000,000, compared with £48,000,000 in the preceding year.

WOOL AND WHEAT

When reviewing the wool position at this time last year it was evident that the 1936-37 level of prices would not be maintained, and the figures we have before us show that the average market value for greasy wool for the 1937-38 period was 12.5d. per pound, as against an average price of 16.4d. per pound for 1936-37. It is of interest to note, however, that the net production of the Commonwealth for the 1937-38 season amounted to the record figure of 3,338,038 bales, compared with 3,246,276 bales for the corresponding period in 1936-37. Wool exported during the year under review produced £A47,044,000, representing a falling-off of over £A15,000,000. It is believed in wool trading circles that the setback in prices is due more to political than to fundamental economic factors, and with a lessening of international tension it is not unreasonable to expect that such a movement should aid the wool market.

At the opening of the 1937-38 season wheat was attracting excellent prices, but as the season progressed the price became lower and lower, while to-day we find the markets for this commodity at low ebb. On account of the lack of good rains in part of the wheat-growing area in Australia the harvest for 1938-39 is estimated at 127,000,000 bushels, of which 72,000,000 bushels should be available for export. It will be seen from these estimates, coupled with the present low market price for wheat, that the prospects for the coming season are not bright. The production of Australian butter during the twelve months has shown considerable improvement, and the prices obtained have been satisfactory.

While the exports from the Dominion were slightly less than last year, the imports rose from £92,640,000 sterling to £113,648,000, an increase of £21,008,000, thus reducing the excess of exports over imports from £36,369,000 in 1936-37 to £11,848,000 in 1937-38. The estimated surplus required annually to meet the Federal Government's requirements for the sterling debt services may be put at about £24,000,000, but it will be seen the deficiency on this year's figures is more than met by the surplus of the previous year. This large increase in imports may be looked upon merely as a passing phase, resulting from the high prices realised on primary products in the preceding year.

BANKING POSITION

The banking position is thoroughly sound, and the facilities afforded by the banks have proved adequate to the needs of the community. Trade has been active during the past year, and the banks have been able to meet all legitimate demands for accommodation without unduly straining their resources. The changes in the figures of our own balance sheet, particularly the increase in advances, are symptomatic of this movement.

As regards the future, recent advices from our general manager in Australia indicate that the outlook is not altogether satisfactory. Dry seasons have adversely affected pastoral and agricultural areas, and the recent heavy fall in the price of wheat will be severely felt. On the other hand, the price of wool, though low, shows signs of improvement, and a hardening tendency has been noticeable in the recent wool sales. Metals have fluctuated considerably, but the present position is steady, and building activity continues in the principal centres. In short, general trading conditions are satisfactory at present, but the future prospects are uncertain. Higher taxation has to be faced, and the business turnover for the current year is likely to be lower than the last few years. Increased Government expenditure for defence purposes, however, for which a sum

of £16,700,000 has been provided in the Budget, will doubtless assist in counteracting the effect of shrinkage in other directions. That the Government and the Commonwealth Bank are alive to the possibility of some setback in business activity is evident from the Budget speech of the Federal treasurer in September last.

Last January the then governor of the Commonwealth Bank, Sir Ernest Riddle, was compelled to retire on account of ill-health, and Sir Harry Sheehan, the former secretary of the Federal Treasury, has been appointed governor of the bank in his place. The selection of Sir Harry to fill this important post was welcomed in banking circles, and will, I am convinced, go far to strengthen and maintain the spirit of mutual co-operation between the central institution and the trading banks, which is essential to the sound working of the system.

THE ACCOUNTS

Turning now to the balance sheet, the reserve fund has been increased by £15,000 and now stands at £1,710,000. Special reserve is unchanged at £1,585,000 and covers the depreciation in Australian currency, for which purpose it was set aside in 1931. Deposits at interest show a decrease of £384,000 and current accounts an increase of £290,000. Deposits and current accounts together at £35,188,000 show a small decrease of about £94,000. Our cash item at £8,400,000 shows a decrease compared with last year of £2,923,000, while investments have increased by £932,000. Advances and other assets are higher by £2,300,000.

The gross profit stands at £1,268,612, an increase over last year's figure of £87,132. The greater part of this increase, however, is absorbed by increases in the expenses of management £51,317, and in income and other taxes £31,347. Deducting the expenses from gross profit leaves us with a net profit for the year of £280,593, from which has been carried to reserve fund £15,000 and payment made of an interim dividend of 3½ per cent., subject to United Kingdom income tax, which absorbed £82,687. This leaves £182,906, which, with the amount of £305,978 brought into the account from last year, makes an available balance of £488,884, which it is proposed to deal with as follows: To officers' provident fund, £10,000; to a further dividend of 3½ per cent., less United Kingdom income tax, making 7 per cent. for the year, £86,187; to contingencies reserves, £50,000; to bank premises, £35,000; leaving a balance to be carried forward of £307,697.

The report and accounts were unanimously adopted.

PRICES, TAILORS, LIMITED

INCREASED PROFIT

The tenth annual meeting of Prices, Tailors, Limited, was held, on the 18th instant, in London.

Sir Henry Price (chairman and managing director) said that the trading profit amounted to £572,576, compared with £521,788 for the previous year. They had transferred by way of dividend upon their ordinary shares £200,000 to Prices Trust Company, Limited, and it was proposed to carry forward £257,831, compared with £226,415 brought in.

Their subsidiary company, Prices Tailors Properties, Limited, had now made a further issue of capital in order to take over additional properties. The additional ordinary shares would be taken up by Prices, Tailors, Limited, so that they would retain the whole of the equity. As the income of the Property Company was based upon rentals paid by Prices, Tailors, Limited, its debentures and preference shares constituted an investment of the first order.

The number of depots at 340 showed a net increase of 27. Efforts had been concentrated on improving products and giving better service so as to meet the most exacting individual requirements within the standard prices of 50s., 63s. and 75s. The business was now becoming established as a national institution with an ever-increasing goodwill.

Last year he stated that with the increased spending power of the public, consequent upon better employment returns, the outlook for the retail trade in this country would be good for some time to come. During the past year, however, events had happened in the political and international world which had given cause for reflection. However, the general outlook was, if anything, brighter, and if they could only steer clear of trouble he was sure that the retail trade of the country would be good. They were looking well ahead. Their stocks were in a very clean and healthy condition, and given reasonably settled conditions they should certainly move forward and make progress as in previous years.

The report was adopted.

At the fourth annual meeting of Prices Trust Company, Limited, held subsequently, Sir Henry Price said that the revenue of £200,193 compared with £192,579, and the total dividend of 50 per cent. with 45 per cent. for the previous year.

ANSELLS BREWERY LIMITED

38th ORDINARY GENERAL MEETING held in Birmingham on Wednesday, Nov. 23, 1938

PROFITS	£580,911	2	1
(12 months ended 30th Sept., 1938), after deducting all charges and expenses for management (including Directors' Fees) and making provision for interest on Debentures and Debenture Stock, Income Tax and National Defence Contribution, depreciation, bad and doubtful debts, and other contingencies.			
BROUGHT FORWARD	£226,837	12	5
DIVIDENDS ON PREFERENCE AND ORDINARY SHARES (paid and to be paid).....	£807,748	14	6
TO RESERVE FOR PROPERTIES	£367,500	0	0
TO RESERVE ACCOUNT ...	£50,000	0	0
	£150,000	0	0
	£567,500	0	0
TO BE CARRIED FORWARD	£240,248	14	6

Points from the Chairman's Speech

VERY CREDITABLE COMPARISON

It must be borne in mind that in last year's profits £5,000 refund from Income Tax was included, which was not actually earned in that year, so that if allowances are made for these matters a comparison with last year is very creditable.

IMPROVING DRAUGHT BEER

The largest increase has been in our bottled ales, which is the most expensive way of buying beer for our customers, because of the expensive bottling processes which are entailed. To cater for the public requirements in this direction, we have practically completed our new Bottling Stores and equipped it with the most up-to-date machinery in the country. Also, with the idea of countering this tendency towards bottled beers we are leaving no stone unturned to improve the manner in which our draught beer is served, by providing convenient insulated cellars which can be maintained at a constant temperature in our licensed premises.

THE COMPANY'S PRESENTS TO EMPLOYEES

Our directors have decided again to make a present, equivalent to one week's wages to each of the work people at the Brewery who has been with us for 12 months or more, and whose attendances have, in the opinion of the Management, been satisfactory, in addition to usual holiday pay.

NEW FINANCIAL YEAR BEGINS WELL

It has been announced by the Government that they intend to prosecute their armament programme without interfering with ordinary trade; if they attain this it will be to our advantage, and I am pleased to say that our output for the first six weeks of the new financial year compares favourably with the corresponding period last year, which was a good period.

INCREASED ASSESSMENTS

As far as the increased expenditure is concerned, on account of the House of Lords judgment in the Robinson case, I am afraid that we shall be faced with increased assessments for rating of some of our licensed houses, and, unfortunately, when this takes place Schedule A assessments are also increased, so automatically costing us more in licence duties.

£2,522,000 PAID IN TAXES

This Company and its subsidiaries have directly contributed to the Revenue in the current year by means of Beer Duty, Licence Duties, Wine and Spirit Duties, Income Tax and National Defence Contribution, the colossal sum of over £2,522,000, which does not include the Income Tax and Sur-tax paid by you as shareholders.

£558,000 CAPITAL EXPENDITURE

During the year the Company and its Subsidiaries have spent over £558,000 acquiring new houses, improving existing licensed properties, converting leasehold licensed properties into freeholds, and also in making additions to Brewery Bottling Stores, and Office Buildings, and adding to fixed and loose plant.

ENHANCING REPUTATION

I hope you will form the opinion that in the absence of any drastic additional Local or National Taxation, with the advantage of our conservative policy and capable management, we shall be able in the future to maintain and possibly enhance our reputation as being a sound and progressive undertaking.

Copies of the Chairman's Speech may be obtained from the Secretary, Park Road, Aston, Birmingham.

ELECTRIC AND MUSICAL INDUSTRIES, LIMITED

PROFITS AFFECTED BY THE CONDITIONS

The seventh ordinary general meeting of Electric and Musical Industries, Limited, was held, on the 18th instant, in London.

Mr Alfred Clark (the chairman), in the course of his speech, said: To those who follow the trend of trade, particularly in the Radio, the Household Appliance and the Bicycle Industries, the announcement to shareholders of a decreased profit for the year must have come as no surprise. This decrease is directly traceable to a drop in sales which has been general in the three industries concerned.

RADIO SALES

At our last meeting I was able to report to you that sales in the then new trading year were greater than for the same period of the previous year. There was a feeling of hope that, as far as the radio portion of our business was concerned, a period of sanity was at hand when we could expect that exceptional price-cutting would be a thing of the past. Very shortly after our meeting, however, figures began to arrive showing a beginning of diminishing sales. This was not, in any sense, confined to our own products, but was keenly felt throughout the industry. Reduced business, as we know, leads to forced selling, and as it was natural to expect, selling prices eventually were cut. The result has been a disappointing trading year, with a substantial reduction in our net profits because, as you know, this is the principal branch of our business.

Many people during this last anxious year, who otherwise would willingly have bought a new and more attractive model by hire purchase, have hesitated to commit themselves to a long-time obligation to pay instalments.

What has happened in the radio business has, to a lesser degree, happened in both household appliances and cycles. The decrease has been general throughout the trades, and here again the business depends very much upon hire purchase agreements. Our refrigerators retain their high standard of design and construction which has already put them amongst the leaders of the market, while the smaller articles such as the iron and the heater continue to be popular, and varied types of these are being added to our line.

That the gramophone record portion of the business has held its own is further evidence that it is still alive, in spite of the competition of broadcasting, and I might mention here that this is the only important feature of our business which does not depend largely upon the hire purchase system.

We are, in order to stimulate interest in records, offering to the public a record player, at a low price, which can be plugged in to almost any all-mains radio set and which will enable records to be played with a first-class quality of reproduction. The sales of this attachment are exceeding our expectations.

TELEVISION

Once more the progress made in television during the twelve months has been quite remarkable. At Olympia this year the Radio Show devoted its major effort to television, and the response of the public was considered highly satisfactory. We have now placed on sale improved television receivers, some of them at prices as low as 29 guineas. A great deal of time has been devoted to the consideration of systems which would enable the whole country to receive television programmes.

We believe that our work has resulted in a solution of the problem which, while permitting an immediate start for relaying television to the provinces is, at the same time, economical and will not stand in the way of future progress. It can be incorporated, and may become part of any relay system embodying future developments. A scheme embodying the results of our work has been submitted to the Television Advisory Committee and the Post Office, and we have every reason to believe it is being sympathetically considered by them at the present moment.

RE-ARMAMENT WORK

We have been asked to take our full share in the re-armament plans of the Government. Articles which we manufactured successfully in 1914-18 have, of course, been the first to be taken up, and, in addition, the company's new position in the electrical field has been recognised by the placing of important orders which are now in hand. These orders, we believe, will fill in many gaps caused by the recent diminished sales in our regular products.

The company's outlook for this year is that we are in a transitory period, but see no reason why in the following year we may not be expected to resume our former earning power. We therefore look forward to the future with confidence.

The report was adopted.

RHODESIAN ANGLO AMERICAN, LIMITED

INCREASED PROFIT

DIVIDEND OF 15 PER CENT.

The ninth ordinary general meeting of Rhodesian Anglo American Limited, was held, on the 22nd instant, in London, Sir Edmund Davis, J.P. (deputy-chairman), presiding.

The Chairman, in the course of his speech, after dealing with the balance sheet, said:—

The balance of profit for the year—namely, £826,401—is £9,124 more than the corresponding figure for the previous year. The allocation of this profit, after bringing in the balance unappropriated at June 30, 1937, is clearly set out in the appropriation account, and I need not go over it in detail. You will, however, possibly be interested to learn the reason for the reduction in the provision for income tax, which this year is £102,177, compared with £172,580 last year, although our revenue this year is higher.

DOMINION INCOME-TAX RELIEF INCREASED

In the first place, I should explain that this charge for income tax in our accounts does not represent tax paid directly by this company. It represents income tax deducted from the dividends received from Rhokana Corporation and other investments, less deductions of tax made on payments of interest by our own company and a recovery of tax in respect of our administration expenses. The reason for the decrease of about £70,000 in the charge for income tax this year is that Rhokana Corporation have been able to pass on a larger amount of dominion income-tax relief, the rate of relief received from that source being 2s. 6½d. in the £ compared with 7½d. last year.

The advances we received from the Anglo American Corporation of South Africa, Limited, were repaid during the year under review. In this connection perhaps I might mention that we all regret that the market price of our shares during the period of the option the Anglo American Corporation were given was not sufficiently high to warrant their calling the 150,000 reserve shares of the company at £2 per share, a regret, I am sure, you will all share with the members of your board.

RHOKANA AND NCHANGA HOLDINGS

Coming now to Rhokana Corporation, Limited, you will have gathered that our interest in that Corporation remains intact, and owing to the very large amount of capital it represents—at yesterday's price, a matter of 1,340,288 shares at £12 11s. 3d. per share, £16,837,368—that the future of the said Corporation is of very great interest to the members of this company. You will have learnt, from its report, of the decisions, firstly to increase production from 95 per cent. to 105 per cent. of the quota basis, and secondly to authorise unrestricted production, which is the present position. We can only hope that the consumption of copper will be such that this unrestricted production will last for some time to come and greatly benefit Rhokana Corporation.

Our present holding of 1,000,000 shares in Nchanga Consolidated Copper Mines, Limited, was, at yesterday's market price of £1 12s. 6d. per share, valued at £1,625,000, and it is sufficient for me now to say that progress in the development and equipment of the Nchanga Company's property is proceeding very satisfactory. The aggregate value of our holding of Rhokana and Nchanga at yesterday's date was £18,410,500.

RHODESIA BROKEN HILL

Some of you may not have seen the interim progress report recently issued by the Rhodesia Broken Hill Development Company, Limited, and so it will interest you to know that the Davis shaft, which is to be used exclusively for pumping, has reached its final depth and that the pumping plant is being installed; a site for the main hoisting shaft has been provisionally selected and is being tested by drilling. Additional power is being provided by the installation of a steam power plant with a capacity of 5,000 kws. Even more important are the recorded results of drilling, which show that at No. 1 Kopje there is an ore-body of 1,200 ft. in length with both ends open. Finally, a rough calculation shows probable ore reserves at date of 1,200,000 tons sulphide ore averaging 35.5 per cent. zinc, 23.5 per cent. lead and 17.5 per cent. sulphur, and also 2,200,000 tons oxide ore averaging approximately 23 per cent. zinc, 7 per cent. lead and 1 per cent. vanadium oxide.

The report and accounts were unanimously adopted, and a final dividend of 9½ per cent., less income tax, making with the interim dividend, already paid, 15 per cent., less income tax, for the year, was approved.

GOODE DURRANT AND MURRAY, LIMITED

EFFECT OF FALL IN MARKET VALUES

The fortieth ordinary general meeting of this company was held, on the 18th instant, in London.

In the absence of the chairman (Mr W. E. Pennick) the chair was taken by Mr W. S. Rose, who said:—I regret that we have not a better result to lay before you, but in common with most firms dealing in textiles we have experienced an unfortunate and unforeseen setback. In the first part of the year under review we enjoyed an encouraging increase in sales and the profit was sufficient, in the opinion of the board, to justify the payment of one half-year's arrears of preference dividend, but in the latter part of the year there was a serious fall in the market values, which made it impossible to sell our stocks at a fair margin of profit.

I want now briefly to refer to the reasons for Mr Pennick's visit to South Africa. Through our subsidiary company, Ochberg Robinson (Proprietary), Limited, we have been and are still doing a considerable business with C.T.C. Bazaars (S.A.), Limited, which has large stores in the principal cities of the Union of South Africa. This concern has made great strides during the past few years, and the directors launched out on an ambitious building scheme which left them short of liquid capital. Eventually it became necessary for us, as the largest creditors, to apply to the Court for judicial management of that company, in order to safeguard the assets. The application was granted on March 4th last, and my colleague Mr Kemp sailed at once for South Africa to investigate the position on our behalf. I am glad to tell you that the judicial managers report that the business is solvent and that there is actually a substantial surplus of assets over liabilities. Mr Pennick is in South Africa watching our interests.

The total profit for the year amounts to £19,644 17s. 9d., and the balance amounts to £10,018 19s. 5d. In April last one half-year's arrears of dividend on the preference shares was paid, which absorbs practically the whole of this profit.

The prosperity of South and Western Australia depends upon the yield and ruling price of wheat and wool. Given fair prices for these products, the outlook of this company would be considerably brighter than the present prospects indicate.

The report and accounts were unanimously adopted.

NORTH BRITISH RAYON, LIMITED

DIFFICULT TRADING CONDITIONS

The tenth ordinary general meeting of North British Rayon, Limited, was held, on the 18th instant, in London, Mr Ernest Walls (the chairman) presiding.

The Chairman, in the course of his speech, said that the course of events during the financial year could be divided into two phases. During the first period the company was working at full output and sales were large, but prices were at a low and unsatisfactory level. At the end of 1937 there was an advance in prices, but this was followed early in the year by a fall in demand, which gradually developed into what could only be described as a slump. The unsatisfactory state of all textile trades during 1938 was common knowledge and rayon had not escaped. As a result, the company had worked at about two-thirds capacity on average during the latter half of the financial year. This was the first time in their history that they had shut down a machine or laid off a worker for lack of orders.

The slump continued without any improvement during July-September, and output had to be reduced still further. Since October 1st, however, it had been possible for the works to increase output, and the increased production had been sold and stocks brought down to normal. The United Kingdom consumption of rayon during the six months April-September showed a decline of 30 per cent., compared with the previous year. This was a very serious decline. The situation which gradually developed during 1938 had been a real shock to the industry.

In his (the chairman's) opinion a further rise of rayon prices was needed, so as to give producers a margin sufficient to enable the contingencies inevitable in the industry to be provided for. He considered there was reasonable ground for expecting that the tide of demand would turn in their favour after Christmas. Customers' stocks of finished goods were getting low; confidence, which had been badly shaken, was slowly returning.

He expressed his appreciation of the spirit of co-operation and friendly goodwill now existing amongst the viscose rayon producers.

The report was unanimously adopted.

THE WALL PAPER MANUFACTURERS, LIMITED

DIFFICULT TRADING CONDITIONS

MR A. V. SUGDEN'S SPEECH

The thirty-ninth annual general meeting of The Wall Paper Manufacturers, Limited, was held on the 24th instant, at the Holborn Restaurant, London.

After commenting on the accounts, the chairman (Mr Alan V. Sugden, J.P.) said: In recommending the dividends the board had the following considerations before it: (1) adequate reserves had been made for every reasonable contingency; (2) £79,000 was left in the business by the reduction of goodwill; (3) the carry-forward would be more than sufficient to pay debenture interest and a full year's dividend on the preference and ordinary stock.

GENERAL CONDITIONS

The most notable feature of the year is the falling off in trading profit, a common experience of both parent company and most subsidiaries.

The international situation has had its effect on sales during the second half of the year. There has also been a reduction in building activity, which must have some reaction on wallpaper.

Unavoidable increases in costs (including N.D.C.) offset by no equal advance in selling prices has also diminished margin.

There may be people who will say it is possible for a powerful company to advance prices. This is only superficially true, for if customers think wallpaper prices are too high, they may postpone decorating or substitute some other article.

The decline in margin has been equally noticeable in export business accompanied by a considerable loss in volume.

It is the common experience of all trades which are not necessities, to find that the better quality range has suffered most in the past year, due to the fact that people who purchase such articles have been anxious about the future and the trend of local and national taxation.

The retail trade in shops on the other hand has been well maintained, though again domestic economy has played its part in the price paid.

As to wallpaper itself, I am sanguine that it possesses the qualities which will enable it to surmount all temporary recessions.

More thought, more artistic taste, more study of the needs of the consuming public, is devoted every year to the preparation of our varied range of productions, whilst at the same time wallpaper makes an appeal of comfort and beauty in the home which is surely without a rival.

THE WALPAMUR COMPANY, LIMITED

This subsidiary has again increased its turnover. The most widely used of its large range of products, Walpamur Water Paint, Duradio Enamel Paint and Muromatte Flat Oil Paint, have eclipsed all previous records. This justifies our belief that the vast number of customers of The Walpamur Company have every confidence in the quality of its goods.

A. SANDERSON AND SONS LIMITED

The added interest of the more discriminating in favour of wallpaper has increased the activities of this house, whose large show-rooms in Berners Street constitute one of the finest wallpaper displays in the world.

Sanderson Fabrics, in common with other concerns printing on fabrics or textiles, have found the profit margin to be small, but to offset this they have increased turnover in the home trade and abroad, where they deal with nearly every country in the world.

ACKNOWLEDGMENTS

I conclude by endorsing the value of the various pensions schemes and our appreciation of the loyal and devoted services of all members of our staff.

The report was adopted.

Slaters and Bodega, Ltd.—Total income for year ended September 30, 1938, £84,758, against £106,118. To tax and N.D.C., £10,908 (£11,381). No ordinary dividend, against 5 per cent. To property and general reserve, £8,000 (same). Balance carried forward is raised from £6,237 to £7,458.

United Railways of the Havana.—Total receipts for year to June 30, 1938, £1,266,553, against £1,407,041. Expenses are reduced from £1,426,391 to £1,405,648, leaving a debit for year of £139,095, compared with £19,350. Profit from warehouses, etc., worked out lower at £26,688, against £32,093, making debit £112,407.

Stewarts and Lloyds of South Africa.—Trading profit year to June 30, 1938, £330,155, against £253,410. To depreciation, £49,133 (£38,487). Ordinary dividend again 10 per cent. To writing £15,000 off investments and placing a total of £189,871 to reserves. Carry forward raised from £53,693 to £62,389.

AUSTRALIAN, MERCANTILE, LAND AND FINANCE COMPANY, LIMITED

DIFFICULT CONDITIONS

The seventy-fourth annual general meeting of this company was held, on the 24th instant, in London.

Sir John Sanderson, K.B.E. (the chairman), said that last year he had stated that unless there was an improvement in the wool market, the company's returns for the current year would be adversely affected. In addition, shareholders were advised of the difficult seasonal conditions which obtained over wide areas of New South Wales and Queensland. Unfortunately, their anxieties with regard to both wool market and seasonal conditions had proved to be well-founded, as was shown by the company's profits for the twelve months ended June 30th last having sharply declined as compared with the previous year.

Dealing first with the wool market, the 1937-38 selling season in Australia, which had ended in June last, proved to be one of the most difficult experienced for many years, and competition from countries which in previous years had been much in evidence was either absent or greatly lessened. That applies particularly to Japan and the United States of America, the latter country being practically out of the market and Japan buying but sparingly.

Lower prices, together with quantities of wool unsold, had inevitably affected the company's commission-earning accounts. It was some satisfaction, however, to be able to say that when the 1938-39 selling season opened in Australia in August of the current year prices for the better classes of wool were rather firmer than in June, but, while the market had since shown an all-round improvement, prices were still about 30 per cent. below those ruling at the end of June, 1937.

Because of the drought and the lower wool prices now obtaining, the prospects for the current station year, which ended December 31, 1938, were not encouraging. In Argentina their business had been satisfactorily maintained but showed no expansion.

As to prospects generally, the market and seasonal conditions must affect all engaged in the wool-growing industry and, unless there was a much greater improvement than at present appeared likely, they must be prepared for a further decline in their profits for the current year ending June 30th next.

The report was unanimously adopted.

SUMATRA PARA RUBBER PLANTATIONS, LIMITED

The thirty-first annual ordinary general meeting of this company was held, on the 22nd instant, in London.

Mr H. A. Barrett (chairman) said: Considering the adverse factors, the results of the past year are not unsatisfactory. The net balance of £12,802 represents a profit of 2½d. per pound of rubber, as compared with the 1936-37 figure of 3½d. per lb. This shrinkage is in no way due to higher production costs which, in fact, were rather less last year than for 1937, owing to the larger quantity of rubber handled and to the more favourable rate of exchange. The dividend recommendation is 4½ per cent.—that is, 10d. per £1 of stock—as compared with 7½ per cent. for 1936-37.

The balance sheet shows in detail the appropriation of the sum received for the sale of the subsidiary company's land, by the help of which the reserves for special cultivation and replacement of old areas are placed in credit to the substantial extent of £3,579 and £5,177 respectively.

No change was made in our investments during the year. Their value at the close of the financial period was £22,250, and, in addition, we had as at the same date cash to a total of £10,530. While this is a satisfactory position, I would emphasise that we have a programme of reclamation work ahead of us.

The International Rubber Regulation Committee has fixed the exportable allowance for the January-March quarter of 1939 at 50 per cent. I think this decision is to be regretted, coming at a time when an over-abundant world stock is being only very gradually reduced. Doubtless, the Committee was influenced by the prospect of trade improvement in America and anticipates that there will be a much larger consumption of rubber in the future. I can only trust this assumption will prove correct.

The report was unanimously adopted.

CURRENT STATISTICS

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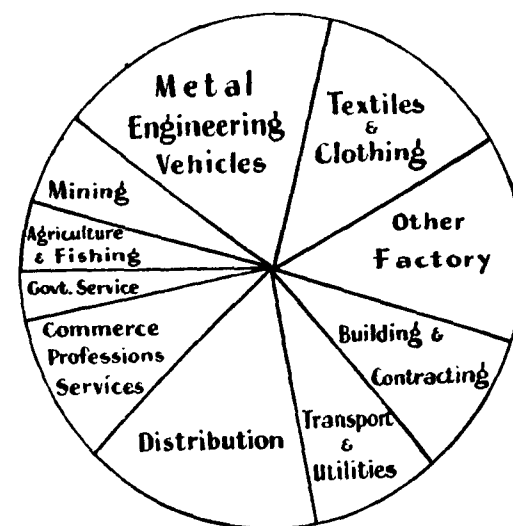
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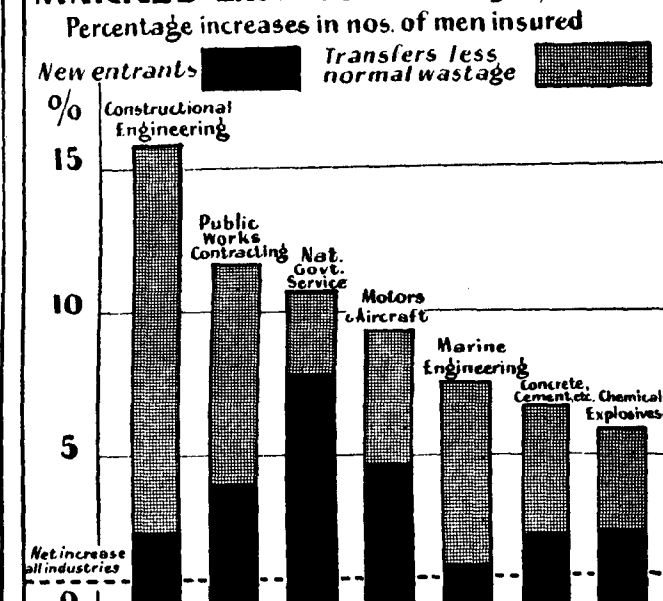
Shifts in Industry, 1937-38

The following charts are based on the annual census of persons insured against unemployment taken in July and published in the November issue of the *Ministry of Labour Gazette*. Chart I refers to all persons insured in the United Kingdom and Chart II to men aged 16-64 in Great Britain. Chart III excludes agriculture and children under 16. Chart IV refers to Great Britain. The normal wastage from insurance consists, in the case of men, mainly of deaths and persons reaching the age of 65.

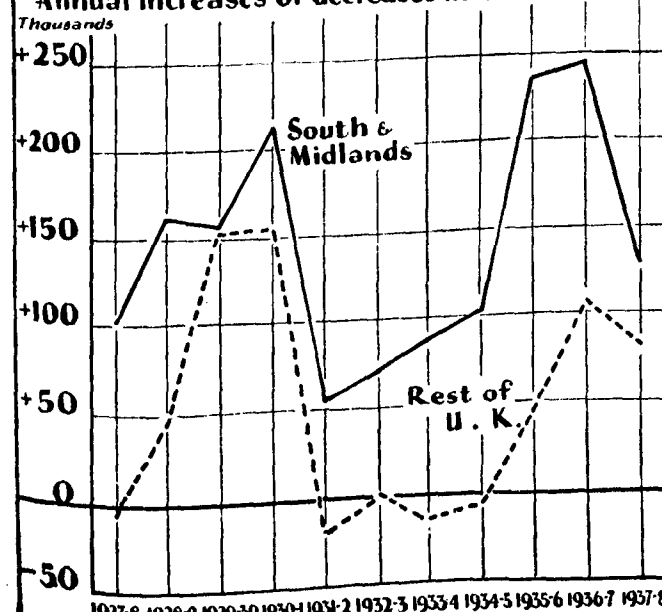
1. INDUSTRIAL ANALYSIS of 15½ million persons insured against unemployment, July, 1938



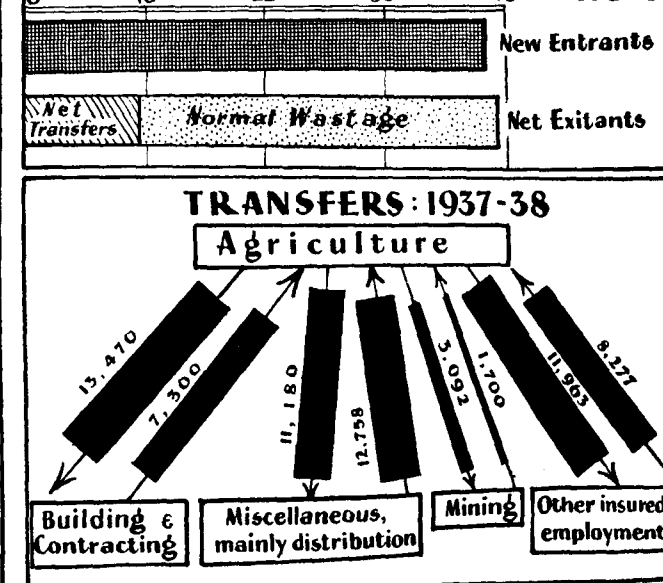
2. INDUSTRIES RECORDING MOST MARKED EXPANSION: 1937-38



3. THE DRIFT TO THE SOUTH Annual increases or decreases in nos. insured



4. THE DRIFT FROM THE LAND Changes in numbers of men insured in agriculture 1937-38



Finance

GOVERNMENT RETURNS

For the week ended November 19, 1938, total ordinary revenue was £15,471,000, against ordinary expenditure of £13,059,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £195,827,000, against a deficit of £122,042,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Nov. 20, 1937	April 1, 1937, to Nov. 20, 1938	Week ended Nov. 19, 1938	Week ended Nov. 19, 1937
ORDINARY REVENUE					
Income Tax	£341,150	81,307	89,369	2,081	2,353
Sur-tax, etc.	62,000	8,090	9,970	180	220
Stamp duties	88,000	57,660	48,330	1,310	1,260
Stamps	24,000	12,940	12,130	100	340
N.D.C.	20,000	2	10,380	2	520
Other Inc.					
Rev. Duties	1,250	300	740	40	10
Total I. Rev.	536,400	160,299	170,919	3,713	4,703
Customs	227,950	143,860	144,968	3,875	4,064
Excise	116,150	73,700	75,800	6,300	6,100
Total Cust. and Excise	344,100	217,560	220,768	10,175	10,164
Motor Duties	36,000	11,252	11,209	...	600
P.O. (Receipt)	8,670	11,280	10,780	400	...
P.O. Fund	2,400	25	...	...	...
Crown Lands	1,330	900	860	...	...
Rec. from Sun. Loans	5,250	3,634	4,139	...	...
Misc. Rec.	10,500	8,708	7,625	248	...
Total Ordinary Revenue	944,650	415,658	426,300	14,536	15,471
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	44,470	45,520	1,400	1,250
Total...	1,025,092	460,128	471,820	15,936	16,721

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937, to Nov. 20, 1937	April 1, 1937, to Nov. 20, 1938	Week ended Nov. 19, 1938	Week ended Nov. 19, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	146,139	147,208	365	359
Payments to N. Ireland	8,900	4,274	4,619	...	...
Other Cons. Fund Serv.	5,239	1,968	1,722	50	...
Total...	244,139	152,381	153,549	415	359
Supply Serv.	170,249	385,319	468,578	11,400	12,700
Total Ord. Expend.	414,388	537,700	622,127	11,815	13,059
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	44,470	45,520	1,400	1,250
Total...	1,024,930	582,170	667,647	13,215	14,309

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After reducing Exchequer balances by £487,140 to £2,424,021, the other operations for the week (as shown below, but excluding £255,000 issued to sinking funds), reduced the gross National Debt by £2,644,000 to about £8,341 millions.

WEEK'S CHANGES IN DEBT (£ thousands)		NET INCREASES IN DEBT	
NET INCREASES IN DEBT		NET REPAYMENTS, ETC.	
Treasury Bills	1,436	Pub. Debt Adv.	3,700
		Nat. Sav. Certs.	50
		P.O. and Feleg.	...
		(Money) Acts	300
		N. Atl. Shipping	30
			4,080

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to November 19, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	622,127	Ordinary Rev.	426,300
Increase in bal.	60	Eire receipts*	10,000
Eire issues*	3,758	Gross borr.	195,861
		Less	
		Sinkg. Fds.	6,216
		Net borrowing	189,645
	625,945		625,945

* Receipts and issues under Sec. 2 (3) of Eire (Confirmation of Agreement) Act, 1938.

FLOATING DEBT (£ millions)

Date	Ten-der	Tap	Public Depts.	Bank of Eng-land	Total Float-ing Debt	Float-ing Assets
Nov. 20 1937	612.01	290.2	33.9	...	936.1	324.1
Dec. 31 1937	889.7*	39.4	55.7	...	984.9	...
Aug. 6 1938	560.0	320.1	44.2	...	924.3	364.3
" 13	555.0	303.4	44.1	...	902.5	347.5
" 20	555.0	296.2	41.9	...	893.1	338.1
" 27	555.0	294.0	45.7	...	891.7	339.7
Sept. 3 1938	530.0	316.9	44.1	...	911.0	361.0
" 10	535.0	324.2	46.0	...	919.7	382.7
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3
" 30	883.4*	49.2	...	...	932.6	...
Oct. 8 1938	521.0	379.1	49.3	4.0	953.4	428.4
" 15	526.0	383.6	45.8	...	955.4	429.0
" 22	526.0	379.3	41.4	...	946.7	420.7
" 29	522.0	386.1	44.0	...	952.1	430.1
Nov. 5 1938	517.0	405.3	46.1	3.0	971.3	451.4
" 12	517.0	407.2	45.4	...	969.7	452.6
" 19	522.0	403.7	41.7	...	967.4	445.4

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

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at minimum Rate
1937					
Nov. 19 1937	45.0	65.0	45.0	11.15	56
Dec. 31 1937	50.0	80.5	50.0	10.11.59	47
Aug. 5 1938	35.0	78.6	35.0	10.1.80	40
" 12	30.0	76.8	30.0	10.1.50	30
" 19	35.0	82.2	35.0	10.1.51	32
" 26	40.0	87.6	40.0	10.1.53	36
Sept. 2 1938	45.0	74.6	45.0	10.5.87	37
" 9	45.0	63.1	42.0	11.1.02	60
" 16	40.0	55.8	37.0	10.10.75	66
" 23	40.0	58.2	40.0	10.7.07	62
" 30	45.0	68.8	45.0	25.1.42	48
Oct. 7 1938	50.0	71.6	50.0	14.3.44	60
" 14	50.0	72.6	45.0	15.5.57	69
" 21	40.0	77.3	38.0	13.8.91	44
" 28	35.0	72.5	35.0	10.9.78	48
Nov. 4 1938	35.0	67.9	35.0	10.5.87	44
" 11	35.0	62.7	35.0	10.6.16	52
" 18	35.0	62.6	35.0	14.11.37	38

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On November 18th applications at £99 16s. 2d. per cent. for bills to be paid for on any day except Saturday of the following week were accepted as to about 38 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Saturday at £99 16s. 3d. per cent. and above were allotted in full. £35.0 millions of Treasury bills are being offered on November 25th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
44 weeks to —		
Nov. 6, 1937	27,189,241	20,391,931
Nov. 5, 1938	27,313,758	20,485,319
Week to: —		
Nov. 6, 1937	685,548	514,161
Oct. 29, 1938	574,061	430,501
Nov. 5, 1938	702,722	527,042

N.B.—At the end of September, 1938, the balance due to Post Office and to Trustee Savings Bank depositors was £735,043,000, and the value of National Savings Certificates holdings was £517,100,000.

BANK OF ENGLAND RETURNS

NOVEMBER 23, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt.	11,015,100
In circula.	476,058,188	Other Govt.	...
In Bnkg. De-	50,356,238	Securities...	188,196,235
partments...		Other Secs...	654,527
		Silver Coin...	134,138
		Amt. of Fid.	200,000,000
		Issue	5,278
		Gold Coin & Bullion...	326,414,426
	526,414,426		526,414,426

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Capital	14,553,000	Govt. Secs.	91,801,164
Rest	3,234,089	Other Secs.	...
Public Depts.*	31,730,486	Disc., etc.	12,184,249
		Securities...	21,128,285
Bankers	92,248,660	Notes	33,312,534
Other	34,969,998	Gold & Silver Coin...	1,266,297
	127,218,658		176,736,233
			176,736,233

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
		Nov. 23, 1938	Last Week
COMBINED LIABILITIES			
Note circulation	476,058	- 2,530	- 4,115
Deposits: Public	31,731	- 3,317	- 3,628
Bankers	92,249	+ 2,763	+ 8,650
Others	34,970	- 67	- 1,778
Total outside liabilities	635,007	- 3,151	- 671
Capital and rest	17,787	+ 43	+ 18
COMBINED ASSETS			
Govt. debt and securities	291,012	- 4,010	- 3,893
Discounts and advances	12,184	- 221	- 3,583
Other securities	21,783	+ 1,116	+ 323
Silver coin in issue dept.	134	+ 21	+ 125
Gold coin and bullion	327,581	+ 6	+ 180
RESERVES			
Res. of notes & coin in banking department...	51,623	+ 2,536	+ 15,864
Proportion of reserve to outside liabilities—			
(a) Bank, dept. only	32.4%	+ 1.7%	+ 11.1%
(b) Gold stocks to deposits and notes	51.6%	+ 0.3%	same
(c) reserve ratio (%)			

COMPARATIVE ANALYSIS (£ millions)

		1937		1938	
		Nov. 24	Nov. 2	Nov. 9	Nov. 16
Issue Dept.:					
Notes in circ.	480.4	484.0	482.7	478.6	476.1
Notes in bank-	66.0	42.5	43.7	47.8	50.4
Govt. debt and securities	218.7	199.9	199.8	199.8	199.2
Other sec.	1.2	0.1	0.1	0.1	0.7
Gold	326.4	326.4	326.4	326.4	326.4
Deposits:					
Public	35.4	14.1	15.9	35.0	31.7
Bankers	83.6	109.5	109.5	89.5	92.2
Others	36.3	36.4	35.5	35.0	35.0
Total	155.3	160.0	160.9	159.5	158.9
Bkg. Dept. Secs.:					
Government	76.41	102.4	101.6	95.2	91.8
Discounts, etc.	8.6	10.5	11.1	12.4	12.2
Other	20.9	21.1	21.0	20.6	21.1
Total	105.6	135.0	133.7	128.2	125.1
Banking dept. reserve	67.5	43.8	45.0	49.1	51.6
"Proportion"	43.5	27.3	27.9	30.7	32.4
Reserve ratio†	51.6	50.9	50.9	51.3	51.6

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £134,138; capital, £14,553,000; rest, £3,234,089.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28th last. The latest returns of the Banks of International Settlements and of Denmark appeared in The Economist of November 12th; U.S. Federal Reserve, New York Federal Reserve, Australia, Bulgaria, Finland, Greece, Iran, Yugoslavia, Latvia, New Zealand, Norway, Sweden and Argentina of November 19th.

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$'s

		Nov. 3, 1937	Oct. 19, 1937	Nov. 26, 1937	Nov. 17, 1938
ASSETS					
Loans, total	9,625	8,270	8,346	8,327	
Investments	12,029	13,044	13,147	13,081	
Reserve with Federal Reserve banks	5,325	7,152	7,200	7,116	
Due from domestic bks.	1,744	2,501	2,495	2,466	
LIABILITIES					
Deposits: demand (adjusted)	14,610	15,755	15,993	15,766	
Time	5,278	5,164	5,156	5,155	
U.S. Government	447	559	546	540	
Inter-bank	5,516	6,730	6,688	6,694	

BANK OF FRANCE.—Million francs

	Nov. 18, 1937	Oct. 20, 1938	Nov. 10, 1938	Nov. 17, 1938
ASSETS				
Gold	58,932	55,808	55,808	87,264
Bills: Commercial	9,881	17,351	14,239	13,498
Bought abroad	928	725	725	850
Advances on securities	3,815	3,848	4,005	3,971
Thirty-day advances	539	1,135	2,271	2,051
Loans to State without interest:				
(a) general	3,200	3,200	3,200	10,000
(b) provisional	26,918	48,134	48,134	20627
Negotiable bonds				
Banking Fund Dept.	5,637	5,570	5,570	5,570
Other advances	4,344	4,366	4,873	4,258
LIABILITIES				
Notes in circulation	83,989	110,555	108,771	107,349
Deposits: Public	2,691	4,006	3,548	6,181
Private	17,894	22,478	23,322	31,492
Other liabilities	3,620	3,097	3,183	3,068
Gold reserve to sight liabilities	53.3%	40.7%	41.1%	60.1%
* Based on franc with gold content of 271/2 (against 43) milligrams.				
† Provisional advances without interest under Convention of November 12, 1938.				

BANK CLEARINGS

LONDON

(£ thousands)

	Month of October			Week ended		Aggregate from	
	1937	1938	Change	Nov. 24, 1937	Nov. 23, 1938	Nov. 24, 1937	Nov. 23, 1938
Number of wkg. days:	26	26	%	6	6	275	276
Town	3,008,534	2,814,922	- 6.4	641,740	625,879	33,305,165	30,215,771
Metropolitan ..	186,887	181,945	- 2.6	38,477	36,660	1,949,425	1,868,051
Country	333,291	317,954	- 4.6	67,285	64,387	3,438,375	3,311,595
Total	3,528,712	3,314,821	- 6.1	747,502	726,906	38,692,965	35,395,417

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of October			Week ended		Aggregate from	
	1937	1938	Change	Nov. 20, 1937	Nov. 19, 1938	Nov. 20, 1937	Nov. 19, 1938
No. of working days:	26	26	%	6	6	273	274
BIRMINGHAM ..	11,132	9,699	- 12.8	2,139	2,047	120,070	106,520
BRADFORD	4,061	3,735	- 8.0	572	572	46,737	36,133
BRISTOL	5,888	5,448	- 7.4	1,317	1,316	59,670	58,221
HULL	4,137	3,781	- 8.6	934	900	42,121	38,622
LEEDS	4,549	4,380	- 3.7	868	850	46,287	43,834
LEICESTER	3,266	3,108	- 4.8	683	693	34,851	32,155
LIVERPOOL	29,987	21,574	- 28.0	6,030	4,796	319,932	238,658
MANCHESTER	48,708	41,871	- 14.0	9,635	8,234	508,067	423,083
NEWCASTLE	7,106	6,809	- 4.1	1,432	1,642	68,967	69,443
NOTTINGHAM	2,252	2,255	+ 0.1	474	392	23,906	22,748
SHEFFIELD	4,627	4,765	+ 2.9	897	918	50,458	49,426
Total: 11 Towns ..	125,713	107,425	- 14.4	24,951	22,460	1,320,968	1,118,843
DUBLIN	...	...	...	5,615	6,288	268,962†	292,065†

† Based on average working day.

‡ 47 calendar weeks.

MONEY RATES

LONDON

	Nov. 17, 1938	Nov. 18, 1938	Nov. 19, 1938	Nov. 21, 1938	Nov. 22, 1938	Nov. 23, 1938	Nov. 24, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' b'krs. drafts	17½-918	54	54	54-1316	54-1316	54-1316	54
3 months' do.	17½-918	54	54	54	54	54	54
4 months' do.	17½-918	54	54	54	54	54	54
6 months' do.	17½-918	54	54	54	54	54	54
Discount Treasury Bills							
2 months'	918	54	54	54	54	54	54
3 months'	17½	54	54	54	54	54	54
Loans—Day-to-day ..	17½	54	54	54	54	54	54
Short	17½	54	54	54	54	54	54
Deposit allwncs.: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	54	54	54	54	54	54	54

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%
Oct. 27 ...	12-1	918-58	54	1316-78	212-3	254-314
Nov. 3 ...	12-1	918-58	54	1316-78	212-3	254-314
" 10 ...	12-1	918-58	54	1316-78	212-3	254-314
" 17 ...	12-1	918-58	54	1316-78	212-3	254-314
" 24 ...	12-1	918-58	54	1316-78	212-3	254-314

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Nov. 24, 1937	Oct. 26, 1937	Nov. 2, 1938	Nov. 9, 1938	Nov. 16, 1938	Nov. 23, 1938
Call money	1%	1%	1%	1%	1%	1%
Time money (90 days' mixed coll.)	114	114	114	114	114	114
Bank acceptances—						
Members—eligible, 90 days ..	12	12	12	12	12	12
Non-mem.—eligible, 90 days ..	12	12	12	12	12	12
Commercial accept., 90 days ..	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Nov. 18, 1938	Nov. 19, 1938	Nov. 21, 1938	Nov. 22, 1938	Nov. 23, 1938	Nov. 24, 1938
New York, \$	1.7014	1.7014	1.6914	1.6814	1.6714	1.6614	1.6514
Montreal, \$	1.7014	1.7014	1.6914	1.6814	1.6714	1.6614	1.6514
Paris, Fr.	124.21	178½-34	178½-34	178½-34	178½-34	178½-34	178½-34
Brussels, Bel.	35.00a	27.81-87	27.78-84	27.73-82	27.56-73	27.50-60	27.43-57
Milan, L.	92.46	89½-14	89½-14	89½-14	88½-14	88½-14	88½-14
Zurich, Fr.	25.22½	20.81-87	20.80-83	20.75-83	20.61-77	20.57-65	20.43-60
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl.	12.107	8.65-	8.64½-	8.61½-	8.56½-	8.55-	8.53-
Berlin, Mk.	20.43	11.73-78	11.72-75	11.71-75	11.64-72	11.61-67	11.59-66
Registered Marks	(c)	52½-	53-58	53-58	52½-57½	52½-57½	52½-57½
Br. India Rup.	†18d.	172½-	172½-	172½-	172½-	172½-	172½-
Hong Kong, \$	†	14½-16	14½-16	14½-16	14½-16	14½-16	14½-16
Shanghai, \$	†	15½-	15½-	15½-	15½-	15½-	15½-
Rio, Mil.	†5.899d.	31½-36	31½-36	31½-36	31½-36	31½-36	31½-36
B. Aires, \$	11.45-	55g	60g	70g	75g	75g	70g
Valparaiso, \$	40	17.13½	17.13½	17.13½	17.13½	17.13½	17.13½
Montevideo, \$	†51d.	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½	18½-19½
Lima, Sol.	17.38	22-23½	22-23½	22-23½	22-23½	22-23½	22-23½
Mexico, Pes.	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes.	†25.66d.	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½	24½-25½
Moscow, Rbls.	...	24.94½	24.94½	24.94½	24.79	24.70	24.68½

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

(b) Other Exchanges

London on	Par of Exch. per £	Nov. 18, 1938	Nov. 23, 1938	Nov. 24, 1938
Helsingfors, M.	191.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200 (l)	100-200 (l)	100-200 (l)
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Budapest, Pen.	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc.	164½-18	137-138	135½-136½	135½-136½
Danzig, Zl.	25.00	24½-25½	24½-25½	24½-25½
Warsaw, Zl.	48.38	24½-25½	24½-25½	24½-25½
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei.	813.8	645-665	645-665	645-665
Constantinople, Pst.	110	578*	578*	578*
Belgrade, Din.	276.32	206-216	205-215	204-214
Kovno, Lit.	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	673.66	380-410	380-410	370-400
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Stockholm, Kr.	18.159	19.85-95	19.85-95	19.85-95
Copenhagen, Kr.	18.159	19.35-45	19.35-45	19.35-45
Alexandria, Pst.	97½	22.35-45	22.35-45	22.35-45
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$	† 28d.	27½-28½	27½-28½	27½-28½
Batavia, F.	12.11	8.62½-65½	8.54-57	8.51-54
Bangkok, Baht	†21.82d.	22½-23½	22½-23½	22½-23½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197 10½ since koruna devaluation on February 17, 1934. Rate for payments to the Bank of England: (i) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Nov. 18, 1938	Nov. 19, 1938	Nov. 21, 1938	Nov. 22, 1938	Nov. 23, 1938	Nov. 24, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	58-12	58-12	58-12	58-12	58-12	58-12
2 "	118-1	114-1	118-1	118-1	118-1	118-1
3 "	138-1½	134-1½	134-1½	134-1½	134-1½	134-1½
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	114-1½	114-1½	114-1½	114-1½	114-1½	114-1½
2 "	214-2½	214-2½	214-2½	214-2½	214-2½	214-2½
3 "	312-4	312-4	312-4	312-4	312-4	312-4
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	118-3	118-3	118-3	118-3	118-3	118-3
2 "	178-1½	178-1½	178-1½	178-1½	178-1½	178-1½
3 "	3-2½	3-2½	3-2½	3-2½	3-2½	3-2½
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	Par-2	Par-2	Par-1	Par-1	Par-1	Par-1
2 "	3-5	2½-4½	1-3	1-3	1-3	1-3
3 "	7-9	7½-9½	4-6	4-6	4-6	4-6
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	4-2	4-2	3-2	3-2	3-2	3-2
2 "	6-4	6-4	5-4	5-4	5-4	5-4
3 "	10-8	10-8	9-7	9-7	9-7	9-7

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Nov. 17, 1938	Nov. 18, 1938	Nov. 19, 1938	Nov. 21, 1938	Nov. 22, 1938	Nov. 23, 1938
London—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	470½	469½	469½	468½	465½	465½
Cables	471½	470½	469½	468½	466½	466½
Demand	471	470½	469½	468½	466½	466½
Paris, Fr.	2.63½	2.63½	2.62½	2.62½	2.61	2.61
Brussels, Bel.	16.91	16.90	16.90½	16.91	16.91½	16.92
Switzerland, Fr.	22.60	22.59	22.59	22.58½	22.61½	22.66
Italy, Lira	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mark	40.07	40.07	40.07	40.06	40.03	40.03
Amsterdam, Guilder ..	54.37	54.36	54.34	54.40	54.44	54.42
Copenhagen, Kr.	21.03½	21.00	20.98	20.95	20.82½	20.83
Oslo, Kr.	23.67½	23.64	23.62	23.58	23.44	23.44
Stockholm, Kr.	24.28	24.24	24.22	24.18	24.02½	24.03
Athens, Dr.	0.86½	0.86½	0.86½	0.86½	0.85½	0.85½
Montreal, Can. \$	99.125	99.125	99.150	99.225	99.210	99.280
Yokohama, Yen	27.48	27.43	27.43	27.36	27.19	27.24
Shanghai, \$	26.05	16.15	16.15	16.25	16.25	16.25
B. Aires, Peso	29.22	29.17	29.15	29.10	28.93	28.95
Rio, Milreis†	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T.

† Official.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben- ture Interest	Amount Available for Distri- bution	Appropriation					Balance Forward	Corresponding Period Last Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Net Profit		Divi- dend	
					Prefce. Amount	Ordinary Amount	Rate					
		£	£	£	£	£	%	£	£	£	%	
Breweries & Distilleries												
Fremfins, Limited	Sept. 30	35,623	98,324	133,947	26,250	31,500	9	40,000	36,197	106,304	10	
Hull Brewery	Sept. 30	60,464	114,960	175,424	9,100	52,500	18½	52,500	61,324	115,290	18½	
Tetley (Joshua) and Son ...	Sept. 30	95,631	235,990	331,621	40,000	126,000	14	75,000	90,621	247,663	14	
Financial Land etc.												
Argentine Southern Land...	June 30	27,593	35,555	63,148	...	33,870	6	...	29,278	60,760	8	
Australian Pastoral.....	June 30	21,012	53,022	74,034	...	50,000	5	4,000	20,034	73,531	5½	
Bovril Australian Estates ...	Jan. 31	Dr. 8,032	8,388	356	...	...	...	...	356	Dr. 2,664	Nil	
Charterhouse Invest. Trust	Nov. 11	36,056	44,995	81,051	24,793	16,312	3	9,913	30,033	103,923	10	
Mutual Finance, Ltd.	Sept. 30	10,597	15,845	26,442	11,893	1,849	5	4,512	8,188	29,365	10	
Pinnars Hall (Austin Friars)	Sept. 30	8,231	12,853	21,084	...	13,096	10	...	7,988	16,022	10	
Town Investments	Sept. 29	39,345	30,951	70,296	16,750	48,960	16	...	4,586	21,273	16	
Hotels, Restaurants, etc.												
Palace and Derby Castle ...	Oct. 31	5,360	17,292	22,652	3,000	11,000	10	3,000	5,652	17,500	10	
Slaters and Bodega.....	Sept. 30	6,236	30,692	36,928	9,062	...	...	20,408	7,458	50,731	5	
Strand Hotel	Sept. 30	10,196	123,000	133,196	77,200	32,200	644	...	23,796	123,000	644	
Iron, Coal & Steel												
Spencer (Walter) & Co.....	Sept. 30	6,755	24,302	31,057	...	7,975	11	12,500	10,582	(a)	(a)	
Stewarts & Lloyds (S. Africa)	June 30	53,693	318,700	372,393	35,500	20,500	10	254,004	62,389	242,897	10	
Rubber												
Brooklands Selangor	June 30	14,584	19,786	34,370	...	8,750	5	10,750	14,870	24,409	12½	
Insulinde (Sumatra)	June 30	2,981	5,379	8,360	...	3,635	3	1,500	3,225	8,984	6	
Rubber Estates of Malaya...	Sept. 30	4,254	23,673	27,927	...	16,000	4	7,000	4,927	32,908	6	
United Temiang (F.M.S.)...	July 31	12,675	18,386	31,061	...	12,500	5	5,650	12,911	23,581	7½	
Motor Cycle & Aviation												
Stewart & Arden	Sept. 30	5,402	56,687	62,089	26,000	18,750	12½	11,750	5,589	55,838	12½	
Trusts												
Cleveland Trust	Sept. 30	1,390	3,461	4,851	...	2,800	7	...	2,051	3,754	7	
Cockburn Trust	Sept. 30	9,931	13,432	23,363	...	13,269	10	...	10,094	14,173	8	
Foreign Railways Invest. Tst.	Oct. 31	43,990	691	44,681	...	...	...	...	44,681	Dr. 907	Nil	
Investors Mortgage Security	Sept. 30	22,947	115,246	138,193	39,930	55,902	10½	20,000	22,361	127,734	10½	
Textiles												
Goodacre (William)	June 30	15,141	Dr. 6,025	9,116	7,025	...	...	...	2,091	36,862	5	
Other Companies												
Birmid Industries	Oct. 31	14,340	77,974	92,314	...	62,078	12½	...	30,236	71,601	12½	
British Emulsifiers	Sept. 30	727	4,063	4,790	...	...	...	1,727	2,963	(a)	(a)	
Caroni, Ltd.	Sept. 30	...	(b) 41,801	41,801	17,400	4,200	1	2,500	17,701	(a)	(a)	
Carr & Co.	Sept. 30	8,423	23,777	32,200	19,503	...	...	6,352	6,348	36,796	2½	
Enfield Rolling Mills	Sept. 30	Dr. 30,890	81,427	50,537	...	...	...	35,761	14,776	63,663	Nil	
Foster, Yates & Thom	Sept. 30	2,268	38,411	40,679	...	10,440	6	27,926	2,313	(a)	(a)	
Hay's Wharf	June 30	94,338	139,836	234,174	89,401	50,000	5	...	94,773	175,201	10	
Hillman Bros.	June 30	...	147,787	147,787	20,620	120,000	20	...	7,167	(a)	(a)	
Madame Tussaud's	Oct. 31	21,183	28,411	49,594	13,200	15,600	20	3,319	17,475	42,477	25	
Pound (John) and Co.	Aug. 31	2,629	7,318	9,947	7,250	...	...	...	2,697	8,651	Nil	
Steel Ceilings	June 30	1,639	7,963	9,602	...	6,250	2½	...	2,385	967	7½	
Sage (Frederick)	Sept. 30	8,172	15,522	23,694	7,222	9,787	5	...	6,685	39,814	6	
Tennamaram Palm Oil	June 30	3,804	12,324	16,128	1,392	6,057	6	2,000	6,679	11,264	7	
Wallpapers (Consolidated)...	June 30	1,810	1,095	2,905	...	...	...	3,062	Dr. 157	1,810	Nil	
Woodhead (Jonas) and Sons	Aug. 31	7,973	29,224	37,197	...	13,050	10	14,500	9,647	23,890	10	
Total Profits, 1938, in £'000s:												
To November 19	No. of Cos.	2,132	80,025	270,741	44,027	141,408	...	77,915	87,416	248,967	...	
To November 26		2,167	80,694	272,558	44,492	142,141	...	78,502	88,117	250,996	...	

† Free of income tax.

(a) No comparable figure.

(b) From November 4, 1937, to September 30, 1938.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS	%	%	%	%	BANKS	%	%	%	%
Dominion Bank	\$2.50*	...	Jan. 3	\$2.50*	First Brit. Fixed Tst.	\$10½d	...	Dec. 21	6½d
Sun Life Assurance	\$10½	\$20	Jan. 2	20½	Harrods (B.A.)	...	...	Dec. 21	1½
TEA & RUBBER					Ind. Coope. & Allsopp	...	...	Dec. 1	27½
Chulsa Tea	3*	...	Dec. 22	5*	Invst. Gen. Fixed Tst.	\$4.48d	...	Nov. 21	7½
Kanna Rubber	...	12½	Dec. 16	15	Kern Oil	...	...	Nov. 21	7½
Lunat Rubber	...	6	Dec. 1	10*	Lactogol	8½	...	...	10
New Sylhet Tea	5*	...	Dec. 1	10*	Manbre and Garton	11½	...	...	15
Ratanui Rubber	...	5	Dec. 1	10*	Do. deferred	13	...	...	79.8
Semban Estates	...	10	Dec. 10	12½	Mann Crossman, etc.	...	...	...	20
MINING					Metals & Minerals Tst.	\$3.4d	...	Nov. 30	14d
Ariston Gold	10*	...	Jan. 12	7½*	Mitchell Shackleton	8½	...	Dec. 12	12½
Medican Corporation	5*	...	Dec. 22	5*	Moss Gear	8½	...	Dec. 12	12½
Rawang Concessions	2½*	...	Dec. 7	...	Nelson Fin. Trust	2½	...	Dec. 14	2½*
South Kalguri Cons.	20*	...	Jan. 13	20*	New Zealand Loan	...	...	Dec. 16	2½
Sulphide Corp. (Pref.)	...	5	Dec. 22	10	Nthn. American Trust	9½	...	Dec. 16	15
INDUSTRIALS					Power Gas	...	...	...	8
Amalgamated Press	3*	...	Dec. 7	5*	Raleigh Cycle Hldgs.	15½	...	...	25
Antigua Sugar	...	5	...	6	Rubber Regentat.	...	...	Dec. 15	15
Arm, etc., Invest.	10½	13	...	13	Scottish Investment	...	...	Dec. 14	4
Associated Breweries	...	...	Jan. 2	3*	Shorps	2½*	...	Dec. 1	2½*
Associated Paper	(a) 9½	(a) 13	...	7½*	Shropshire Electric A	4*	...	Dec. 1	4*
Bristol Aeroplane	7½*	...	...	7½*	Do. B	4*	...	Dec. 1	2½*
Brit. Emp. Compre-	...	...	...	...	Spicers	45*	...	Jan. 11	45*
hensive Tst.	\$1.8d.	...	Dec. 31	20*	Tate & Lyle	1½*	...	...	1½*
British Plaster Board	20*	...	Dec. 15	4½*	Titanine	14½	...	Dec. 7	18½
Cakebread Robey	3*	...	Dec. 15	...	Treasure-Oceanic Tst.	10*	...	Dec. 7	10*
Caroni Sugar	...	1	Dec. 14	...	Wellman Smith Eng.	(a) 5*	...	Dec. 7	2½
Com. Fixed Trust	3.9896 d	...	Dec. 15	...	Westburn Sugar	(a) 11½	...	Dec. 14	5*
Critical Mania	...	...	...	25	Wiggins Teape	31*	...	Dec. 1	...
Edmundson's Electy	a 2½*	...	...	4*	Williamson Mfg.	6½*	...	...	6½*
Field (J. C. & J.)	5*	...	Dec. 13	Nil*					

† Free of Income Tax.

SHORTER COMMENTS

(Continued from page 443)

Stewart and Arden, Ltd.—Net profit for year to September 30, 1938, £56,687, against £55,838. To tax and contingencies reserve, £6,750 (£6,000). Ordinary dividend maintained at 12½ per cent. Carry forward raised from £5,402 to £5,589.

Amalgamated Press, Ltd.—(Acquisition of Kelly's Directories, Ltd.)—Lord Liffie has disposed of his controlling interests in Kelly's Directories, Ltd., to the Amalgamated Press, Ltd., as from December 31st, his deputy chairmanship of Allied Newspapers, Ltd. He is retiring from active business at the end of the year. Amalgamated Press have also acquired Lord Kemsley's holding in Kelly's Directories, and thus now own about 75 per cent. of the ordinary shares. Interim dividend on Amalgamated Press ordinary shares has been reduced from 5 to 3 per cent.

Bah Lias Rubber Estate.—This company is to acquire Bila (Sumatra) Rubber Lands and Wampoe Tobacco and Rubber Estates as from November 1, 1938. If the proposed merger is approved, Bah Lias will have an issue capital of £506,885 in £1 units. For every £2 of Bila Stock £1 of Bah Lias stock will be exchanged and for every £2 of Wampoe £1 of Bah Lias stock. Meetings will be held on December 16.

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M. Daladier's Chance

IF the organised representatives of the French workers have suffered a complete and humiliating defeat they have only themselves to blame. The Confédération Générale du Travail deliberately chose to use the weapon of the general strike against M. Paul Reynaud's decrees; and it has broken in their hands. According to reports, there were no industries on Wednesday where more than half the workers went on strike, and all the essential public services were functioning as usual. The reasons for the failure are not far to seek. In the first place, the unions had a bad case. It is widely realised, even among the workers, that the forty-hour week has been not only a failure so far as concerned, but also a danger to the economic structure of the nation. The general strike is a weapon that has no chance of success unless it is used in a cause that is generally acknowledged to be just; for since it is general, it can be aimed only at the community itself, and the public has difficulty in seeing itself as beneficiary and victim at once. On Wednesday, the leaders of the C.G.T. seem to have shared the general belief that they were fighting in an impossible cause. The strike was called for one day only, which put it more into the class of a political demonstration than of a serious attempt to force the issue; and, even so, the union leaders were at some pains to apologise for it,

and they would have been glad to have been presented with an opportunity for calling it off. As it

half the truth. Labour and Capital both have a contribution to make to French salvation; and it is not in Labour's interest that Capital alone should be called upon to contribute, any more than it is in Capital's interest that a solution should be sought solely at the expense of Labour. Labour advocates restraints on Capital, which would be useless without an increase in working hours. And Capital advocates the reversal of the social laws of 1936, which will have no effect unless French capital is once more poured into French industry.

Wednesday's events thus constitute a defeat for the peculiarly mistaken tactics of the C.G.T., but not for the French worker, whose standard of life is more likely to be raised than lowered as a result. Who was the victor? M. Daladier, doubtless; but what does M. Daladier stand for in these days? If he allows himself to convert his victory into a heresy hunt against "Reds," into an offensive against the workers, or into an invitation to explore the paths of undemocratic government, he will be justifying retrospectively the action of the C.G.T. in calling the strike. Indeed, it is true to say that the outcome of the strike gives him a mandate to put pressure now on the Right. It has been shown beyond doubt that no demagoguery of the Left is going to be allowed to interfere with the working of the Reynaud Plan. But the real threat to the Plan was never to be expected from the Left. There was not very much dispute about the 40-hour week or much doubt (despite the fulminations of the Socialists and the C.G.T.) about what should be done. But on the methods of securing the co-operation of Capital fierce controversy has raged. This controversy, and the doubts about the Plan's chances of success, still remain. The Government still faces its most difficult task, that of resolving the controversies and removing the doubts

that prevail about the proper treatment of Capital. The defeat of the strike does not ensure the success of the Plan. It merely gives it a chance.

Capital can be either cozened or compelled. MM. Daladier and Reynaud have chosen cozening. But they are fully entitled—indeed, they are morally bound—to apply the same tactics towards the Right as the Left. If the co-operation of Capital can be secured by consent, that will be by far the best solution, just as an alteration of the social laws by consent, as can now be seen, would have been far better for all parties than the method of the decree and the strike. But to the capitalist as to the worker it must be clearly said that the interests of the community must in the last resort be paramount. France needs her savings fully as much as she needs her workers' right arms. M. Blum's policy was weakened in 1936 because he was unwilling to use force against even the most clearly anti-social activities of the workers. If M. Daladier is unwilling to take any attitude towards the taxpayer, the rentier, the employer and the capitalist than that of gentle persuasion, he will make himself the prisoner of the extremists of the Right, just as M. Blum was hampered by the extremists of the Left. Wednesday's events have made the real issue clearer than ever: will the moneyed classes of the Republic risk their substance for its salvation? If not, then some French Government will sooner or later send the Garde Mobile out requisitioning once again.

There may be other poets more popular in France to-day as a source of slogans than Goethe. But M. Daladier's attitude to the unions this week has been a clear case of "Und bist du nicht willig, so brauch' ich Gewalt." If he makes that his motto and applies it impartially, there is a great chance for democratic reconstruction before him.

Prison Reform

PUBLIC opinion, that wind which bloweth where it listeth but is nevertheless susceptible to applied influence, has been veering steadily to a point very favourable for Sir Samuel Hoare's new prison Bill. On Tuesday, in the Commons, when the Home Secretary introduced his measure, he reaped a merited reward of approbation from all quarters of the House. Never before have so many people been interested in the life of prisons; never has the public been so well informed; never has it been so ready to receive with sympathy and understanding a reasonable measure of reform. For this surprising change of outlook credit is due to a number of people—to the enthusiasts of the Howard League, and (whatever may be thought of their views) to the conscientious objectors who were able to blow the trumpet of reform without having a criminal record thrown up against them. Let those who welcome the Criminal Justice Bill pay their tribute to the pioneers who blazed the trail.

The most important part of this Bill is the section which deals with young offenders, and if the provisions of that part alone were to become law, a great and beneficent reform would have been brought about. It was here that Sir Samuel's declared desire "to hold fast to the humanities" was most welcomed by the House. It has long been recognised that the worst thing which can happen to a boy or girl is to be sent to prison, and anyone who has seen and talked to a class of boys in a prison such as Wormwood Scrubs must look back on that experience as one of the saddest and most disheartening of his life. The place in the world where a boy is least likely to be reformed is prison, and it needs no special gift of foresight to know that the young prisoners of 1938, with the pores of their souls open to the atmosphere of prison, will be the recidivists of 1950.

At present the law is that no person under seventeen may, save in exceptional circumstances, be sent to prison. But there is always a substantial population of convicted prisoners from seventeen to twenty-one; there are boys and girls on remand waiting trial; and there are boys who, having been sentenced to Borstal in order to avoid the prison atmosphere, hang about (incredible paradox) in the prison atmosphere until Borstal is ready to receive them. The new Bill sets up machinery for dealing with these problems. It provides that no magistrate's court may imprison a person under twenty-one without first finding out all the circumstances, weighing them, and deciding that no method other than imprisonment is suitable. Having come to that decision the Court must "specify the reason in the warrant of commitment." The Bill, in fact, says to the magistrates what examiners say to examinees: State your reasons—a most admirable device for imposing caution on the more dashing type of J.P.

The Bill makes provision for four new types of institutions, which have been given the names of State Remand Homes, Remand Centres, Compulsory Attendance Centres, and Howard Houses. The purpose of the Remand Centres is to provide a place where young persons up to the age of twenty-three can be sent while on remand instead of going to prison. The most interesting of these new institutions are the attendance centres and the Howard Houses. The attendance centres provide for young offenders from seventeen to twenty-three the punishment which we used to know and hate in our school days as being "kept in"; and juvenile centres will perform the same office for offenders aged from twelve to seventeen. While their innocent companions are enjoying the pictures or watching football these young people will go to their centres and submit themselves to "appropriate occupation and instruction"—

and how they will detest it. There will be no glamour about this punishment and, if the scheme can be made to function, it will, we may hope, have solved the problem of an unpleasant discipline free of prison taint.

The Howard Houses will cater for a different type. They will be residential, and offenders between 16 and 21 will live there under conditions of strict discipline but will have regular outside occupation—going to their work in the morning and returning to sleep in the Howard House at night. This represents, in fact, an attempt to deal with young offenders in the spirit of the Wakefield experiment and the open prison, and it is greatly to be hoped that the scheme will prove workable, for it may mark a further stage in the road to that ideal system which will be rid of the constricting, soul-killing atmosphere of the fortress gaol.

When it comes to the adult offender, the Bill is less revolutionary, consisting largely of provisions to tidy up the present system—to clear away what Sir Samuel called on Tuesday "the stage properties of Victorian melodrama." It abolishes the distinction between hard labour and the second division, an anachronism that has long ceased to mean anything. It does away with penal servitude and substitutes for ticket-of-leave a device by which the discharged prisoner must keep in touch with an appointed society (presumably a discharged prisoners' aid society) and must report at a police station only if he fails to keep the society informed of his address. The arrangements for preventive detention are altered, and for any one of eight scheduled crimes the Bill authorises, in certain circumstances, a sentence of ten years' detention.

Canada in Recession and Revival

THE 1937-38 business recession in Canada was by no means as intense as that in the United States, and the revival which commenced in the United States last June now appears to be getting underway at last in Canada. It may be said at once that Canadian business was not supported by "pump-priming" during the recession: the net debt of the Dominion Government rose by only \$14 millions during the year ended March 31, 1938, and the recent cash deficits of provinces and municipalities have, on the whole, been similarly moderate. What explanation, then, can be given for Canada's escape from the severity of the American recession?

Actually, only a part of the Canadian economy is directly affected by changes in American business. The influence of American security markets on Canadian stock and bond prices is, of course, pronounced. At least one-third of the total value of stock trading on both the Montreal and Toronto exchanges is done in shares also listed on American markets; and financial sentiment in Canada is conditioned by the huge volume of Canadian trading in American securities. But the direct dependence of industry is certainly not so close. It is confined to Canadian exports to the United States, which amount to between 10 per cent. and 15 per cent. of Canada's national income, and, if invisible exports are included, to American tourist expenditure in Canada as well, which makes up an additional 5 per cent. to 10 per cent. The indirect effects on Canada of economic fluctuations in the United States consist, first, in the effect of, say, a stock market slump on business expectations and on purchases of consumers' durable goods; secondly, in the effect on the rest of the Canadian economy of, say, a slump in the newsprint industry, which is utterly dependent on American demand; and, thirdly, in the general repercussions of an American depression on world demand for Canadian exports. In a long, severe depression these indirect effects are bound to be far-reaching, but in

Whatever merit there may be in these new regulations for adult offenders it would be a mistake to suppose that the Bill touches the core of the problem, which cannot be solved by legislation, but only by the expenditure of money on the prisons themselves. What is needed is a chain of prisons in which the men can be classified on lines far more careful, far more scientific, than those which are at present followed; in which they can be subjected to the treatment and the discipline suitable to their individual offences and needs; in which the influence of the governor, the deputy-governor and the chaplain can be brought to bear directly on every man who comes inside the gates; in which the sex pervert and the defaulting financier and the young burglar and the bigamist and the sneak thief do not as now go through the same mill side by side; in which there will never be at one time more than 150 or 200 men; in which the high cell window and the small exercise ground will be unknown. At present it is an open question whether a vast caravanserai like Wormwood Scrubs or the small provincial prison is the more unsatisfactory. What is certain is that reforming influences will never give of their best until the segregation of different types is made complete and until it is no longer possible to find in the same prison and working in the same shop, men on remand, men serving long sentences for murder, first offenders and old lags. The country, though it may not know it, is served to-day by governors and deputy-governors who are deeply and scientifically interested in their work, but while our present prisons stand they are skilled workmen essaying the most difficult of jobs with a set of worn-out tools.

a short depression, such as the latest one, they can be offset by internal policy or by sustained foreign (i.e. non-United States) demand.

The chart overleaf, although based on statistics only roughly comparable, gives a bird's-eye view of the current recession in the two countries. American business began to decline in the summer of 1937, Canadian business only in November. That the Canadian index of production dropped very sharply from December to January is due largely to the fact that the newsprint industry was filling large orders at the 1937 price until the very end of last year; with the advent of the New Year and a higher price, production fell by 23 per cent. in one month. The decline after January was partly due to a further drop in newsprint output and partly to a sharp drop in automobile production resulting from lower sales. The demand for industrial equipment, too, was diminished by the American recession; the Stock Exchange slump led to changes in inventory policy and in plans for capital expenditure. But Canada, the chart suggests, was much less hard hit than her neighbour.

The divergence in the chart is too great to be explained by differences in the composition of the two indices; it is obvious that the Canadian recession was much the milder of the two. The factors responsible for this are to be found in the "independent" sector of the Canadian economy. For instance, the now very important mining industry has remained active. Gold output has expanded. Exports of base metals have continued at a high level, since increased exports to Europe and Japan have offset the reduced demand (mainly for nickel) from the United States. And, although the 1937 drought reduced Western agricultural income and railroad revenues from wheat car-loadings, the net value of all agricultural production in 1937 was only 1½ per cent. lower than in 1936.

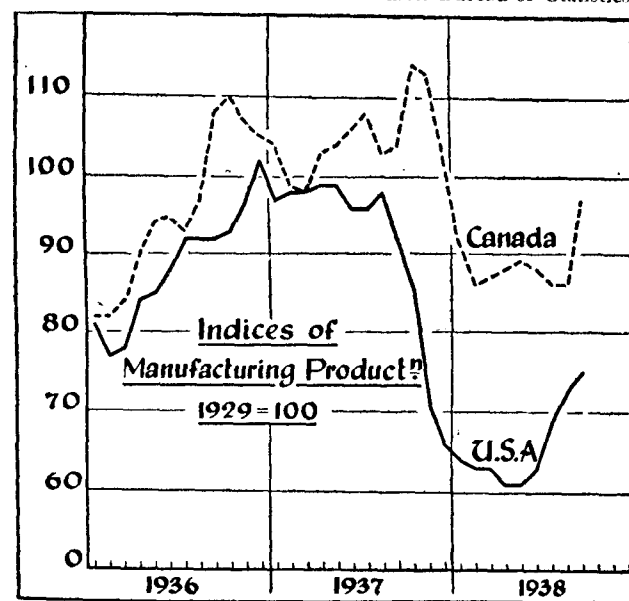
Monetary conditions and the state of business confidence both played a part. The policy of the Bank of

Canada throughout the period has been to maintain bank cash, and to support the Government bond market; and money has remained easy. It is more difficult to determine the influence of business confidence. But this much at least can be said: big business in Canada controls a larger share of the total production, and is far more tied-up by interlocking directorates than big business in the United States. Hence, business confidence (or its opposite) tends to be even more homogeneous in Canada than over the border. Since 1935 business in Canada has enjoyed a *laissez-faire* Federal Government; while in the two industrial provinces the Governments of Mr Duplessis in Quebec and of Mr Hepburn in Ontario (since the episode of the power contracts) have both been highly conservative. Consequently, confidence about Canada among Canadian business men has been high.

What of the future? Briefly, Canada's immediate economic prospects look as fair as her more distant ones look less attractive. The immediate outlook is governed by several favourable signs. Inasmuch as the American revival promises to be vigorous until at least the spring of 1939, we can expect a continued revival in newsprint, nickel and other Canadian exports to the United States. Lower prices

PRODUCTION 1936-38

The United States index is that of the Federal Reserve Board; the Canadian index that of the Dominion Bureau of Statistics.



and considerable changes in style will probably create a strong demand for the 1939 automobile models. Intensification of the world armaments race will increase the foreign demand for base metals; and, specifically, Canadian industry is expecting a steady increase in munition orders from Great Britain. It will be some time, however, before Canadian production of munitions becomes at all substantial; and profits for new contracts are likely to be strictly limited as a result of the present Federal judicial inquiry into the contract for the production of Bren machine-guns. Finally, in spite of the drastic fall in wheat prices, the national income derived from wheat exports will be larger in the present season than for some years past. It is true that, with a probable prairie commercial wheat crop of 300 million bushels, the Dominion Government stands to lose \$3 millions for each cent that the world price falls below the minimum price (for No. 1 wheat) of 80 cents, and it is not likely that prices will rise much above their present level of under 60 cents. But this may be partly offset by a lower deficit on the Canadian National Railway; and Eastern Canada will benefit from larger orders for railroad and agricultural equipment and from larger mail order sales.

Much of the ground lost during the recession, therefore, may well be regained during the next six months. But

there are certain fundamental conditions affecting Canadian economy which it is dangerous to forget. In the first place, Canada is still primarily dependent on foreign demand for wheat and flour, pulp and paper, base metals and other products, all of which fluctuate violently in supply, demand and price. Wheat is undoubtedly the Canadian staple whose future must be viewed with the gravest concern. With the demand for wheat by Continental Europe still heavily reduced and wheat acreage in exporting countries continuing at a high level, any "normal" yield in the exporting countries is bound to result in a burdensome world carry-over. This year's Canadian crop was affected by rust. Next year, if the new rust-resistant wheats—Thatcher, Renown and Apex—are widely used, and if rainfall is again adequate, the Western crop may well exceed 400 million bushels. Great Britain's preference for Empire wheat never was a very valuable protection for Canada, for competition is merely intensified in extra-Empire markets and the price situation is unaffected. In any case, the preference is now to be abolished.

Again, aggravating the stresses and strains resulting from volatile industries, there are Canada's high overhead costs. There is the heavy fixed-interest debt—both Governmental and private. There is the cost to the primary producers of heavily protected secondary industries. There are heavy transport costs. And there is the cost of a cumbersome system of Federal and local government due both to geography and to history.

Indeed, Canadian politics during the 1930's have seen an increasingly bitter struggle between conflicting economic interests—although the issues have usually been confused. It is important to bear in mind, for example, that Mr Aberhart does not simply represent Social Credit but also agrarian revolt against Eastern protected industry and Eastern finance. In return, many in the East regard the West as a dependant, constantly clamouring for more support. In the East, the balance of power between industries has been upset by the rise of non-ferrous mining, an industry which draws no benefit from the protective tariff and is very anxious to keep down its labour and material costs. The labour movement received an impetus from the rise of the Committee for Industrial Organisation in the States, and the recent affiliation of the United Mine Workers' locals in Nova Scotia with the Co-operative Commonwealth Federation, the Federal "third party," is not an isolated example of Canadian labour's growing political consciousness. Conversely, the fear of a powerful labour movement has led to tacit support in Quebec for Mr Duplessis's opposition to international (i.e. Canadian-American) unions and for his anti-Communist campaign. It has also led, to a lesser extent, to tacit support for the still numerically small national Fascist party, led by Mr Adrien Arcand.

All these conflicts of interest have been more or less involved in the constitutional struggles between the Dominion, the Provinces, and the municipalities. The Rowell Commission on Dominion-Provincial Relations has inevitably been confronted by them. They have led to widening divisions within both the Liberal and the Conservative parties. During his present regime, Mr Mackenzie King has once again displayed his consummate skill in obtaining compromises, delaying crises and holding tensions. But another long depression is almost sure to create both local and national political crises. The American magazine *Fortune* recently delivered judgment on Canada in these words:—

Under her legends and her *laissez-faire*, her prosperous statistics and her suave business clubs, her undiscovered mines and her \$6,800,000,000 worth of imported capital, she conceals one of the most precarious economies in the world.

An exaggeration, without doubt. But Canada and her friends would be foolish to deny or ignore its foundation of truth.

Cheap Books

THE book trade, like farming, is always supposed to be on its last legs. Authors, publishers and booksellers have said so ever since the expensive three-decker Victorian novel ceased to sell. Nowadays, when Book Clubs offer their members new books at half a crown, instead of seven and sixpence, and sixpenny reprints are all the rage, the lament is louder than ever. Books, they say, are becoming too cheap for bookmen to earn a living.

The latest developments have indeed been sudden and sweeping. Eight clubs of various sorts and creeds, choosing books for their members and supplying them at cut prices, have as many as 150,000 members between them. And some 200 Penguin and Pelican sixpennies, issued in the last three years, have each sold between 40,000 and 150,000 copies in their first year after publication.* The enterprise of Mr Gollancz, whose Left Book Club comprises over a third of all the members of Book Clubs, and of Mr Allen Lane, who launched the Penguins in 1935 and the Pelicans last year, has revolutionised the book business.

It is, of course, true that books have been becoming cheaper for fifty years. Equally, cheap reprints (and the great majority of Penguins and Pelicans is reprinted matter) have been part and parcel of publishing for a very long time. In fact, it is the extent and *tempo* of recent changes, rather than their direction, which is questioned by the critics, who accuse Messrs Gollancz and Lane of undermining prevailing book values, creating a cult of cheapness among readers and whittling away the earnings of authors, publishers and booksellers. The trade's view was simply stated last month in the eighth J. M. Dent Memorial lecture (organised by Mr Hugh Dent, whose death recently was a sad loss to the world of books); Mr Harold Raymond said: "The stability of our trade and a reasonable remuneration for author, publisher and bookseller can only be preserved by maintaining a fairly high initial price for general literature, and avoiding too rapid and too steep a reduction in price in a subsequent cheap edition."† The initial price is ordinarily seven and sixpence; and cheap editions follow gradually, first, say, at five shillings, then at three and sixpence, and then two shillings. Mr Gollancz and his lesser *confrères* offer new books at a third of the accepted price; Mr Lane reprints in handsome form at a mere sixpence.

The non-economic arguments in favour of the pioneers are strong. Book production is a public service as well as a business, and seven and sixpence is far beyond the pockets of most purchasers. Indeed, three-and-sixpenny reprints cannot be afforded by the majority of working people, who would boggle at a florin or even a shilling. It is this economic helplessness which has made a majority of the population regard book-buying as an esoteric pursuit and bookshops as places of privilege for the select few. To bring serious books, well-printed books and genuine literature to homes where cheap ephemeral trash has been the staple diet is a notable step.

But is it worth while, in terms of pounds, shillings and pence? Clearly, Messrs Gollancz and Lane, for their part, have found it profitable so far. Other branches of the trade have not fared so well; magazines have been hard hit, as they were earlier by the twopenny libraries; best sellers' reprints at four or seven times sixpence have suffered; and expensive books on politics and economics have found the competition of Left Book Club choices hard to bear. Are the cheap books and reprints simply diverting custom from

more costly books in general? If they are, then the business of publishing, already an ill-organised congestion of avid competitors, is in grave danger. In default of facts and figures—statistics about the book business are scandalously lacking—we can only guess: but critics like Mrs Cole and publishers like Mr Raymond combine to confirm the impression gained casually by meeting Book Club members and seeing Penguins bought in general stores, shops and tobacconists, namely, that it is a largely new public which the heretical publishers have plumbed. People who never thought of *buying* books now join Book Clubs. People who were diffident about going into booksellers now buy Penguins from stalls and counters. People who could not afford books before now can. And, which is very important indeed, many people buy Penguins *in addition* to other books, not instead of them.

If this is so, the new departures are a boon to the trade, not a bane. The present practice of pricing books and reprints is founded on the view that demand for books is inelastic: that the possible purchasers or *purchases* of books at any price is strictly limited. The policy stated by Mr Raymond of a high initial price and a slow declension is designed to play a rigidly defined market most profitably. But if the demand for books can be widely increased, the whole outlook changes. The crux of the book business, in fact, is the quest for means to increase the demand for books, to break down the barrier created by education, social cleavage, habit and divergent purchasing powers between the few who can buy books and the many who cannot—or to make those who can buy books buy more. If Mr Gollancz's 50,000 perivert politicians are fresh grist to the mill; if a great part of Mr Lane's 50,000, 100,000 or 150,000 sales is new business; the ululations of an apprehensive trade are premature. And there is no reason *a priori* why cheap books should kill expensive ones. Cheap fashions, cheap motor cars and cheap furniture have not destroyed the demand for their rarer and more costly counterparts.

Nevertheless, plausible guesswork is not enough ground for striking a balance between new and old ways of selling books. The matter can be put more concretely. On the basis of seven and sixpence a copy and a royalty of 20-25 per cent. a new author, Mrs Cole's book suggests, can expect to make between £25 and £100 if his book sells from 1,000 to 4,000 copies. If no more than 4,000 at the most can be sold (and only the very few can command five-figure sales, and they reap the reward of rare favour) it would be ruinous for all concerned to sell initially at less than seven and six. That sort of calculation is the basis of present pricing: seven and six (or, for outsizes, ten and six or even fifteen shillings) leaves a fair share for each of the trinity of author, publisher and bookseller, even within the restricted circle of practising book-buyers; and, commonly, four-fifths of the proceeds come from sales at the initial price and only one-fifth from reprints. Seven and sixpence for as long as possible, with a graded marking-down into cheap editions when the turnover slows down seriously seems, under these conditions, just common sense.

But what if the magic circle of purchasers can be enlarged? The Right Book Club offers a guaranteed 25,000 buyers for its choices; the Book Club the same number; the Left Book Club twice as many. The *rationale* for an initial price of seven and sixpence flies away at once: the makers of the book can all reap their reward from a *lower* price. It has always been clear in the trade that chief among the *desiderata* of bookmen was more purchasers—or, what comes to the same thing, more *purchases*. The National Book Council and the annual Book Fair are co-operative means to this end. The trick of cheapness had

* "Books and the People." By Margaret Cole. Hogarth Press. 48 pages. 1s. 6d.—by which much of this discussion has been inspired.

† "Publishing and Bookselling." By Harold Raymond. Dent. 54 pages. 1s. 6d.

often been tried in past years, but never very successfully. The Book Society by guaranteeing sales of its chosen books to 8,000 members without cutting prices showed the way to the Book Clubs who did. The Penguins and Pelicans succeeded, where decades of sixpennies had failed, for several reasons: they are better produced (costing two-pence each to produce against a gross profit of the same sum), and of better quality; they are more recently written works than earlier cheap reprints; and, very important, they are distributed with splendid efficiency and economy through all sorts of outlets all over the world. For the first time the sixpenny has tapped a sufficiently large sure market to make cheapness worth while. Says Mr Raymond in effect: "When the sale of an eight-year-old novel has dwindled to 500 copies a year at 3s. 6d., bringing in £8 to the author, he will jump at a five- or six-figure Penguin sale, bringing in £30-£50." But it still is more profitable for an author to take a twenty-five per cent. royalty from the sale of one seven and sixpenny book than to take four per cent. from the sale of ninety-three sixpennies.

Topics of the Week

The Railways and the Transport Problem.—The railway companies are carrying on an extensive programme of propaganda, both by advertisements in the newspapers and by posters in their own stations, in favour of their request to be relieved of all restrictions on their competitive freedom. It is too early yet to estimate the nature of the public response. To most members of the public, the problem is so new that they have formed no opinion on it. Among transport experts, those who are not committed to one side or the other of the controversy have shown themselves, in general, to be aware of the justice, at least, of the railways' claim, though many doubts have been expressed about the wisdom, in the public interest, of granting the railways' request. The road transport industry, rather than oppose a case which has such a strong grounding in equity, has decided to press for the removal of its own restrictions, such as the licensing provisions which hinder its expansion and what it regards as excessive taxation. What Parliament will do cannot yet be guessed, and the Minister of Transport is only beginning his examination of the claim. The great virtue of the action of the four railway companies is that it has forced the question of transport co-ordination to the front of public discussion. But the problem is so vast and complex that an extensive process of public education on its essentials will have to be undertaken before there will be any chance of carrying a really sweeping measure through Parliament. That some such sweeping measure will eventually be necessary has now been made clear; and the Government will have to decide whether the railways are to spend the interval waiting for it with or without the present restrictions on their freedom of action.

It is singularly appropriate that the report of the Committee, under the chairmanship of Sir William McIntock, appointed in February last by the Government of Northern Ireland to enquire into the causes of the very imperfect success achieved in its first three years by the Northern Ireland Road Transport Board should appear at this moment. The Northern Ireland Board (which was the subject of two articles in *The Economist* of January 29 and February 5, 1938) is the most ambitious experiment in full transport co-ordination that has been tried in any British country. The Board was given a monopoly of the carriage for hire by road not only of passengers but also of goods (subject to some exceptions, of which the passenger transport undertaking of the Belfast Corporation is the most important). In its first three years, the Board has piled up a deficiency on revenue account that is estimated to amount to £464,000. These

The new sixpennies have not yet struck at the basis of book pricing. They have merely short-circuited the process of reprinting. But only the threshold has been crossed so far: Penguins and Pelicans are more and more up to date; several now are newly-written. And competition will hasten this tendency. If the new public can be held and swollen to fresh dimensions, the book trade will indeed be in danger of *bouleversement*. Initial prices will fall sharply. But, until Mr Gollancz's public and Mr Lane's public are available *in toto* for the mass of publishers and authors, present prices and practices will rule. The well-to-do 4,000 will pay 7s. 6d.; the politically-conscious 50,000 will pay 2s. 6d.; tens of thousands in trains, trams and tubes, including both the present book-buyers and others, will pay sixpence. The day of cheap books for all, dream alike of enlightened bookmen and democrats, has not yet dawned. But it has been brought much nearer: the 100,000 purchasers of Penguins, who represent in number a market of a size otherwise reached only by best-sellers, may yet become half a million habitual book-buyers; then indeed will the book trade take wings.

losses have been incurred, in the main, in goods traffic. The Committee consider that too much was paid by the Board for the transfer of small goods undertakings, while the Board has not secured the transport business of the undertakings acquired, whose proprietors have, in many cases, continued in business in evasion or defiance of the Act. Unfair competition with the Board under the cover of the exceptions to the Act, and increased use of their own vehicles by merchants and traders, have also cut into the Board's resources. Whatever may have been at fault in the Northern Ireland Road Transport Board, it is evidently not, in the Committee's opinion, the principle of amalgamation, for their major recommendations would carry the principle still further into effect. They recommend that the railways of the Province should be amalgamated with the Road Transport Board. An exception has to be made, reluctantly, for the Great Northern Railway, which also operates in Eire, but the new transport monopoly and the Great Northern Railway are to pool their receipts. The Belfast Corporation undertaking is also to be merged as soon as the Board is on a paying basis. The operation of goods vehicles by persons other than the Board is to be very severely restricted and controlled. The complete prohibition of the carriage of goods by traders in their own vehicles is rejected. But they are to apply for a licence, which will not be granted as of right, and the licence holder will be compelled to prove that he is not carrying on an illicit haulage business; he will also have to pay the standard rate of wages. The British railway companies will also be interested in the provision that the new monopoly is to be exempted for five years from the requirement for the publication of fares and for the avoidance of unfair preference. These recommendations are very drastic, and are unlikely to be popular. If they are carried out, they will put Northern Ireland still further in advance of other experimenters in the field of transport co-ordination. The move of the railways in Great Britain has added new interest to the further progress of the experiment.

Financing the Deficit.—The Chancellor of the Exchequer responded on Tuesday to an invitation to give, with a view to allaying anxiety, "some indication of the methods by which he proposed to finance the re-armament programme during the forthcoming year." The gist of Sir John's Simon's statement was that the borrowing limit of £400 millions laid down in the Defence Loans Act of 1936 is to be increased. Of the original £400 millions some £220 millions will remain at the end of the present financial

year. This year's borrowing will be about £115 millions. The country has already been warned that the Air Estimates alone will show an increase of £80 millions, and further increases can presumably be expected on the Army and Navy Estimates and for Air Raid Precautions and similar expenditure. Apart altogether from civil expenditure, next year's prospective deficit may thus be more than £220 millions. It does not, of course, follow that nothing can or will be raised from extra taxation. But the yields of most taxes will be starting to fall next year, and an attempt to impose really drastic increases in the rates of tax, such as would be needed to cover a large part of the deficit, would, at this stage of the trade cycle, be economically unwise as well as politically unpopular. It seems likely, then, that there will be very little of the original £400 millions left by March 31, 1940. The Chancellor's announcement has been, if not popular, at least less unpopular than would have been an expression of determination to raise the largest possible amount by taxation. But no one who looks more than a few months ahead can rejoice in the prospect of such very heavy additions to the National Debt—and in such an unproductive cause.

A British Expeditionary Force?—It was widely reported at the time of Mr Chamberlain's visit to Paris last week that one of the subjects of discussion between the French and British Ministers related to the possibility of an undertaking by Britain to support France, in case of war, by a large Continental expeditionary force. The present explicit policy is that a British expeditionary force, if one were sent at all, would be of no more than "token" proportions, and Mr Chamberlain has declared that no fresh obligations have been assumed. Controversy on this topic has also been raging in the Press, and nothing could more clearly illustrate the extent to which many Englishmen are still living in Cloud-Cuckoo Land than the nature of the arguments put forward. The favourite reason urged against a large Expeditionary Force is that the large army of the last war led to intolerable casualties! On the same basis it might be argued that we should not have lost nearly as many ships at Jutland if we had confined the Navy to a few gunboats and a "token" cruiser. If the only question at issue were whether it will be pleasant or convenient for this country to raise and equip a sizeable army now and to suffer heavy casualty lists in military operations on the Continent if war breaks out, there would be nothing to argue about. But surely the question is becoming very urgent whether something of the sort will not be necessary. If a war should break out in which Germany and Italy were on one side and Britain and France on the other, could France defend her frontiers without the help of a British army? If it is the confident opinion of the General Staffs that she could, well and good. If she could not, then the question arises for us. Shall we face the expense and the inconvenience of arming to support France on land? Or shall we admit that France and Britain cannot defend themselves? And we shall be foolish if we make the mistake of assuming that the two countries can be considered in any other way than as a unit. For if the French frontiers cannot be held, then either we shall have hostile troops at the Channel ports, or else France will be compelled to make her own terms and leave us, before or during the war, in a state of most inglorious isolation. These, stated crudely, are the essentials of the problem. It is to be hoped that they were discussed at Paris in realistic terms, and not merely in terms of what could safely be confessed to the people at the moment. We cannot defend ourselves with one hand in our pocket, merely because it is more comfortable there.

Axes and Triangles.—Two official visits across the front between the Axis and the Democracies are now pending. Herr von Ribbentrop is to go to Paris for the signature of a Franco-German Pact—and he would have

gone, signed, and come back again, already by this time if his visit had not been postponed on account of Wednesday's strike. The Franco-German Pact, which is now in draft, is said to follow in a general way the pattern of the Chamberlain-Hitler Pact that was signed at Munich in September, but it would appear to be less vague, if there is truth in the report that it covers three definite points: first, a declaration that peaceful and neighbourly relations between France and Germany are of importance for the consolidation of Europe and for the maintenance of the peace of the world; second, a declaration that the present Franco-German frontier is accepted by both parties as permanent; and, third, an undertaking to consult together on difficulties and disputes that are of concern to both parties. This third point is evidently the most difficult, as well as the most crucial, for it touches the question of France's obligations—whether in virtue of the Covenant of the League or in consequence of treaties made within the framework of the Covenant—to come to the assistance of third parties. As for Mr Chamberlain's forthcoming visit to Rome, it appears to have arisen out of an invitation that was extended to the Prime Minister by Signor Mussolini during the meeting at Munich. It is now announced that a visit from the Prime Minister some time during the first half of January would be welcome "in principle" to Signor Mussolini. In spite of this cryptic phrase, the date of this Anglo-Italian meeting now seems rather less uncertain than the agenda. The obvious subject for a heart-to-heart Anglo-Italian talk is Spain, in regard to which there has really been no change since the days before Mr Eden's resignation. Signor Mussolini is still, apparently, determined to make General Franco win, while the British Government are still unwilling to grant General Franco belligerent rights until he has carried out his part of the British plan by a proportionate disbandment of the foreign troops in his service. Spain is thus a burning question, but it is possibly one that is too hot to be handled. Perhaps Mr Chamberlain is going to ask Signor Mussolini to show less hostility towards France. And perhaps Signor Mussolini is going to tell Mr Chamberlain that Italy has no great desire to convert the Italo-German-Japanese Anti-Comintern Pact into a three-Power military alliance. This is, after all, a question that may concern Mr Chamberlain no less closely than M. Litvinov.

The initiative for the Rome visit plainly came from London, and Signor Mussolini is at some pains to emphasise his loyalty to the Axis. Count Ciano's speech to the Fascist Chamber on Wednesday revealed in very great detail the diplomatic support that Italy gave to Germany in August and September and the military support she was ready to give if the planned German invasion of

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Czechoslovakia led to a general war "on ideological lines." The conclusion of Count Ciano's speech was given a very sinister turn by organised shouts from his audience of "Tunisia," "Corsica" and "Nice." Franco-phobe sentiment is being deliberately whipped up in Italy. Mr Chamberlain will be wise to make it very clear that if Great Britain has to choose between France and Italy, there can be no question which is the more valuable partner. This matter of her relations with France is, indeed, the touchstone of Italy's sincerity in the pursuit of appeasement. Whatever else appeasement may mean, it cannot be reconciled with aggressive designs against the territory of a Great Power.

* * *

Poland, Germany and Russia.—No country in Europe was more immediately and directly menaced as a result of the events of September than Poland—and the danger has not been lessened by the rapid development of Germany's plans for using Sub-Carpathian Ruthenia as a base for pan-Ukrainian propaganda. Poland's first counter-move was to try to secure a common frontier with Hungary by forcing a revision of the Munich award. She tried to bring about the re-annexation to Hungary of the whole of Ruthenia. But this, in spite of Italy's discreet support of the Polish-Hungarian move, seems now definitely to have miscarried. German diplomatic pressure on Hungary has produced a domestic political crisis at Budapest, and in consequence Hungary has now acquiesced, apparently, in the Munich award as defined in the recent German-Italian arbitration. This having failed, the Poles have now taken the more momentous new departure of attempting a *rapprochement* with Russia. Last week-end it was announced simultaneously in both countries that conversations in Moscow between M. Litvinov and the Polish Ambassador had resulted in an agreement on three points. All existing Polish-Russian agreements are to remain in full force—particularly the non-aggression pact of 1932, which has already been prolonged until 1945. There is to be an increase of Polish-Russian trade. And there is to be a "positive settlement" of all questions arising out of treaty relations and recent frontier incidents. What are the political implications of this *communiqué*? Presumably it means that Poland will not join the Anti-Comintern Pact. But then, would she ever have been willing to take an active part in a concerted attack on Russia by the Rome-Berlin-Tokyo triangle? She almost certainly would never willingly have allowed German armies to invade Russia across Polish territory. Conversely, it seems unlikely that, even now, she would dream of inviting Russian armies into Poland in order to help in warding off a German attack on Poland herself. If Poland is to preserve her independence, she must keep both Russian and German trespassers at arm's length. Her difficulty lies in holding either of her gigantic neighbours at

bay without throwing herself into the arms of the other. At the same time, she has links with both of them. A common fear of Ukrainian irredentism binds her to Russia, a common fear of Bolshevism to Germany. Which of these two fears is going to prove the stronger? The answer to this question will give the key to Poland's future foreign policy.

* * *

The Milk Bill Sabotaged.—Protest against the Milk Bill announced last week has grown *crescendo*, and on Thursday it was postponed *sine die*. Strong criticism of the proposed Milk Commission's power to supervise and regulate the sale of milk has come from the National Farmers' Union, the Milk Marketing Boards and a powerful group of Conservative members of Parliament; and vague and not very well-informed alarm about the spread of State interference has been voiced by a section of the daily Press and echoed in such individual utterances as the sermon of a Buckinghamshire parson last Sunday which denounced the Bill as contrary to Christian ethics. For the most part the critics have been barking up the wrong tree. If we assume, as we must, that the prime objective of milk policy should be to secure a plentiful supply of cheap and clean milk for all consumers, the withdrawn Bill is at fault, not because the authority given to the Milk Commission is too great, but rather because it is not great enough. It is common ground that the retail price of milk is too high in part at least because of the wasteful and expensive competition in delivery rounds and extra retail services which is the result of minimum retail margins being fixed by the Marketing Boards. But the Commission's power to rationalise retailing in the interests of consumers is largely confined to the registration of no more than ten schemes put forward by majority groups of local distributors. The effect of the Bill upon distribution therefore would very likely be simply to confirm certain existing local monopolies rather than, as the critics suggest, to create a new bureaucratic tyranny through the Commission itself. And, in any case, the Bashaws of Thames House are scarcely well placed to complain about bureaucratic monopoly, since the Marketing Boards themselves represent producers' monopolies. Admittedly, the drafted Bill gives the Commission authority to regulate the delivery and grading of retailed milk, but this represents no more than the power to ensure orderly and reliable trading which inheres in most local bye-laws. It is true that any thorough-going plan to rationalise milk distribution would probably hit small producer-retailers hard, because there are too many retail units for efficiency, and many of them are too small; but the Bill envisages no such plan. The disquieting feature about the opposition to the Government's proposals is not so much the critics' dislike of the Bill, which, as it stands, is admittedly an unsatisfactory measure, but rather their attack upon principles of regulation which, although not in fact made operative by the Bill, should have been included in the public interest. Again an industry is asking for the right, as the result of sectional pressure, to legislate for itself in its own interests rather than those of the community at large. If they win we shall see a Government which, in the matters of defence and foreign policy, ignores the views of nearly half the nation, capitulating before a tiny but very vocal minority on an important issue of public health and public nutrition.

* * *

A Voluntary National Register.—The Government's eagerly awaited pronouncement on the question of national service proved in the event to be pitched in the same key as the remainder of their policy for defence. They have changed their minds under pressure but not very drastically. On Thursday, Sir John Anderson stated that a register of men and women in readiness for service in an emergency would be set up forthwith. This will be quite voluntary, as the Government still consider that compulsion to enrol and train will not be necessary until an emergency actually arises. There will be five registers for which voluntary enrolment will be called for: one for the auxiliary and civil defence services and others for reserves

for these services and unallocated reserves; one for persons with special technical and professional qualifications, and another for workers in vital occupations. Twenty million copies of a handbook describing the various services available will be distributed by mid-January; a nation-wide recruitment campaign will be conducted; and simple courses of instruction about the general problems of civil defence will be organised. The Government has given an ell where its critics clamoured for something more like a mile. It is all-important that the authorities should know the numbers and capacities of all the nation's man-power; and that the population should know the needs they are to supply. To a great degree the voluntary register and enrolment drive will certainly serve these requirements. But it is most important of all that the whole of the personnel desired for the country's security should be put in training as soon as possible; and this cannot be surely accomplished without some measure of the compulsion from which the Government still flinches.

* * *

Parliament and Exports.—The fiscal policy adopted during the last seven years has considerably swollen the importance of domestic markets for British industry, and the most striking expansion has been in trades supplying home needs. But the basic pattern of our economy has not been altered; the dependence of our staple trades upon overseas sales is pointed by the sad plight of Lancashire and the Special Areas; and rumours of war have drawn renewed attention to Britain's necessary reliance upon foreign trade for the greater part of her food and raw materials. In Parliament on Wednesday some apprehension was voiced about the outlook for British exports, whose volume has been diminished by more than one-sixth since 1929. Exports of cotton manufactures fell in value from £145 millions in 1928 to £68 millions last year (although the value of cotton exports to British Colonies has doubled in five years), and up to the end of October this year their volume was only two-thirds of the quantity sold abroad in the first ten months of 1937. Our surplus of merchandise imports over exports has lately grown; its increase in the early months of this year caused somewhat needless alarm in some quarters; and the reversal of this trend in September was in part due to the slowing-up of inward shipments due to the dislocating effects of the crisis. In general, however, the position is by no means so bad as some critics suggest. The chief cause of the decline in the volume of British exports since 1929 has been the growing disparity between import and export prices: the terms of trade have moved mainly in our favour, and there has been no appreciable displacement of British goods in world markets. Take out cotton from the accounts and the fall in exports is not dismaying. Lancashire is a special case; inexorably other countries, and especially Japan, now manufacture textile goods; and one significant token of this trend, cited on Wednesday, has been the export from this country in the last decade of textile machinery to the value of £75 millions, of which over £22 millions' worth went to British India alone.

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Export Policy.—It is true that the National Government has not been over-agile in preparing policy in concert with other countries to free world trade; a fondness for the most-favoured-nation clause in its strictest form has been an obstacle to the formation of lower tariff groups, and the consequences of the Ottawa Agreements, which affect only half our exports, have not been conducive to the clearing of trade channels. Yet agreements with Scandinavian countries, for instance, have increased the value of our exports, especially of cotton and coal, by £125 millions in six years; and, as the Commons were very ready to say on Wednesday, the new Anglo-American Trade Pact represents a signal success for the policy of loosening world trade. The immediate bogey for the British exporter, who has nowadays to battle in most countries against a serried array of restrictive devices, is Germany. German subsidised

exports are known in every market, including our own; and Germany's barter and clearing agreements, reinforced by bizarre methods of currency manipulation and blocked debts, have captured the markets of South-Eastern Europe and lately brought Poland closer to the Third Reich in commerce. Hitherto it has seemed that considerations of higher diplomacy precluded any riposte from Britain; King Carol's recent visit to London has so far borne no commercial fruit. But, speaking for the Government on Wednesday, Mr R. S. Hudson was not so complaisant. He fore-shadowed no direct reply by the British Government to Germany's policy of offering (if not actually paying) prices well above world levels to win markets; but he spoke of organising British industries to speak as units to their opposite numbers in the Reich and to threaten retaliation unless unfair competition ceased. Whether it is wise, in the public interest, to hand over the weapon of bargaining to industrial monopolies is by no means certain, though it is undeniable that the unorganised state of, say, our cotton industry is a disadvantage, *vis-à-vis* the State concentrations of other countries. That the Government should express its preparedness to face the German challenge, on the other hand, is wholly welcome. The danger is not in South-Eastern Europe, where our trade is small, but in South America and wherever else the Germans may choose to turn in the near future. But the Government may find itself compelled to take up the burden itself, and add the protection of exports to the other items of national defence.

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The Waste Land.—A week ago the Commons gave a second reading to a privately introduced Public Health Bill designed to induce local authorities to deal summarily with the conspicuous nuisance of burning pit-heaps. There are probably more than 5,000 unsightly dumps of colliery refuse in England and Wales, and 266 are on fire. One covers 50 acres; another is as high as Big Ben. Evil smelling, these burning mountains scatter clouds of dust and sulphuric dirt far and wide; paintwork and woodwork are corroded; and the lungs of near-by dwellers are choked with noxious fumes. Not far short of 10,000,000 tons of refuse are placed on the pit-heaps every year; foul and hideous, they are the chief feature of the landscape in the British coalfields. It is easy to agree, as the Commons did, that the heaps should be dealt with summarily, but not so easy to decide what to do with them. To replace the waste of mining underground is only partially possible. To spread it over fields beneath a layer of soil is expensive, though an assistance to farming in waterlogged areas. To tip it into disused quarries is not feasible everywhere. To make it into bricks, as is already done in Scotland and the Midlands, is not always practicable. Yet the nuisance of these grave eyesores has been better abated in countries like Germany than it has been here, and a combination of these

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devices, enforced under the terms of Mr Lawson's Bill, with local authorities and the Department of Mines constantly on the alert to point the collieries' responsibility to the community, might remove the nuisance. Moreover, the problem of pit-heaps is only part of a wider problem. Industry is seldom a pleasant neighbour, and for a century it has laid Wales, the Midlands, the North and Scotland waste. It has been no one's duty to prevent or cure the scars: gaping quarries and stark, rusting factories and machinery stand side by side with coal's pit-heaps and iron's slag-tips, mountains of shale and dumps of chemical waste; acid smokes and cement dust sterilise the soil. Only when a positive nuisance is proved is legal action possible, apart from certain special provisions for some offensive trades. For the most part the damage is done before remedial steps can be taken; and the problem of the industrial damage which has made the older industrial areas infernal regions is one with the problem of pollution which has lessened the amenities of Britain's coasts and rivers, and the problem of domestic smoke which has blackened our towns. A Departmental Committee is now sitting to consider the restoration of land affected by iron-ore working. In the Special Areas salutary action has sometimes been taken, as in the Team Valley, to clear away industrial debris. But public health, public amenity and public economy require a more positive preventive policy over the whole field of industry and a definite apportionment of responsibility between public authorities and private enterprise for keeping England's land as green and pleasant—and productive—as possible.

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Czech Swords and Ploughshares.—According to German estimates the productive capacity of the Czechoslovak munitions industry is put at about 50 per cent. of that of the Reich. At present little of this is turned to the production of non-military goods; and it is Prague's concern to encourage and increase the transition. In 1937 the Czechoslovak export of munitions was Kc.434 millions (about £3,100,000), of which Kc.237 millions went in arms, Kc.104 millions in ammunition, and Kc.93 millions in military aircraft and equipment. The most important markets were Roumania, Yugoslavia, Turkey, China, Iran and Brazil, though a great deal of this military production was for home requirements which have now disappeared. In German circles the point of view is being put that these industries should be nationalised, and that export markets could thereby be widened, but people in Prague are wondering if this wish may not be father to a number of very different thoughts. The Prague banks are meanwhile anxious to increase the production of "peace" goods. Skoda is concentrating on its machinery, electrical, and automobile activities, and the second most important concern in Czechoslovakia, the Kolben engineering works in Prague, is following suit; while the State-controlled arms works at Brno is turning out typewriters, bicycles, and precision instruments. Other firms, like the Sellier and Bellot A.G., will also be affected by this effort to convert the sinews of war into those of peace. It is denied that there will be a change in the share-ownership of Skoda. The majority of shares will remain in the hands of the Union Européenne, the Paris holding-company of Schneider-Creuzot, though it seems probable that Germany will buy for her own needs the greater part of Czech arms production.

* * *

Industrial interests in the Reich are already trying to prevent the establishment in Bohemia-Moravia of industries which could compete with those in the ceded areas. A demand has been made by the German Government that all property, amounting to about £60 millions and even including currency and bar gold, which was removed by Jewish or Czech refugees, shall be returned; and in another direction the industrialists of the Sudetenland (whose prospects are bad enough already) are claiming that the cartel agreements made under the old Republic are still valid, and that no new industries may

therefore be established without their consent. The new Prime Minister, the reactionary Agrarian M. Beran, may find the answers to this and similar questions no more easy and satisfactory than the answers to other problems which M. Benes found and for which M. Beran constantly criticised him. The election as President of M. Hacha, a Slovak jurist without any political past or, as far as one knows, any political views, completes the formal reconstruction of Czechoslovakia. It will indeed be a different country from that of Masaryk and Benes. Whether even this truncated "Second Republic" will continue for long to enjoy its very modified independence is a very open question. The autonomous Governments of Slovakia and Ruthenia are fully under German influence, and the Slovak "Hlinka Guard" stands in close relationship to the German Nazi formations. An appeal for help in "pacifying" the country, followed by complete occupation by German troops, would be in the tradition of German policy.

* * *

An End to the Iron Guard? — Just five years after the Iron Guard murdered its enemy, M. Duca, who, as Prime Minister of Roumania, had placed a ban upon its activities, its leader Corneliu Codreanu and thirteen of his followers were shot on Wednesday while attempting to escape from their prison guard. The incident, which can eventually become either a national saga or an entry in forgotten police records, but is in any case of great immediate importance to Roumania, took place in open country during transport of the men from one prison to another. Shots from ambush halted the prison lorry, and while the guards were engaged in shooting back, the prisoners leapt out and ran for cover. All of them are dead. The fact that in such circumstances the death of a strong leader can make or mar a revolution was not lost on King Carol. The same evening he issued through the Government orders to the gendarmerie which make clear his intention to stamp out the Iron Guard. "Political terrorists are to be attacked at once," runs the order, "without necessity of complying with the usual regulations for warning before shooting." This is war to the knife; and after the outburst of terrorism which signalled the King's recent absence from Roumania in attempted murder, arson, and widespread intimidation, its declaration does not come too soon. The King's method in the past has been one of patient and concealed gathering of forces until in an apt moment he could surprise his opponent; what with this technique, which is not at all in the flamboyant Balkan tradition, and the example of his treatment last winter of M. Goga's anti-semitic excesses and fascist-minded followers, there is good hope that the movement of M. Codreanu will lose no time in going the way of its leader.

* * *

Iceland's Anniversary.—On November 30, 1918, when the world had good excuse to forget the very existence of such a place, Denmark's equivalent of the Statute of Westminster gave Iceland, after 500 years of Danish dominion, the rank of sovereign and independent state. King Christian the Tenth is King of Denmark and of Iceland, the symbol of a union of two friendly peoples entered into voluntarily and equally; and in this week's twentieth anniversary celebrations there was no trace of that bitterness which a subject people might have felt. For the high conception of civil dignity which enables Iceland's tiny population of 115,000 (or just over one to the square mile) to stand thus firmly on their own feet, the sea is mainly to thank. The sea may surround Iceland with imposing horizons; but it also maintains the Icelanders. Seven thousand of them live by fishing, and in 1935 by means of 81 steam vessels and 316 motor vessels they brought ashore over 313,000 tons of fish. Foreign trade *per capita* is very large. Their exports consist in canned and fresh fish, tallow and oils, in order of importance to Portugal, Great Britain, Germany, Sweden, and the United States; their main imports are textiles, hardware, machinery, timber, coal and cereals, from Great Britain, Denmark, Germany and

Norway. Iceland is without railways, and before 1918 was practically without roads. But the last twenty years have been richer in progress than any other period of Iceland's history. Industry, transport, agriculture and social sciences have all shown a growth that is as pleasing as it is astonishing. Education, for instance, is now free and compulsory up to the age of 14, and a free course at Reykjavik University awaits those with ability. Europe seldom hears from Iceland, save in a meteorological sense; but this is a case for the old proverb—no news means good news.

* * *

Other Aryans!—It is a thesis not unheard in Germany to-day that the English are "more Aryan" even than the race which produced Herr Rosenberg. This doubtful compliment is also extended to Scandinavians; but they, living nearby, have perhaps more reason than we for looking this gift horse in the mouth. Sweden above all may not forget that her goodwill—and, by extension, her iron mines—are necessary to the fruition of Herr Hitler's plans. German influence would seem to take three main forms in Scandinavia, and each of these has come up for public notice in recent weeks: propaganda among Germans living in Scandinavia, and among Scandinavians proper, action through the diplomatic channel, and espionage. In North Schleswig and South Jutland the German minority of 30,000 has for some time exhibited characteristics already familiar in other German minorities subjected to *völkisch* propaganda, though in Denmark the sting is drawn from their agitation by the well-balanced liberalism of Danish policy; and a comparison of election

results since the War shows a decline in votes polled for German deputies to the Folketing. What amounted to 25 per cent. in 1920 in North Schleswig was only 13.2 per cent. in 1932, and after the coming of Herr Hitler only 15.5 per cent. in 1935. Propaganda among Scandinavians can make little headway as long as the velvet glove so transparently covers a mailed fist: meanwhile, the failure to deceive is ascribed at home to the spiteful workings of international Jewry, and in default of subtler methods the blunter weapon of direct diplomatic action is not forgotten.

* * *

Finland was startled the other day by the resignation of its distinguished Foreign Minister, M. Holsti, on the pretext of insufficient salary; and among the unofficial reasons for his demise were none that did not include a demand from the German Government. In Denmark a similar request has procured the removal of M. Blaedel, foreign editor of the *Berlingske Tidende*. Other offenders are presumably invited to take note. The third outcrop of German influence, that of espionage, is one which raises few delicate problems, for its tradition goes back far enough to have established certain well-understood rights of procedure. After the recent unmasking of a German spy ring in Denmark, both that country and Sweden have announced that they will take intensive precautions to forestall further activities in espionage. So far the honours may be about even: but it would be a mistake to think that the German Government will miss any chance of spreading among these countries of the Sterling bloc the impression that politically they are safest when they behave as good Aryans should.

Overseas Correspondence

From Our Special Correspondents

France

M. Daladier Wins

PARIS, December 1.—The general strike was a complete failure. The firm measures taken by M. Daladier and the further steps he threatened were decisive. But it was the advent of a new atmosphere which suggested these measures and made them so easily effective. The working classes are tired of the policy of the now-dead Popular Front. The French people are not interested in revolutionary changes and economic regimentation. Wages and hours are their chief preoccupation, and the increases in wages which they have won under the Popular Front have been dissipated in higher prices. In addition, the slogan "Guns and munitions for Spain" has lost its appeal; and, most important, the working classes, like the rest of the nation, were deeply worried about the threat of war in September. In short, ideology has lost ground, confusion reigns in the trade unions and Left political groups, and the way is open for the renewal of the authority of the Government. This is M. Daladier's hour, and behind him are all the liberal forces of the country.

M. Daladier has for his Finance Minister M. Reynaud, who is a first-class economist. M. Reynaud's recent analysis of the French economy was unique, and he has advanced arguments for the freer working of capitalist enterprise which have not been heard for many years. This time the appeal to capital will not be hindered by inordinately high French prices as it was at the epoch of the gold franc; nor will it be blocked by the 40-hour week, which has now been revised. The competing attraction of prosperity overseas has also diminished. Sterling is weak, and there is uncertainty in Wall Street. Finally, the fear of foreign conflicts has somewhat abated since Munich and the renewal of Franco-British collaboration has increased confidence. It was these factors

and the Government's strength in face of direct action in contravention of constitutional methods which caused the franc and the Stock Exchange to show unexpected firmness on the eve of the general strike.

The strike's failure is without doubt a great gain for the Cabinet. By refusing to strike the man in the street has to some extent endorsed the decrees which would otherwise have met with serious opposition in Parliament. Yet the game is not finished. There will be rancour and a desire for revenge. The all-important questions now are how far the capitalists, in their turn, will help M. Reynaud's policy to succeed, and to what extent it is a policy capable of success.

Gold Stock Revalued

The discount rate of the Bank of France has been lowered from 3 per cent. to 2½ per cent. and the rate for advances from 4 per cent. to 3½ per cent. The weekly return dated November 17th shows the new position of the bank's accounts after the revaluation of the gold stock and the application of the proceeds to the reimbursement of the advances to the Government. The revaluation of gold produced 31,455 million francs against a total of 52,000 millions of provisional advances to the State. There remains a balance of 20,600 millions of provisional advances, which will be reimbursed at the time when the franc is finally stabilised by a final revaluation and the liquidation of the Equalisation Fund and the Fund for the support of public funds. The "permanent loan" of the bank to the State was increased from 3,200 million francs to 10,000 millions.

At the same time, the rate of interest on the National Defence Bonds was lowered from 4 per cent. to 3.5. The rate of interest on Treasury Bonds was also lowered: on one-year bonds from 3.75 to 3 per cent.; and on six-month bonds from 3.25 to 2.75 per cent. Thus another step has been taken on the road to cheap money.

Output and Prices

Pig iron production in October amounted to 490,000 tons, against 446,000 tons in September, 419,000 tons in August, and 705,000 tons in October, 1937. Steel production was 509,000 tons, against 467,000 tons in September, 419,000 tons in August, and 703,000 tons a year ago. The number of furnaces in use increased from 78 in September to 81 in October, compared with 107 in October, 1937. And in the week ended November 19th the total number of persons unemployed in all trades was 367,947, against 364,210 on November 12th and 327,494 a year ago.

Wholesale prices are still fairly steady, though last week's movement was distinctly upwards. All prices rose very slightly, the prices of industrial goods and imports most of all.

	November, 5th	November, 12th	November, 19th	November, 26th
General Index ...	652	653	653	658
Domestic products	670	670	674	678
Imported products	619	623	617	623
Foodstuffs	635	631	635	637
Industrial products	667	673	670	678

In general, however, the most impressive feature revealed by this table of recent price movements is the extent to which all prices have been relatively stabilised.

Germany

Progress in Agriculture

BERLIN, November 29.—Owing to the great prominence given to the Four-Year Plan for German industry during the last two years, agriculture has been rather relegated to the background. At the Sixth Annual Congress of Agriculture, which has just ended at Goslar, the Minister of Food and Reich peasant leader, Herr Darré, surveyed the record of Nazi policy for farming, and stressed the special problems which had still to be solved. The food authorities, that is the Reich organisation of all concerned with food supplies from the peasant to the retailer, had now the special task of supervising the feeding of Austria and the Sudetenland and of organising the agricultural production of those areas. In addition, the 100,000 workmen employed on defence works in the West had to be fed; and it was necessary to find supplies to compensate for the lost output of the agricultural land now used for fortifications.

Recent harvests have been satisfactory. The increase in the production of cereals and root crops, especially of sugar beet and potatoes, has been the most spectacular success in "the battle for production."

The wheat harvest of 25.9 million tons is the largest the Reich has ever had, although the acreage cultivated was 13 per cent. lower than in 1913. Barley, beet sugar, potato and hemp crops were all appreciably higher than in most post-war years; and the raising of hemp production by 70 per cent. compared with last year is remarkable. Meat production, too, was above the average of the last five years; but much still remains to be done to improve and increase milk production and to bring supplies of root crops and fodder up to requirements. Thus the agricultural scene presents a mixed picture of striking success and important deficiencies.

Herr Darré expressed the opinion that a successful blockade of Germany was now impossible. Figures show, however, that Germany's needs can by no means be met from domestic production, and that a blockade could only be withstood by very severe rationing. In fats, for instance, Germany is dependent upon imports for almost half her requirements. And there are difficulties in the way of increasing agricultural output. After 1933 the Nazi Government raised prices considerably to assist farmers, and the index of farm prices (on a pre-war base) rose from 78 in 1933 to 102 in 1936, and is now slightly higher than this. At first, farmers' margins increased but, as a result of the Government's commercial policy, agriculturalists had to pay more for machinery and in other expenses; and, in general, prices moved to the disadvantage of the peasants.

Shortage of Farm Labour

The greatest problem with which German agriculture is faced to-day is a shortage of workers. The numbers have fallen, though the farm wages bill has risen by Rm. 370 millions in the last four years to its present level of Rm. 1,740 millions. Herr Darré estimated that the present shortage of agricultural labourers was between 700,000 and 800,000. There has been a flight from the land due to lighter work and higher wages in the towns; and this, Herr Darré said, could not be overcome simply by legislation. Only an appeal to the youth of the nation could be effective.

The introduction of compulsory labour and military conscription, together with the execution of the Four-Year Plan, have brought young people from the countryside to the towns and the industrial centres. The countryside has suffered because the Four-Year Plan has had first claim on labour, materials and capital. Rural housing, for instance, is very inadequate. Thus German farming has no other course but to fall back upon imported labour. There are already thousands of Italians on German farms, and it is now expected that to these will be added Slovaks and, possibly, Croats and Hungarians.

Another method of coping to some extent with the problem is to speed up the mechanisation of agriculture—which is quite contrary to pure Nazi doctrine. Expenditure for agricultural machinery has increased from Rm. 138 millions in 1932-33 to Rm. 460 millions in 1937-38. The chief outstanding problem is the provision of cheap electric power for farms.

The importance of agriculture in the German economy, industrialised though Germany is, is very great. The value of Germany's annual milk production, amounting to some Rm. 2,500 millions, considerably exceeds the value of its output of hard coal; and the value of its meat production, which is some Rm. 4,500 millions per year, is almost equal to the value of Germany's exports of finished goods in 1937.

Distraining upon the Jews

The Jewish problem is still a source of disquietude for many Germans. Jewish professional men, who were arrested a fortnight ago, are now coming back with stories of incredible happenings in the concentration camps, and they are straining every nerve to secure permission to emigrate. Last week, Field Marshal Goering conferred with local Nazi leaders about the levying of the fine on the Jews. The levy of 20 per cent. on Jewish property is to be raised in four instalments. As Jewish property is officially valued at Rm. 5,000 millions, which is much too high, it will probably be necessary to raise the percentages levied and, since the Jews have not enough actual cash to meet the demand, the collectors will have to accept bonds and some immovable property in part payment. Places for the sale of jewellery and works of art have been set up to enable Jewish possessions to be realised and, since there must be pressure on the markets for jewels, furniture, bonds, etc., prices will tend to fall.

An example of the way in which the Jews are being mulcted is given by the following authentic case. One Jew had property worth Rm. 100,000, which, after having been dealt with by various agencies, was cut down to a mere Rm. 2,100 in foreign exchange. The City of Berlin took Rm. 30,000, the Jewish levy took Rm. 14,000, the flight tax took another Rm. 14,000 and a further tax of Rm. 7,000 was levied on the possessions which this Jew hoped to take abroad. This left him with Rm. 35,000; and he now considers himself fortunate to be permitted by the Gold Discount Bank to take out of the country in foreign exchange 6 per cent. of this sum, or Rm. 2,100. At current exchange rates, this amounts to less than £184, instead of £8,333, which his original property represented.

The Anglo-American Pact

The conclusion of an Anglo-American Trade Treaty has been received with lively misgivings by German export industries. It is expected that American competition in the British market will be especially strengthened; and, in the American market itself, the aversion of the United States to German political and commercial methods is likely, not only to deprive German traders of most-favoured-nation treatment, but also to create further obstacles to the import of German goods. Dr. Schacht's newspaper argues, however, that the concessions given to the United States in the British colonies will open up colonial trade and enable Germany to obtain greater supplies of materials from British possessions. And it is officially expected that the Treaty will give a fresh fillip to world trade from which Germany will benefit. Privately, on the other hand, it is feared that the Treaty may prove to be the beginning of an economic bloc which will include, not only the Oslo States of Northern Europe, but also the countries of South America in which Germany is interested. Already, German opinion is being voiced against attempts by the United States to dominate South America by granting large dollar credits; and the inclusion of South American security among the grounds for the United States' new re-armament programme is interpreted as yet another attempt by the United States to gain hegemony in South America.

Trade Policy

Dr Schacht, in a speech to-day, declared that the Reich's control of foreign trade was due to the "consequences of the war-tributes" levied on defeated Germany. He looked forward to freer multilateral trade and a free international flow of money. Meanwhile, "as long as our shortage of foreign currency lasts, the control of foreign trade must continue"; though Dr Schacht hoped it could soon be abandoned. Between 1934 and 1937 imports of finished goods had fallen 63 per cent., he said, while imports of ores, petroleum and grain had risen by well over 100 per cent.

Dr Schacht emphasised that armaments could only be financed in the long run out of savings. He claimed that, whereas State credits had paid for arms output at first, it was now met out of loans and taxes. "Armaments cannot be financed by creating money."

Sweden

Co-operation in Industry

STOCKHOLM, November 24.—To the honour of the Swedish Labour Party it must be said that the striking political advance which it has recorded during the past years has by no means diminished its willingness to co-operate with capital and production. That the spirit of co-operation is gaining strength on both sides is particularly noticeable over labour disputes, where methods of settling conflicts have undergone substantial changes. While strikes and lockouts are not entirely outmoded as means of obtaining material concessions, they are coming to be considered more and more as *ultima ratio*, and direct negotiations between employers and employees have become the usual procedure for settling conflicts. A further contribution to better understanding between State and private business was recently made by the Minister of Finance, M. Wigforss, when in a public speech he proposed for State authorities and representatives of private business direct conversations on their most salient differences of opinion and practice. The proposal was well received by a wide section of the Press; and it is expected that M. Wigforss will define the procedure for such conversations in a speech which he is to make at a forthcoming meeting of an important Swedish business club.

Turn Towards Improvement

In spite of a rather uncertain outlook for most Swedish staple industries, there has been an improvement lately in the general economic situation. Thus the general index of Swedish business activity, which, with the exception of a seasonal rise in February, steadily declined throughout the current year, recorded in August a rise of 1.3 points to 113.1 (100 = average 1935), and it can be taken for granted that there will be a further rise in the September index. The building boom, entailing increased consumption of iron and steel

and consequently improved employment in the iron and steel industry, and well-maintained employment in the engineering industry, is one of the main supporting factors. It is rather doubtful, however, whether this improvement can last with declining exports, and this in turn depends on the situation in the United States and in Great Britain. Owing to the building boom, employment is on the whole good; and the number of registered unemployed stood in September at 9,200 as against 10,000 in September, 1937.

Poorer Export Trade

The building industry is working to full capacity under favourable conditions of exceptionally cheap money, and the volume of mortgage loans granted by commercial banks increased from Kr. 1,770 millions in February to Kr. 2,005 millions in September. This has naturally caused a growing demand for commercial steel, and iron and steel works producing lower quality steels report a good supply of orders. Less good is the situation of manufacturers of high quality steels, the bulk of which is destined for export; but the American recovery is already being felt and will, if it gains in strength, further increase employment. The pulp market, unfortunately, has not shown signs of real improvement and the outlook is far from being bright. The warehouses of most pulp mills are filled with unsold goods waiting for foreign orders, while pulp stocks in American harbours show no signs of diminishing, and the mills also have considerable stocks of pulp wood bought at higher than current prices. New business almost entirely consists in the conversion of old contracts. Exports of sulphite pulp, which amounted to 938,000 tons for the period January-September, 1937, fell for the corresponding period in 1938 to 686,000 tons. On the paper market stagnation continues. The timber market is dull, and by the middle of November timber sales, including box boards, had not exceeded 675,000 standards, compared with 800,000 standards at the corresponding date in 1937.

The weakness of the timber, pulp and paper industries is to some extent compensated by a certain liveliness in the engineering industry. Exports of ball bearings for the period January-September were valued at Kr. 36.2 millions compared with Kr. 30.4 millions for the corresponding period in 1937; exports of electrical equipment at Kr. 12 millions against Kr. 11 millions, and of telephone equipment at Kr. 7 millions against Kr. 5 millions. Employment in Swedish shipyards is also very good owing to a satisfactory supply of foreign orders, especially from Norwegian shipping companies.

The situation in the pulp, paper and timber markets has naturally resulted in a marked decline of exports in respect of volume as well as value. Foreign trade figures for the period January-September are shown in the following table:

	(in million kronor)	
	January-September 1938	1937
Imports	1,480.6	1,542.0
Exports	1,339.0	1,414.7
Import surplus	141.6	127.3

Trade with Great Britain during the same period was as follows:—

	(in million kronor)	
	January-September 1938	1937
Exports to U.K. ...	321.0	328.4
Imports from U.K. ...	272.3	292.6
Export Surplus	48.7	35.8

Wholesale prices, which from an index figure of 137 in January, 1938, have gradually declined to one of 123 in September, remained at 123 in October. Consumption goods,

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however, show a striking stability, and the index of retail prices has during January-September oscillated between 105.5 and 105.9.

Slack Money Market

An active balance of payments, the influx of refugee money and decreasing opportunities for remunerative investment, have combined to increase the easiness of the Swedish money market. Interest rates are also tending to decline. It is characteristic of the situation that a 3½ per cent. loan of the State of Denmark, a country which has introduced foreign exchange control, was issued in Sweden at par value and immediately covered. This abnormal condition of the money market is causing great concern to commercial banks, insurance companies and saving banks; and these three groups are now trying to find ways and means of putting a stop to this trend towards low interest rates—a trend which threatens to paralyse the progress of savings and the building up of capital, besides causing losses to people with capital investments, and forcing insurance companies to raise their premiums. Co-operation between the three above-mentioned groups has been proposed as a means of stabilising interest rates.

The war threat in September caused an unprecedented rush from foreign currencies into the krona, Swedish holders of foreign currencies selling out their balances and foreigners buying kronor balances. As a result, cash holdings of the Swedish joint-stock banks rose to Kr.841 millions, their indebtedness to foreign banks and private depositors from Kr.371 millions to Kr.495 millions, while their foreign holdings fell from Kr.248 millions to Kr.201 millions. The Riksbank, as ultimate recipient of foreign currencies, had to increase its net balances with foreign banks from Kr.244 millions to Kr.478 millions, and its total gold reserve from Kr.617 millions to Kr.684 millions, valued at the statutory gold value. These holdings of foreign deposits mean that the Swedish banks must maintain very high cash balances in order to meet possible withdrawals.

Fluctuations on the Swedish Stock Exchange during September and October were largely reflections of Wall Street. In September, the general Stock Exchange index declined from 167.8 to 166.2, but rose in October to 177.5 (100 = par value). For obvious reasons big international stocks, such as S.K.F., Swedish Match, Elekrolux, etc., were subject to particularly violent fluctuations during the political crisis in September.

Spain

New Financial Laws and Taxes

BARCELONA, November 20.—In the sessions of the Spanish Cortes on September 30th and October 1st several important financial laws were voted and Señor Aspe, Minister of Finance, presented the Budget for 1939. The Budget, duly approved by the appropriate parliamentary Commission and voted unanimously, fixes expenditure at 8,403,042,633 pesetas and receipts at 8,309,636,320, or a deficit of 93.4 million pesetas.

The financial laws included one by which the Government is empowered to float, in one or several parts, loans amounting to a total of 2,500 million pesetas, to be offered at a rate of interest not higher than 3½ per cent., refundable after five years or more. There will be bonds of two classes, popular bonds of 100 pesetas, and ordinary bonds of 1,000, 5,000, 25,000 and 100,000 pesetas face value. The popular bonds will be issued without coupons, and the interest paid by the bank at which they have been subscribed.

Among a number of extraordinary credits voted for public works appeared one for 20 million pesetas for building new roads, another for 12 millions for repairing the existing ones, and a third for 8 millions for building bridges, etc. In the decree approved by the Cortes with the Budget, the amount of uncovered debt the Government is authorised to incur during the financial year of 1939 is limited to a maximum of 25 per cent. of the Budget income.

The Cortes also empowered Señor Aspe to increase the existing taxes and create new ones. The following changes were made:—A charge, with a maximum of 25 per cent., on the sale of articles which, though not luxury goods, are not indispensable; an increase in the tax on landed property; an increase of 20 per cent. in the tax for motor cars, excepting lorries used for transporting essential goods or raw materials for war industries.

New taxes on profits were also passed through the Cortes. The Minister of Finance is authorised to adopt the following measures to enable the State to obtain a share in the profits of establishments of all kinds.

(a) For establishments seized, the share of the State may be as high as 25 per cent. of net profits;

(b) For establishments neither seized nor controlled by the State, the maximum profits realised may in no case exceed 7 per cent. of the invested capital, after deduction of all expenses. If higher profits are made, the balance is to go to the State.

(c) A new turnover tax, of no more than 3 per cent., on transactions of all kinds, such as sales, loans, agency business, etc.;

(d) Taxes on all meals, etc., in most restaurants and cafés, on betting at dog races and the game of "pelota." This tax will be fixed at between 5 and 10 per cent.

Court for Foreign Claims

At the outset of the rebellion, consulates of foreign nations at Barcelona provided their respective nationals with safe-conducts stamped by the various authorities and committees then in power. Later on, in August, 1937, when things had somewhat settled down, a special Commission was founded for the examination of claims for damages brought forward by alien subjects and companies. By a decree of September 7th last, which cancels all those previously in force, Dr Negrin has now substituted for this Commission a Special Court, attached to the Supreme Court of Justice, called *Sala de Reclamaciones de Extranjeros* or Court for Foreign Claims. One of the Court's most interesting features is the admission of foreign lawyers charged with the defence of the rights of their respective countrymen.

The Court will be ruled by a President and composed of three judges taken from the Supreme Court and three assessors named from high officials on the staff of the Prime Minister's Department, the Ministry of Foreign Affairs, and the Ministry of Finance and Economy. The President will be chosen by the Government from the presidents and judges of the various benches of the Supreme Court; and the technical staff of the new Court will be appointed by the Minister of Justice. Each Ministry has to designate a Counsellor of State for the defence of public interests within his particular sphere of action, and in case several Departments are involved the one appointed by the Prime Minister is to represent all of them. The fourth article of the decree states that the new Court is the only one competent in cases of claims against the Spanish Treasury by persons or companies recognised as foreign before February 16, 1936.

The procedure at the Court for Foreign Claims comprises: filing of a claim, pleading by the special Counsellor of State on behalf of the Government, evidence of witnesses proposed by both parties and admitted by the Court, public session and verdict. According to Article 5 of the decree, judgments given by the Court are to be based upon international agreements and special agreements that may exist between the Spanish Republic and the country of the claimant, subject to the principles of reciprocity and others usually recognised. Article 6 stipulates that the claimant's counsel may be a foreign subject, provided the latter is able to prove that he belongs to the Bar in his own country and is capable of expressing himself fluently in either Spanish or French. If in French, then the claimant must provide a sworn translation.

Foreign Bank of Spain Expropriation

The text of a law expropriating shareholders of the Foreign Bank of Spain (*Banco Exterior de España*) was issued in October and passed by the Cortes. In use of the power accorded to the Government by Article 44 of the Constitution, all shares at present in the hands of the public and representing the capital of the bank will be expropriated and taken over by the State without loss to holders.

The Government has asked the Cortes to approve the following mode of expropriation. The State shall superintend the working of the Foreign Bank of Spain by means of expropriating the bank's 195,844 shares. The value of the shares will be fixed at their highest quotation on the Madrid exchange between January 1 and July 30, 1936. The total amount due to shareholders on this basis will be deposited for them in a special account at the Bank of Spain in Barcelona. A Commission formed by one counsellor or shareholder appointed before July 18, 1936, and one member of the board of the bank appointed by a decree of August 28, 1936, and presided over by the governor of the Foreign Bank of Spain, will attend to the settlement and payment of the shareholders. The State will be assumed as having been in possession of the shares from July 1, 1936, so that all transactions made by the bank since then will be recognised by the State in its quality of sole shareholder.

Greece

Need for Exports

ATHENS, November 23.—A law to foster export trade has been prepared by the Minister of National Economy. In his introductory report the Minister states that the export trade for a country like Greece, which produces valuable agricultural articles of which only a very small part can be consumed at home, is of especial importance. This importance is at present particularly marked, since restrictions on the free movement of goods, capital and services all over the world prevent surpluses of imports over exports from being covered by the migration or the transfer of capital, as was the case before the last war. The new law is designed, *inter alia*, to penalise exporters who, in order to realise illegitimate profits, break their obligations to foreign purchasers.

The following table shows foreign trade in 1929 and 1937:—

	Imports		Exports	
	Volume ('000 tons)	Value (£ mills.)	Volume ('000 tons)	Value (£ mills.)
1929	2,773	35.4	754	18.6
1937	2,731	27.6	1,377	17.4

In the current year provisional figures for the first nine months show a small decline in volume and a slight increase in value for both imports and exports, with, as a result, a very slight reduction in the import surplus.

Germany's Trade Gains

The change in the relative position of the United Kingdom and Germany in Greek trade is noteworthy.

	(Millions of drachmæ)			
	1929	1933	1936	1937
Imports from:—				
Great Britain ...	1,688	1,209	1,926	1,667
Germany	1,249	864	2,676	4,134
Exports to:—				
Great Britain ...	815	973	899	922
Germany	1,613	918	2,688	2,959

The increase in imports from Germany is associated with the growth of exports to that country. In accordance with the clearing agreements regulating trade between the two countries, the balances in blocked marks which accumulated in favour of Greece, as a result of larger German purchases, had to be liquidated in German goods. Hence the recent increase in imports from Germany—particularly in 1937.

Exports of tobacco—Greece's principal product—during the "tobacco year" ended August 31, 1938, amounted to 46,000 tons, valued at Drs. 4,844 millions; this was an increase compared with the previous year of 6,500 tons in quantity and Drs. 900 millions in value. The largest purchaser of Greek tobacco was, as usual, Germany: German purchases were 21,700 tons, against 17,700 the year before. Second came the United States, with purchases of 9,900 tons, while Great Britain bought only 229 tons. Thus, about half of the total exports of tobacco were taken by Germany.

Export prices for tobacco were higher for the year ended August 31st, averaging Drs. 105.66, against Drs. 100.56 per kilogramme the year before. This year's output is estimated at 46,100 tons, against 68,800 tons in 1937, the decline being due to inclement weather and restrictions on cultivation. Tobacco production has also fallen in Bulgaria and Turkey; stocks are not abnormal; and this year's prospects for both sales and prices are favourable.

Stimulating Cultivation

Successful efforts to encourage the cultivation of rice and cotton have been made by the authorities in recent years. Since the country's requirements of these two commodities were formerly covered almost entirely by imports from abroad, an appreciable saving in foreign exchange is now made. The Agricultural Bank has recently undertaken to make. The Agricultural Bank has recently undertaken to make take up the total rice production at fixed prices and dispose of it afterwards to the trade. The same procedure is followed in the case of home-grown wheat, and the growers secure an automatic sale of their produce at favourable prices.

Cotton output has considerably increased since 1931, when it amounted to only 9,900 tons. Last year production reached 63,000 tons; but this year, owing to unfavourable weather, it is estimated at only 48,000 tons. A further increase in the area cultivated is foreshadowed, and it is hoped that eventually domestic cotton production will not only entirely cover the needs of the home market, but will also leave a surplus available for export.

The production of olive oil for this year is estimated at 81,000 tons, compared with 167,000 tons in 1937. To en-

courage exports of olive oil the authorities have just abolished all taxes hitherto imposed on this produce. The output of currants, estimated at 248,000,000 Venetian pounds, is about the same as last year.

Bulgaria

A New Cabinet

SOFIA, November 24.—At the voting of the supplementary State Budget for 1938 the Kiosseivanov Government failed to obtain the necessary majority in Parliament and was forced to resign. Until then the Government had maintained that it was not responsible to Parliament, since the party regime had been prohibited by law. In the event, opposition came from several deputies that had up to that time supported the Government. A new Cabinet was formed at the beginning of the week, again under the Presidency of M. Kiosseivanov, with six new Ministers, two of them deputies.

Negotiations will begin this month in London with the bondholders of the Bulgarian pre- and post-war loans. The agreement which is now due to expire was concluded for a period of two years, and provides for the payment of 32.5 per cent. of the interest due. The Bulgarian delegation, composed of the Minister of Finance, the ex-Governor of the National Bank and the Deputy-Governor of the Bank, will probably ask for a renewal of the old agreement, since this year's poor crop has seriously reduced Bulgaria's ability to acquire free exchanges. And the State Budget is heavily burdened with important armament expenditure.

The Burden of Arms

At the end of October last, Parliament voted extraordinary armament expenditure totalling 4,250 million leva (about £10.5 millions). Since the Government has found it impossible to contract domestic loans, it intends to resort to foreign long-term credits for these supplies. It is considered that Bulgaria's defences have lagged far behind her present requirements owing to budgetary difficulties up to 1936, since when only a little over 2,000 million leva have been spent on armaments. A further extraordinary credit of 1,000 million leva has been voted for the construction of new railways.

The ordinary Budget, which enters into force on January 1st next, is also being prepared, and provides for considerable increases in both estimated receipts and expenditure. Whereas ordinary receipts for the first nine months of the current year reached 7,095 million leva (including railway receipts), against 6,422 million leva in the corresponding period of 1937, or an increase of 8 per cent., the new estimates provide for 9,800 million leva of receipts, against estimates of 9,000 million leva for this year. It is difficult to forecast Budget possibilities, since the final results of this year's undoubtedly poor crop will not be felt before the beginning of 1939.

Germany's Trade Advance

The volume of foreign trade is satisfactory. But the foreign exchange position of the National Bank has not improved, since the considerable exports of fruit, vegetables and meat went mainly to Germany. The Bank's foreign exchange reserve did increase from 630 million leva at the end of August to 836 millions at the end of October, but this was chiefly due to a big advance in Reichsmark balances. The demand for free *devisen* is acute, and although the exchange premium has gone beyond the legal maximum of 35 per cent. Germany's share in Bulgarian export trade has increased from 45 to 50 per cent., a factor which is increasingly important.

The general economic situation in Bulgaria has not, on the whole, grown worse, in spite of the poor crop, and domestic prices have risen. But only slight improvement is perceptible in industrial output and local trade.

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Letters to the Editor

French Financial Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—M. Mantoux (in his letter on page 426 of your issue of November 26) still complains that French prices are too high. High in terms of what? The rapidly improving balance of trade shows that the successive devaluations have taken effect and the French franc is now, if anything, rather undervalued—in spite of the Blum policy of raising wages.

I quite agree that the relative price structure has been distorted by the successive "Rightist" Governments trying to "protect" the franc by impeding *laissez passer*. But is M. Reynaud doing anything about that? No! Will the return of confidence do anything about that? No! Can anybody do anything about it? No! Because, of course, the elimination of lop-sided protectionism would upset the "confidence" of those who are protected—i.e. some entrenched vested interests.

I remain not only unrepentant but proud of my advocacy of devaluation for France in 1934 and 1935. I did not advocate or anticipate, of course, that its therapeutic effects would be nullified by the inauguration of a great re-armament programme accompanied by an artificial reduction of the labour supply in the decisive years of growing German military strength.

M. Mantoux says that exchange control would not cure the present discontent, because even if current savings could not be exported they would be hoarded. Hoarded? The French Budget at present is unbalanced to the tune of some 50,000 million francs. If national income was merely Frs. 250,000 millions, as M. Reynaud says, savings certainly could not be much higher than Frs. 25,000 millions. Hence, as soon as the export of capital is prohibited, the problem will not be how to coax hoarders into investment, but how to prevent a vehement inflation of prices on account of the excessive loan expenditure of the State, whose effects would not be counterbalanced any more by the export of capital.

I am in favour of an increase in the productive capacity not only of labour (i.e. by the abolition of the 40-hour week), but also of capital (making good the appalling obsolescence due to the export of non-reinvested depreciation allowances). If this hole is plugged, I am not afraid of the hoarding of banknotes: that can always be offset by an open market operation. But open market operations are not possible—as M. Bonnet, M. Flandin, *et al.*, ought to know—as long as there is a possibility of the export of capital. As far as the purchase of "real assets" is concerned (also called hoarding by M. Mantoux), that would tend to depress the rate of interest and further accelerate expansion. As soon as expansion began to take place, taxation would have to (and could) be increased—and not merely that borne by low income groups.

My first letters were published prior to the publication of the Reynaud plan. It is, in brief, an attempt to reduce public loan expenditure, in the hope that this demonstration of "soundness" will induce private *entrepreneurs* to increase their own investment activity to such an extent as to offset, or more than offset, the deflation caused by the economy measures reducing consumption. The increase in the weekly hours of work should at the same time extend the limits of expansion. Hence, all sacrifice is to be borne by labour.

This plan presupposes a rise in the expected rate of profits and/or the decrease of the risk premium, in spite of the cut in consumption demand. It also presupposes a fall in interest rates. In the absence of international tension the psychological effect of these "sound measures," and the "victory" over

labour might have been sufficient to achieve this effect. With the international political situation as it is, it seems to be somewhat reckless to confide the future of the country to the realisation of such hopes, the more so as internal strife must necessarily be made more violent on account of the one-sidedness of the sacrifices extracted. Success can only be expected if the present measures are followed up by further measures increasing profits sufficiently to offset risk. This seems to be well-nigh impracticable, for it would imply further redistribution of the national income in favour of capital.

Thus, even though the general strike has been broken, it would be foolish to hope for a sufficiently immediate and strong revival. So we drift on what seems, though M. Reynaud may not realise it or want it, the road of Czechoslovakia. No doubt that the elimination of France, even as a second-rate Power, and the loss of colonies, are of small importance to the material interests of some in France. It is, after all, a real pact with, hence a complete submission to, Hitler which would eliminate uncertainty and reduce the risk premium which now clogs and wrecks individualist economic systems. Then, as these proceedings will not be to the liking of labour, in the name of law and order, totalitarianism will nevertheless be introduced and nobody will dare to protest.

I am, yours faithfully,
T. BALOGH.

University College, London.

TO THE EDITOR OF THE ECONOMIST

SIR,—I have read your article on "The Reynaud Plan" and your excellent translation of the Reynaud Report. One does not object to your view that it is "forceful and brilliant," but it does remind one of our May Report in some ways. You do not, in your article, point out what Reynaud more than once stresses—the strain "of an arms race unprecedented in modern times" (page 365), and "the armament policy imposed upon us by the international situation" (page 367). If France is not apparently to be a "safe and profitable place" (your words) for the French investor and capitalist, then it seems she cannot be saved.

Building at a standstill—even down by 40 per cent.; public works to be restricted; direct taxation to be hesitant and perilously inadequate; labour to be "liberalised" into "ca-canny" (following the example of the financiers) if hours are increased; increased indirect taxation which is put on with as much will as the tax on "all" wages; and basing of "all our hopes on a rebirth of the spirit of enterprise": after all, the "brilliance" wears off a bit. How can Reynaud succeed? Will the French not upset this apple-cart?

Yours faithfully,
JEFFREY WILLIAMS.

London, N.W.8.

Road and Rail

TO THE EDITOR OF THE ECONOMIST

SIR,—Certainly, as you argue, the interests of the public should be the main consideration. But it is more in the public interest to send goods by railway than to send them by road. If they go by rail, the whole expense is borne by the railway shareholder; if they go by road, part of the expense falls on the ratepayer—and, in the case of heavy vehicles travelling at a good pace for a long distance, the expense is serious.

Certainly, road and rail should be complementary rather than competitive: I interpret this to mean that long-distance traffic should go by railway. May I suggest two fiscal changes which the Chancellor of the Exchequer might find useful in his next Budget? These are: (1) to apply the income tax or progressive principle to the licence duties payable in respect of commercial vehicles, e.g. £20 for one ton unladen, £50 for two tons, £90 for three tons, and so on; and (2) to divide licences into *local* and *national*: local licences being restricted to a radius of, say, 20 miles from the garage, paying the present rates, and *national*, unrestricted as to distance, and paying a sur-tax of 25 or 50 per cent.

Yours faithfully,
J. E. ALLEN.

Cambridge.

Books and Publications

Anglo-American Friendship

IN these days when the question most frequently asked of students of American politics is "Will the United States enter the next war in time to prevent the other democracies from being defeated?" it requires an effort to recall the days, only forty years ago, when war between Britain and the United States was not yet "unthinkable." When Secretary of State Olney informed Great Britain in 1895 that "the United States is practically sovereign on this continent, and its fiat is law upon the subjects to which it confines its interposition," there were still outstanding between Great Britain and the United States several awkward questions, as well as the disputed boundary between British Guiana and Venezuela which actually gave rise to so provocative a note from President Cleveland's Secretary of State.

Chief among these questions were the disputed boundary between the American territory of Alaska and the British Dominion of Canada, and the difference of opinion between Britain and America about the right of the United States to disregard the Clayton-Bulwer Treaty and go ahead with a purely American project for a canal through the Isthmus of Panama. Mr Gelber's able study* brings out clearly how uncompromising was the attitude of the United States on these matters, and how necessary for the avoidance of war was the amazing restraint shown throughout this critical period by the administrations of Lord Salisbury and Mr Balfour.

It required an unusual willingness to give way, even in matters where important interests were at stake, for Britain to achieve the marked improvement in Anglo-American relations which took place during the eight years, 1898-1906, with which Mr Gelber's study is concerned. The restraint with which Lord Salisbury received Mr Olney's unusually peremptory note was similar to the conciliatory way in which the British Government handled all other issues arising during this period between themselves and the United States Government. Britain was indeed so eager for a settlement of all possible points of friction with the United States as to be willing to sacrifice in this cause the interests of the Dominion of Canada, which was made the victim of the most unjudicial Alaska Arbitration. Britain endured with great patience and good humour the attitude of an American Senate which was throwing into the worst of humours the then American Secretary of State, John Hay. And in the end Britain reaped at Algiers and in the Far East the rewards of its moderation when British statesmen had the satisfaction of seeing the United States assuming the active rôle of a World Power, and doing so in areas, on occasions, and in a manner, best calculated to strengthen the interests of Britain herself.

Had it not been for the foundations built during these years by Lord Salisbury, Lord Lansdowne, Mr Balfour and Mr Joseph Chamberlain, on the British side, and by John Hay and Theodore Roosevelt on the American—and, perhaps above all, by Lord Pauncefoot and Sir Cecil Spring Rice from their diplomatic vantage points—the unwritten Anglo-American naval understanding, which enabled us to use henceforth nearer home naval units previously needed in American waters, and the intervention of the United States in the Great War as an associate of Britain, might both, even if they had ever taken place, have been dangerously delayed. A study of these critical years for Anglo-American relations is therefore of great importance. And Mr Gelber has covered the ground with admirable clarity and fullness.

This was a period of great importance in international relations as a whole, as well as in the more restricted field of Anglo-American relations. It was the period in which Britain moved from the isolation of the late nineteenth century into alliance with Japan in the Orient and into *entente* with France in Europe. Mr Gelber has therefore to give some attention to the broader problems of European and Far Eastern affairs. His study throws an interesting light on the growing American intervention in world affairs which was so marked a characteristic of this period. The contrast

* The Rise of Anglo-American Friendship. Lionel M. Gelber. Oxford University Press. 292 pages. 16s.

which it brings out between the German and the British approach to the United States—and there was constant German effort to create friction between Britain and America—is striking. Britain has much reason to be grateful for the methods of the Kaiser, as she has to-day for those of Herr Hitler.

But the tactlessness of other countries and their leaders, and their failure to understand the United States, would not have been sufficient to lay a basis for Anglo-American friendship during this period, had it not been for a surprising tactfulness and understanding on the part of Britain. When one considers how seldom tactfulness and understanding have been qualities exhibited by British statesmen in dealing with the United States since the War of Independence, the unique interest of Mr Gelber's study is the more apparent.

Shorter Notices

"Report on Agricultural Research in Great Britain." By Political and Economic Planning. 137 pages. 8s. 6d.

This, the latest of the P.E.P. reports, maintains the high standards set by its predecessors. It gives an informative and comprehensive account of the agricultural research now carried on in Great Britain, its scope, methods and administration. Ninety per cent. of the funds devoted to agricultural research is provided by the State, whose expenditure on this account amounts to more than £400,000 yearly, not £79,000, as a misprint on page 360 of *The Economist* on November 19th implied. The report comments on the indifference shown by many farmers to this practical help given them by the State and puts forward useful suggestions for improving the liaisons between the research worker, the agricultural advisory services and the many small farmers who are most in need of the benefits of modern scientific knowledge.

"Statistics in Theory and Practice." By L. R. Connor. Pitman. 383 pages. 12s. 6d.

This is the third edition of a book which many teachers and students regard as a standard work. It has been completely revised and in part rewritten.

Books Received

Economic Statistics. By W. L. Crum, A. C. Patton and A. R. Tebbutt. (London) McGraw-Hill Publishing Co., Ltd. 423 pages. 24s. net.

Corporation Finance. Second Edition. By H. E. Hoagland. (London) McGraw-Hill Publishing Co., Ltd. 590 pages. 24s. net.

Economics for Engineers. Second edition. By E. L. Bowers and R. H. Rowntree. (London) McGraw-Hill Publishing Co., Ltd. 591 pages. 24s. net.

Le Chômage en France de 1930 à 1936. Vol. I. By G. Letellier and others. (Paris) Recueil Sirey. 330 pages. No price stated.

THE ROUND TABLE

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THE BUSINESS WORLD

Arms and the Investor—III

Armament Industrials

THE day has passed when armament companies formed a clear-cut category to themselves. After three years of re-armament, it would be easier to say what is not, rather than what is, an armament share. Electric and Musical Industries, to take one example, is turning from the music to the discord of the spheres, by undertaking defence orders. And the traditional divisions of armament work have become blurred. John Brown and Company and Harland and Wolff, the naval shipbuilders, and Associated Electrical Industries, the electrical engineering concern, are now actively participating in military aviation. There is scarcely a corner of industry to-day which does not share, directly or indirectly, in re-armament.

First among the direct beneficiaries is the naval shipbuilding group. Leaving aside the question of mercantile business, how are the principal companies placed in relation to naval building? The first stage in the answer is that the major naval expansion was planned in 1936 and 1937, and is approaching fruition. Five contract-built battleships are due for completion in 1940, two from the 1936 programme and three from 1937. Four aircraft carriers will be finished in 1939 and 1940, while the nine cruisers now under construction will be completed next year. The gross estimate for contract shipbuilding and repair work shows a natural increase from £32 millions to £39 millions during the current year. But unless there is a significant expansion of the naval building programme during the next few years, it is possible that expenditure at this rate may not be maintained. This year's programme consists of two capital ships, one aircraft carrier, four large and three small cruisers, and various small craft. It represents a useful volume of work for builders of large capital ships and liners, but it does not offset the fact that new mercantile orders are almost non-existent to-day.

This is a point of major importance for Swan, Hunter and Wigham Richardson; John Brown has important non-shipbuilding interests in Firth-Brown and aviation, while Vickers-Armstrongs' shipbuilding yards are only part—though an important part—of the Vickers undertaking. Shareholders in the smaller shipbuilding concerns may also note that the 1938 building programme includes no destroyers. Sixteen vessels are due for completion this year, and sixteen next year, leaving eight destroyers of the 1937 programme to be built. But the larger builders, as well as the specialist destroyer companies like Yarrow, Hawthorn Leslie, John I. Thornycroft, and J. Samuel White, will have berths available. The chairman of Yarrow referred rather significantly a fortnight ago to the probability that naval building would tend to slacken. If this suggestion is valid—and it appears to be—naval shipbuilders may be near, if not past, the peak of construction work under the current programme. Moreover, suppliers of heavy armour and gun mountings (whose work is completed at a relatively early stage of a naval contract) may also experience this slackening.

It is, perhaps, under the Army votes that the industrial coverage is highest, for the items range from heavy guns, produced by a few specialist firms, to small components which can be made with a minimum of specialisation by

general engineering concerns. The largest single item in the Army estimates is for warlike stores, the gross estimate for which has increased from £28,880,000 to £41,242,000 for the current year. Guns, small arms and ammunition will cost £23,720,000 against £13,888,000, and mechanical transport £7,870,000 against £6,372,000. Expenditure under these heads is not confined to private industry—the ordnance factories will expend £20,276,000 during the current year, against £16,164,400 gross in 1937, and are charging £10 millions to the three defence services for production—but there is still room for a substantial increase in the volume of business for private suppliers.

Among the obvious participants, Vickers, Birmingham Small Arms, Thos. Firth and John Brown, Projectile and Engineering, and Hadfields spring to the mind. There are a number of factors which affect this group of companies. Several of them have financed large capital expenditure during recent years. Projectile and Engineering—a company with loan and share capital amounting to £361,600—has spent nearly £250,000 on capital extensions during the past four years. Firth-Brown's total for five years is £1,293,766; Hadfields undertook important capital expenditure in 1936; while B.S.A. has ploughed back more than £900,000 upon improvements during the past five years. Major capital extensions may be less urgent in future, but the need for adequate depreciation provisions will still remain. Shareholders in particular companies may expect somewhat higher distributable earnings over the next year or two. The directors of Birmingham Small Arms, to quote one example, have announced their intention of paying out a larger share of earnings in the future. But this is a special case, in which ordinary shareholders have exercised their patience for years; there is less reason to expect a substantial increase in dividends from the general run of armament companies. The chairman of Vickers Limited has repeatedly warned shareholders that, while gross profits should continue to expand, divisible profits would not necessarily expand in corresponding proportion. And the last accounts of Vickers-Armstrongs included a provision for contingencies "partly arising out of the re-armament programme." Meanwhile, the maintenance of the John Brown and Hadfields interim dividends illustrates the present tendency to maintain dividends on a satisfactory but not extravagant level.

There remains a large group of companies, mainly in the engineering industry, whose present re-armament work is an important part of their business. In the accompanying table, these are designated, for want of a better name, "armament industrials." The choice of a mere handful of companies from this class involves invidious distinctions, and the group selected illustrates the industrial range covered by the group, rather than a list of investment priorities. Some indication of the scope of Government work should be of interest to investors in this field, provided that the importance of commercial work is kept clearly in view. Clarke Chapman are "busy with important Government work," and have orders for anti-aircraft equipment which will keep the company occupied for two or three years. The latest Henry Meadows report records

that the volume of orders in hand is greater than at any time in the company's history; in addition to large Government contracts, increased civil business has been obtained. Mirrlees Bickerton—a general machinery making concern—reported last June that a substantial amount of munitions work was in hand. Ruston and Hornsby, which specialises on oil engines, attributed the substantial increase in home business last year indirectly to Government orders, and in addition, the company has considerable Admiralty contracts.

A complete listing of general industrial companies with an armaments equity (covering sub-contractors, of which there are now 3,500 serving the aircraft industry alone) would have to include not merely concerns like Carrier Engineering and R.F.D. (which are interested in anti-aircraft defence) but the legionary concerns which have derived indirect benefit from defence expenditure. For the latter, new construction work for the defence services is of primary importance. In the following table, we have made a rough analysis, so far as the Estimates permit, of the course of expenditure on works and buildings and on plant from 1936-37 to the current year:—

ARMY, ORDNANCE, NAVY AND AIR EXPENDITURE

	(£'000)			
	1936-37	1937-38	1938-39	
Works and buildings, etc....	15,539	33,119	44,995	
Plant*.....	2,728	10,231	8,080	
	18,267	43,350	53,075	

* Excluding contributions towards plant under other votes.

There is some ground for thinking that indirect expenditure on building materials, constructional steelwork, cement, and certain types of machinery, is near its peak, unless civil defence is hastened. The total charge will still run at a high level over the next year or two, but perhaps not so high as to counteract a serious fall in civil investment. It is fortunate, therefore, that the industrial recession has been arrested, and may give place to real recovery next year—in the absence of political disturbance. But a mere connection with re-armament is not enough for the investor who seeks a financial interest in defence. And even for shares which are predominantly of an armaments character, certain reservations must be considered. Dividends may not increase in proportion to gross profits; a high level of activity may entail a correspondingly high provision for depreciation; the prudent

ARMAMENT COMPANIES' PROFITS AND DIVIDENDS

Company	Total Profits		Ordinary Shares					
			Earned		Paid		Price	Yield
	1936-37	1937-38	'36-7	'37-8	'36-7	'37-8		
	£	£	%	%	%	%	s. d.	%
Naval Shipbuilders								
John Brown (10/-)*	715,995	817,544	20.4†	22.2†	15.4†	17.1‡	32 6	5.39†
Hawthorn, Leslie (10/-).....	37,689	78,577	10.6	16.4	9	9‡	16 3	5.54
Swan, Hunter, etc. (5/-).....	177,011	274,539	4.9	11.0	7	9	26 9	6.73
John I. Thornycroft (5/-)*	125,502	176,211	29.1	53.3	Nil	8	41 3	3.88
Vickers (10/-)*	1,619,243	2,020,653	15.9	21.5	10	10	23 9	4.20
Yarrow (5/-).....	32,601	48,067	22.1	34.6	15	20	60 0	6.66
General Armaments								
Bir. Small Arms (5/-).....	699,095	837,975	19.1	21.4	Nil	10	25 6	7.85
Thos. Firth & John Brown (5/-).....	656,018	867,723	22.1†	31.6†	15.4†	17.1‡	70 0	5.00†
Hadfields (10/-).....	270,074c	308,418c	29.5	32.0	13.4d	22.1‡	30 0	7.50
Projectile & Engineering (10/-)...	94,222	167,575	20.9	47.2	20	20e	29 4½	10.21
Armament Industrials								
Ass. Electrical (5/-)	1,055,624	1,290,008	14.9	16.6	10	10	39 7½	5.05
Clarke Chapman (5/-).....	68,990	92,962	11.6	17.8	8	10	32 6	6.15
Henry Meadows (5/-).....	44,618	60,467	18.1	24.7	20	20	17 1½x	5.84
Mirrlees Bickerton (5/-).....	12,821	20,539	2.5	5.0	2½	4	11 10½	6.73
Ruston & Hornsby (5/-).....	164,056c	222,526c	10.6	15.3	6¼	7½	19 4½	7.75

(a) And 66½ per cent. share bonus. (b) And 50 per cent. capital bonus, on which dividend was paid. (c) After depreciation (amounts unstated). (d) And cash bonus of 10 per cent. from capital profits. (e) And 20 per cent. capital bonus. * Has other armament interests. † Tax free. ‡ Has important commercial interests.

companies, remembering the post-war period, will be anxious to guard against the consequence of over-inflated capacity when the re-armament programme is completed. The direct armament companies, therefore, may retain a generous proportion of earnings in the next few years—though dividends should be satisfactory. Naval shipbuilders and industrial concerns with one leg in re-armament and the other in civil business have a closer concern with the latter than at any time in the past three years. There are no immediate signs of a new arms drive; and if there were, it might well happen that an increased measure of industrial control would in turn affect profits and dividends.

Commercial Vehicles

THE commercial motor industry is not only largely separate on the production side from the private car industry, its economics are also notably different. Sales of new private cars are now generally acknowledged to show an almost exact correlation with fluctuations in the level of economic activity as a whole and to afford a highly sensitive index of the trend of trade; their direction changed decisively downwards in August, 1929, upwards in August, 1932, and downwards again in September, 1937. Commercial vehicle sales, on the other hand, although showing course a broad tendency to follow the trade cycle, depend on such a wide variety of factors that it is quite impossible to reduce their economics to the same simple terms that fit the private car. In the first place, running costs have entirely different implications for the two classes of vehicle. Few private cars are costed very carefully by their owners, and the use of a car is, within broad limits, optional. If a motorist feels more prosperous than he was, he uses his car freely and considers changing it for a new or newer model; if he feels poorer, he keeps his old car and uses it less. On the other hand, commercial vehicles are properly costed, at least so far as the larger operators are concerned, and their annual mileage is determined simply by the amount of work to be done and not by the owner's feeling of prosperity or otherwise. Replacement programmes are planned with a view to providing cheap transport over a period, and, being regular, tend to stabilise demand. In so far as con-

siderations of the value of the vehicle as an advertising medium also enter into the picture, replacement may be advanced a little in times of boom and postponed in time of depression; while furthermore, when industry is active, purchases of additional vehicles tend to be high because of the greater volume of work to be done. On the other hand, the immediate effect of depression may sometimes be to stimulate sales, as happened in 1930, when falling industrial and commercial profits accelerated the transfer to the roads of those classes of traffic that could be carried more cheaply by that means. In recent years Government policy has also been a major factor determining the level of sales. The number of omnibuses in use was stabilised in 1930 and the number of public haulage vehicles in 1933, thus reducing both these important sections of the market to a replacement basis, and in the latter case directly contributing to an increase in the number of ancillary users' vehicles. At the present time sales are also directly affected on a considerable scale by the volume of Government orders, which, with the development of the re-armament programme, last year amounted to one-fifth of the total civilian demand.

During the past season the decline in industrial and commercial activity has checked the demand for additional vehicles. The total number of civilian goods vehicles in use rose by 11,000 in 1938, from 479,000 to 490,000, compared with an increase of 20,000 between 1936 and 1937.

It is not surprising, therefore, that new goods vehicle sales have fallen, for eleven months of the season, from 73,641 to 64,639. The heaviest decrease, of 14.8 per cent., has occurred in the production of vehicles of not exceeding 2 tons unladen weight, which are mainly operated by ancillary users and which also most frequently serve as advertising media as well as agents of transport. Vehicles of 2 to 2½ tons capacity, the smallest class commonly used by haulage contractors, which have been forging ahead for several years at the expense of the true heavy-weights of over 2½ tons, have registered a decline in production over the 11 months of 9.2 per cent., from 22,556 to 20,489, while heavy-weights have decreased by 0.9 per cent., from 5,991 to 5,935.

Just as the first effect of declining activity has been to stimulate sales of small private cars at the expense of large, so it has on a relative basis encouraged large commercial vehicles at the expense of small—and for the same reason, economy. The small car is more economical than the large for any normal load of passengers and for any normal mileage, but, with the commercial vehicle, the larger load which the heavy-weight can carry, and the higher annual mileage it can run without incurring unduly costly repair bills, make it more economical than the small vehicle, provided that the business is capable of being organised in terms of big loads and intensive use of large vehicles. Declining profit levels, of course, provide an incentive for such reorganisation. Heavy-weights are expensive to buy in the first place, even in relation to their carrying capacity, but, as commercial transport differs from private transport in being reckoned in terms of cost per vehicle-mile and cost per ton-mile, this does not prove a serious deterrent to potential buyers.

A large and increasing proportion of the costs of operating road transport, whether goods or passenger, is in the nature of statutory charges. Taxes, insurance premiums and licence fees are, of course, on the same basis for all operators; the scope for substantial variations in depreciation allowances and repair costs is much less than used to be the case, now that the examiners appointed under the Road and Rail Traffic Act are gradually enforcing the same standards of mechanical fitness for all vehicles; the Road Haulage Wages Act of last July will also in due course eliminate the possibility of important variations in the wages paid by different operators. All these items have been or are being taken out of the control of the individual operator and standardised; the only directions remaining in which savings can be effected are in the better organisation of the work, so that the most suitable vehicles are used for every task and kept fully employed, and in the reduction of the fuel bill.

With the petrol tax, at 9d. a gallon, accounting for more than half the retail price of commercial grade petrol, a very strong incentive is given to the use of alternative fuels, which are either more economical in consumption or are at present exempt from tax. The most important of such fuels is heavy oil, which, with a diesel engine, although subject to the same rate of tax as petrol, reduces consumption in terms of gallons per mile by nearly 40 per cent., representing a saving of about 1d. a mile on the running costs of the average omnibus. Omnibus sales for eleven months of the season have increased from 5,921 to 6,020, and the proportion of diesel bus sales reached 60 per cent., compared with 47 per cent. two years ago. The progress of the diesel engine on the goods side has been slower, but diesel lorry sales increased last season from 1,533 to 1,780. Development on this side is checked chiefly by the greater weight of the diesel engine. Goods vehicle taxation and speed limits are based on unladen weight, and the diesel lorry must therefore either pay a heavier tax than the corresponding petrol lorry, or sacrifice something in carrying capacity. These considerations do not apply to omnibuses, as hackney vehicle taxation depends solely on seating capacity and all omnibuses are subject to the same speed restrictions.

Other alternative fuels include coal, electricity, and gas. The steam vehicle has lost ground steadily of recent years, in spite of exemption from any form of fuel tax and favourable treatment in other respects; its chief handicap has been its weight. Electricity continues to make pro-

gress, although not spectacularly, and sales of electric vehicles last season increased from 821 to 842 vehicles; the majority of these were bought by local authorities, electricity undertakings, and certain retail distributors whose work involves low mileages and frequent stops. Development is checked by the size of the batteries and the difficulty of changing them over or of re-charging them. Coal-gas has made negligible progress, only four new vehicles running on coal-gas having been sold during the season; again, the weight of the cylinders and the difficulty of picking up supplies act as a deterrent. Producer-gas vehicles burning anthracite or coke are expected to be marketed during the present season, but experience abroad suggests that it is only where their use is made compulsory, as it is in France, for one vehicle in every ten in fleets of over ten vehicles, that they can sell in competition with petrol or diesel vehicles. It broadly remains true that alternative fuels to petrol and heavy oil can only flourish under the shadow of the petrol tax. As the rate of tax increases, the incentive to develop substitute fuel grows stronger, but, although small inroads in the £52 millions revenue which the Government now obtains from the motor fuel duties would no doubt be ignored, and might even be encouraged up to a point, with a view to reducing the country's dependence on imported products, no substantial reduction in the yield of the duties would be permitted, and sooner or later the loss would be recouped by extending some form of special taxation to vehicles using the alternative fuels.

Diesel vehicles are still only manufactured by the omnibus and heavy lorry manufacturers, principally, of course, by Leyland, A.E.C., Albion and Dennis, other manufacturers in this class usually making only the chassis themselves and buying the engine. It will not be possible, however, for the private car manufacturers, who have the lion's share of the light commercial vehicle market, viz. General Motors (Bedford), Ford, Morris Commercial, and in the current season Austin Commercial also, permanently to ignore the trend towards the diesel, and it is not surprising, therefore, that Morris Commercial is planning to enter this field and has acquired the manufacturing rights of the Saurer diesel engine. In the United States, General Motors are marketing a very successful diesel vehicle, but so far are doing nothing in this country. The Austin Commercial programme is at present confined to petrol vehicles.

The output of commercial vehicles last season probably reached 107,000, a decrease of 10 per cent. on the previous year's record figure of 119,000. Home sales of commercial vehicles fell from 101,000 to 95,000, and imports from 3,700 to 3,300; exports declined from 20,700 to 15,500. It is naturally much more difficult for motor manufacturers to take positive steps to enlarge the commercial market than is the case with private cars but, at present, the most promising lines of attack are those directed against the onerous legal restrictions on the expansion of commercial transport and the physical restrictions on its use set by the inadequacy of the road system. This was the gist of the industry's reply to last week's railway manifesto. Motor transport needs better exits from large towns and faster roads to link them up and to by-pass smaller places. Direct collective action by manufacturers with a view to supporting the secondhand price structure for commercial vehicles would probably not be so effective as it might be in the case of private cars, as the limiting factor in commercial vehicle sales is not the initial cost to the buyer but the operating costs. Better results might be expected if users of commercial vehicles could be induced to realise that it would often pay them, through lower operating costs, to scrap their old vehicles rather earlier than they do at present. There is undoubtedly still an unduly high proportion of old vehicles on the road. Old vehicles are usually extravagant to run and often dangerous, and any tightening up of the standards required by the Government examiners would have beneficial results, both for manufacturers and for the public, while such a move would not be prejudicial to operators. The larger concerns, with proper costing systems, fully appreciate that old vehicles are not economical, and in general they are used by small concerns which do not realise their costliness.

Germany's Clearing Debts

AN article on German methods of foreign trade in *The Economist* of November 5th discussed the important use made by Germany of her debts on clearing accounts as a lever to force German exports, particularly towards the Balkans. As is generally known, these clearing accounts are not published in Germany, although some information has been given officially, or semi-officially, regarding the total debt outstanding at certain times. On the other hand, a few other countries publish regular monthly figures regarding their clearings (with Germany as well as with other countries); but generally information is somewhat fragmentary, and it is difficult to obtain a clear picture of the position at any particular moment. A careful collection and collation of available material is sufficient, however, to give a general idea of the long-term development of Germany's clearing accounts in recent years.

Indications of the total debt on clearing accounts given from time to time by Reichsbank officials and in the Annual Report of the Reichsbank are shown in the following table, bringing together the figures in a way in which they may be compared:—

	Rm. millions	Authority
1934 December	about 450	Dr Eicke (<i>see below</i>).
1935 March	... about 567	Dr Blessing at Bremen (<i>see below</i>).
April	... about 500	Dr Blessing at Cologne (<i>see below</i>).
November	about 515	Dr Blessing at Bremen (<i>see below</i>).
1936 April	... not above 500	Dr Blessing in a speech at Cologne in April, 1936, gave Rm. 500 millions for April, 1935, and said that this figure had since "not increased."
November	about 415	Dr Blessing in a speech at Bremen in November, 1936, gave the total in March, 1935 (the highest reached) at Rm. 567 millions; he said the figure was "now" Rm. 415 millions, which was Rm. 100 millions less than "a year ago."
December	about 463	Reichsbank Annual Report for 1937 (<i>see below</i>).
1937 November	about 200	Dr Eicke in his book "Warum Aussenhandel?" gives totals of Rm. 450 millions "end of 1934" and Rm. 200 millions for November, 1937.
December	about 313	Reichsbank Annual Report, 1937, gives Rm. 313 millions for the end of 1937, "a reduction of around 150 millions on the year."
1938 March	... about 250	Dr Eicke in a speech at Berlin to the Deutsche Arbeitsfront on March 10, 1938.

In no case was it stated whether these figures were gross or net, i.e. whether they were an aggregate of Germany's debts only or whether assets on some accounts had been deducted from the total debts. It is believed, however, that in all cases the gross indebtedness was referred to. These figures, it must be emphasised, related to only the "Spitzen" on "Verrechnungs-, Reichsbank- und ASKI-Konten," i.e. to amounts actually due for payment and not paid. No account was taken, therefore, of trade credits which might be outstanding at any time on either side. In this connection it may be mentioned that, particularly since 1935, German exporters' credits have grown in volume and length of maturity. It was estimated, for example, in the middle of 1936, when the German clearing debt to Holland was around Rm. 90 millions, that this sum was approximately equalled by the volume of German credits to Dutch importers.

Although the figures in the table are incomplete, they clearly show the steady reduction from the high point in March, 1935, with an apparent temporary increase of indebtedness at the end of each year.

A more interesting approach to the question can be made by the somewhat laborious assembly of information where

it is published on "the other side," i.e. in the countries having clearing accounts with Germany, and by converting these amounts into Reichsmarks for comparison. This has been done in the following table, which gives half-yearly figures (and, in addition, the high point of March, 1935) for those countries where the clearing figures are published or where reasonable estimates of the position may be made:—

Rm. millions.									
	1934		1935		1936		1937		1938
	Dec.	Mar.	June	Dec.	June	Dec.	June	Dec.	June
Great Britain	55	36	26	8	...	...	...	...	...
Holland	65	123	119	106	89	48	11	7	22
France	87	59	93	68	42	35	31	17	3
Czechoslovakia	30	34	34	33	26	9	8	20	...
Yugoslavia	13	15	16	22	21	23	23	13	10
Greece	11	13	17	22	37	19	25	9	...
Switzerland	23	52	57	49	42	31	24	23	25
Italy	15	12	7	...	...	20	3	...	...
Total	299	344	369	...	...	185	125	89	...
Others	...	223	...	...	...	...	...	224	...
Grand total	...	567	...	...	...	...	...	313	...

This table calls for the following comments:—

Great Britain.—The figure of £4½ millions was given by the President of the Board of Trade to the House of Commons in December, 1934. Towards the end of the month the first payments were made to English exporters from the credit granted to the Reichsbank by the Bank of England. The figures for 1935 have been estimated, taking account of further distributions from the credit and also the allocation, under Article 6 of the Anglo-German Payments Agreement, of 10 per cent. monthly from the proceeds of German exports to England. The figures in the table may be one or two million Reichsmarks out on either side, but published statements confirm the estimate that the debt was extinguished in the spring of 1936. By the working of the Payments Agreement, no such debts can arise in future.

Holland.—The apparent increase in the Dutch total from December, 1934, to March, 1935, was partly due to the admission of further items to the total of frozen commercial debts in arrears. The amounts on the Sonderkonto and Treuhänderkonto at the Nederlandsche Bank are included in the figures with the clearing account proper until their liquidation around the end of 1936. Early in 1935 Holland was by far the greatest creditor of Germany on clearing accounts, but the debt was steadily reduced during the following two years and in the autumn of 1937 there was a small Dutch debt on the account. This situation did not last long and the German debt, which reappeared in December, 1937, grew to Rm. 32 millions by September, 1938. Since October 1st a new agreement has been in force.

France.—The fall in the German clearing debt to France in the spring of 1935 was due to the taking over of the Saar territory (and its credits against Germany). In the summer of 1935 the debt reached its highest level (Rm. 100 millions in July and August), from which a steady reduction took place. No figures have been published since the new Payments Agreement was negotiated in July, 1937, but early in August, 1938, it was stated that the debt was then completely liquidated from the monthly payments of the Reichsbank. The figures given for December, 1937, and June, 1938, assume equal monthly repayments. Under the working of the Payments Agreement such debts cannot arise in future.

Czechoslovakia.—This account was published regularly until February, 1938 (Rm. 24 millions). The Anschluss necessitated a new agreement; publication of current figures was suspended and has not been resumed. A quarterly census of Czechoslovakian exporters' claims (i.e. including credits granted) showed generally some Rm. 20 millions above the clearing debt due from Germany.

Yugoslavia.—This account has been published regularly and appears to have worked fairly smoothly. The German debt was at its highest early in 1937 (February, 1937, Rm. 38 millions).

Greece.—This debt was at its highest point in the autumn of 1936 (October, 1936, Rm. 38 millions), and was

later reduced considerably under a special arrangement for liquidation. In June, 1938, and following months a small Greek debt appeared for the first time.

Switzerland.—This account has never shown a debt of less than Rm. 20 millions, but for the past two years has fluctuated at somewhat less than half the high level (above Rm. 60 millions) reached in the summer of 1935.

Italy.—The blanks for December, 1935, and June, 1936, are due to the non-publication of the account in Italy during the sanctions period. Since October, 1937, the account has shown a credit for Germany amounting in June, 1938, to Rm. 9 millions.

Scandinavia.—The clearing accounts of Norway and Finland with Germany are published but have been omitted from the table since the "Spitzen" against Germany have generally been negligible (at their highest in March, 1935, only Rm. 14 millions together). The clearing with Sweden is also understood to work to the satisfaction of both parties. It is believed that the Danish clearing ran into difficulties in the summer of 1936, but no figures were published. Any German debts to these countries appear, therefore, under the heading of "Others."

Others.—Perhaps the most surprising thing in the table is the seeming stability of the debt to other countries from March, 1935, to December, 1937. Although these other accounts are not published, enough is known, particularly owing to the leakage of details during negotiations between the parties, to realise that big changes have in fact taken place. For example, the debt on clearing account to Belgium, which was estimated at about Rm. 30 millions early in 1935, was, it is known, extinguished before the end of 1936, and under the Payments Agreement now in force such deficits cannot arise. On the other hand, the debt to Poland, which was negligible or non-existent at the end of 1934, rose steadily throughout 1935 until the autumn of 1936, when it was given at Rm. 50 millions, being chiefly amounts due in connection with the transit of the Reichsbahn through the Polish Corridor. This debt is being reduced by deliveries from Germany (which account for the high level of Polish imports). No indication was given of the debt to Turkey until the arrears accumulated to some Rm. 60-80 millions early in 1937. Since August, 1937, monthly figures have been published showing the reduction of the debt to Rm. 8 millions in June, 1938.

Little is known of the clearings with Bulgaria, Roumania and Hungary except that Germany has had fairly considerable debts on these accounts, amounting perhaps at the highest point in each case to around Rm. 20 millions (but probably also in each case much reduced at the present time through special deliveries with the specific object of repaying the clearing debt).

Still less is known of the German debts to South American countries represented by the volume of ASKI-marks outstanding. The Banco de la Republica in Colombia has published monthly figures since January, 1936, but they are unimportant—the highest being Rm. 4 millions in March, 1938. In other cases debts are known

to have been substantial but no figures have been published. In particular, German trade with Brazil was temporarily interrupted only four months ago, when the Bank of Brazil refused to buy ASKI-marks as its holding was already "unwieldy." This situation contrasts with that in 1934, when Brazilian debts to Germany were considerable.

The broad outlines of the picture can now be seen with some degree of clarity. The year 1934 was one of exceptional difficulty for the German foreign exchange position. In the first half of the year the quotas of foreign exchange allotted for imports were greatly reduced, but imports continued and, consequently, commercial debts to foreign countries grew rapidly. In September, 1934, Dr Schacht introduced the "New Plan" for balancing imports and exports, and the effect of this plan was the gradual reduction of debts which took place after March, 1935.

This reduction was, however, essentially towards those countries of Western Europe—Great Britain, France, Belgium and Holland—whose trade position was strong enough to force repayment by an allocation from the proceeds of Germany's exports. Towards other countries, particularly those of Eastern and South-Eastern Europe (and probably also South American countries) the debts tended to increase. But this increase was slower than the reduction of debt towards the Western countries, chiefly because special arrangements were made by Germany from time to time for deliveries of goods to cover the mounting "Spitzen."

Dr Eicke's figure of Rm. 250 millions for March, 1938, was given a few days before the *Anschluss*, which automatically reduced the aggregate clearing debt by the amount owing to Austria, i.e. Rm. 30 millions—more, in fact, since Austria was a creditor on clearing accounts with other countries also. Again, the new boundaries of Czechoslovakia further reduce the German debt, which cannot now be more than Rm. 200 millions, divided, at a guess, in roughly equal proportions between European and non-European (i.e. particularly South American) countries. Germany has a net credit balance on some accounts which must be set against the total of debts.

It would seem, then, that the heyday of the German clearing manipulation is probably near its end. Payments agreements have now been concluded by Germany with about ten different countries, and the system is spreading, for, in spite of its disadvantages, it is a great improvement on clearings, since it permits the resumption of normal trade financing and avoids the accumulation of frozen trade debts. This is recognised by the German experts. For example, Dr Eicke, the Reichsbank expert on foreign trade, says in his book "Warum Aussenhandel?" ("Why Foreign Trade?") that "in many countries there is a twilight of the clearings" ("in manchen Ländern kann heute von einer Clearingdämmerung gesprochen werden"). Germany's trade drive will have to be pursued—is already being pursued—with other weapons.

Finance and Banking

The Rally in Sterling.—The current week has witnessed a spectacular rally in the pound. After being offered at \$4.62½ on Monday morning, the New York rate rapidly rose until on Wednesday evening it touched \$4.69. On Thursday the rate fell at one time to 4.67½ in a natural reaction, but it closed at 4.68, aided by the "Control." There are three explanations of the rally. First and foremost, almost every operator had for the previous two months been making heavy purchases of both dollars and gold in the spot and forward markets. Most people, therefore, had become seriously short of sterling, and so the dollar was technically in a weak position. The earlier of the forward contracts are already beginning to mature, while a number of houses were urgently in need of replenishing their holdings of sterling in readiness for their December 31st balance sheets. It was also realised that the normal autumn commercial demand for dollars was drawing to its end. For these reasons it is possible that some January and Feb-

ruary positions were hurriedly closed this week. The rally in the franc, due to M. Daladier's success in meeting the French labour troubles, found its reflection in the strengthening of three months' francs to only Frs. 2-1½ discount. But in addition fresh movements of funds to Paris from New York as well as London occurred. Finally, there was a recrudescence on the Continent of the perennial rumour that a further devaluation of the dollar was contemplated in Washington. This time the rumour was linked with the suggestion that the American Authorities wished to counteract the depreciation of the pound. The British "Control" has thus had an easy task this week. It gave some support to sterling early on Monday, but then practically dropped out of the market for two days. On Wednesday and for a time on Thursday it bought dollars, both to "smooth out" the appreciation of sterling and to replenish its own stocks. It operated through a number of channels to disguise its intervention, and is believed to have acquired on

Wednesday a large quantity of dollars. The French "Control" has also been active, buying a large amount of sterling, some of which was re-sold for dollars, while some dollars were bought directly in exchange for francs. The fact that French official sales of sterling did not check the rise in the pound is a further indication of the volume of this week's demand for sterling. Whatever doubts may have been aroused by official action in London and Paris in recent weeks, during the last few days the laugh has been on the side of the authorities.

* * *

German Standstill Agreement.—The Consultative Committee set up under the German Credit Agreement of 1938 met in London between November 15th and 23rd and decided to extend the duration of the Standstill Agreement, due to expire next February, to the end of May, 1939. Hitherto the Agreement has been prolonged from year to year, and the mere three months' extension on this occasion has occasioned considerable comment. The most popular surmise is that the uncertainties of the Central European situation debarred the creditors from extending the Agreement for any greater period. No explanation, however, could be further from the mark. The Agreement of 1938, in fact, provided specifically for the option of a three months' extension which has been exercised by common consent, in order to avoid the disagreeable climatic conditions which normally attended Standstill conferences held in Berlin in the early weeks of each New Year. Several modifications, however, have been made to the Standstill Agreement as a result of the recent London discussions. In the first place, the inclusion of Austrian short-term debts to foreign banks and commercial and industrial concerns in the German Standstill Agreement has now been confirmed. The question of the inclusion of similar claims in the Sudeten areas was also discussed, but was finally rejected—largely at the instigation of the creditors concerned, who considered that in view of the present abnormal flow of *devisen* to Czechoslovakia they might get better terms from their Czech banking debtors in respect of credits granted in Sudeten territories by keeping them outside the Standstill Agreement. If those hopes are not realised the question of the inclusion of Sudeten credits may be raised at the next meeting in April.

* * *

Register Mark Changes.—It has also been decided to raise the licence fee on the sale of travel marks from 10s. to 15s. per 100 marks, as from December 1st. As before, the proceeds of the fees will provide for repayments of outstanding Standstill credits, but whereas, in the past, the licence fee was paid by the buyer of travel marks as a separate item from the exchange transaction, the larger fee will in future be included in the rate at which travel marks are sold. Thus, on Wednesday of this week, travel marks were quoted at 25 to the £ *ex* the licence fee, but on Thursday they were quoted at 21 to the £ *cum* the fee. In order to encourage the sale of registered marks (which have been seriously curtailed by the slump in tourist traffic to Germany) the German representatives have agreed to raise from 200 marks to 300 marks per month the amounts of "benevolent remittances" which can be made to any one person living in Germany through the registered marks market. In future these remittances will have to bear the licence fee of 15s. per 100 marks. In other respects the Agreement is substantially unchanged. The principle of "re-commercialisation" initiated with the 1938 Agreement has justified itself sufficiently to merit further trial. In any case, it is bound to meet with greater success as the amount of Standstill credits are gradually reduced. That process is making good headway, and during the past year the commitments of British creditors have fallen by about 6 per cent. At this rate, given even a moderate expansion of German trade with free *devisen* countries, the Standstill problem should soon cease to be a problem at all.

The Jump in Bill Rates.—Discount rates normally become firmer in December, as the clearing banks reduce their purchases of bills. For various reasons, however, this year rates began to stiffen in the middle of November. The syndicate reduced its tender price from £99 17s. 4d. per cent. on November 11th to £99 16s. 2d. per cent. a week later, thereby raising the average tender rate from about ½ to nearly ¾ per cent. In spite of this drop in its price, its allotment only fell from 52 to 38 per cent. On November 25th the syndicate left alone the bills payable on Monday and Tuesday, as these were respectively 92- and 91-day bills. Instead it went for the 90-day bills maturing in March and issued later in the week, and although it reduced its price to £99 15s. 7d. per cent., it secured a 32 per cent. allotment. The average tender rate for November 25th was just over ¾ per cent. There were various motives behind the syndicate's tactics. First the continued efflux of funds from London has reduced the demand for bills, and a fortnight ago the clearing banks were inclined to buy more sparingly. In any case, the banks are due to curtail their buying very shortly in preparation for the end of the year. Moreover, bills taken up now will have to be carried over the New Year, and as December 31st falls on a Saturday, the market will be unable to adjust its Treasury Bill payments and maturities so as to force the Treasury to borrow at the Bank. In addition to these technical reasons, the market was probably impressed by the fact that the Exchange Equalisation Account's gold sales were recently diverting cash into public deposits at the Bank. On November 16th public deposits were as high as £35 millions, while on November 23rd they stood at £31.7 millions. Since they have fallen this week to £23.1 millions, it is clear that too much emphasis was laid on this factor, for an increase is normal in November when cash has to be accumulated for the December 1st War Loan dividend payment. Discrepancies between Treasury bill payments and maturities account for some of the fluctuations in public deposits. Past experience has shown that the authorities can quickly restore the Exchange Account's surplus cash to the banking system, and can also maintain cheap money in spite of an efflux of funds. Firmer money rates may not therefore persist in the New Year.

* * *

Lloyds Bank Appointments.—The impending retirement of Mr G. F. Abell, the chief general manager of Lloyds Bank, has led to a succession of new appointments. Two of the present joint general managers, Mr R. A. Wilson and Mr Sydney Parkes, are to be chief general managers. This reverts to the practice of several years ago, when Mr F. A. Beane, the present vice-chairman of the bank, was a colleague of Mr Abell. Mr Wilson is this year's

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President of the Institute of Bankers, and he also has a long and wide knowledge of North Country banking. Mr Parkes is equally known for his activities in the City of London. In succession to Mr Wilson and Mr Parkes, Mr L. A. Stanley and Mr G. D. Gold are appointed joint general managers. Mr Stanley is now the assistant general manager in charge of administration, and he is being succeeded by Mr A. H. Ensor. Mr Gold is joint manager of the bank's City office, and his place will be filled by Mr T. G. Raine. The whole City will regret Mr Abell's retirement, for he will leave a noticeable gap in the banking world. The City, however, will equally agree that that gap will be well filled by his two successors, and will also be

glad to know that Mr Abell has been invited to join the board. Thus he will not entirely lose touch with the banking world, in which he has for some time been one of the leaders.

* * *

Bank of New South Wales.—Mr Robert Gillespie, the new president of the Bank of New South Wales, gave an interesting review of Australian economic conditions at the ordinary general meeting of the bank. The key to his review is the fall in Australian export prices, amounting to 27.5 per cent. between the third quarters of 1937 and 1938. This, rather than any diminution in the volume of Aus-

MONEY MARKET NOTES

Foreign Exchanges

THE rally in sterling and the franc, described in a Financial Note, was checked on Thursday by nervousness in Paris over Count Ciano's speech. It is true that spot francs continued to be bid, the rate strengthening to Frs. 178.20 and the French Control having to give francs. Three months' francs, however, eased from Frs. $\frac{3}{4}$ - $\frac{1}{2}$ to Frs. $1\frac{1}{2}$ discount. The reaction in sterling was more noticeable, for the spot rate came down to \$4.67 $\frac{1}{2}$, recovering later in the day to \$4.67 $\frac{3}{4}$. The British Control was buying dollars early in the morning and selling them later in the day. During the week guilders depreciated from Fl. 8.50 on Monday to Fl. 8.67 $\frac{1}{2}$ on Thursday morning, coming back later in the day to Fl. 8.60 $\frac{1}{2}$. This depreciation was not only in sympathy with the dollar, but was also due to the cessation of covering purchases of guilders against the repayment of the French credit. Swiss francs followed the dollar in an idle market, the rate rising from Frs. 20.37 to Frs. 20.62, and falling back on Thursday afternoon to Frs. 20.59. Belgas also followed the dollar, the rate moving from bel. 27.34 to bel. 27.73 $\frac{1}{2}$ and falling back to bel. 27.68. Forward belgas widened to slight discounts for both the chief positions. The market this week was very active in dollars and French francs, but the total repatriation of French funds up to Wednesday may prove less than might have been expected from the general atmosphere created by M. Daladier's success.

*

The Bank Return

THE Christmas expansion in the note circulation has begun, even though most of this week's increase of £4.7 millions probably represents currency withdrawn for end-of-month payments. There is still no increase in the fiduciary note issue, so that the reserve is down to £45.6 millions. The circulation is now only £4.9 millions less than last year, when it was thought neces-

	Dec. 1, 1937	Nov. 16, 1937	Nov. 23, 1937	Nov. 30, 1937	Nov. 30, 1938	Nov. 30, 1938
Issue Dept.: Gold.....	326.4	326.4	326.4	326.4		
Notes in circulation	485.7	478.6	476.1	480.8		
Banking Dept.: Reserve.....	62.0	47.8	50.4	45.6		
Public Deps.	12.0	35.0	31.7	23.1		
Bankers' Deps.	105.7	89.5	92.2	97.1		
Other Deps.	36.6	35.0	35.0	37.2		
Govt. Secs.	78.8	95.2	91.8	90.2		
Discounts & Advances	10.5	12.4	12.2	17.6		
Other Secs.	20.7	20.6	21.1	20.1		
Proportion.....	40.2%	30.7%	32.4%	29.7%		

sary to raise the fiduciary note issue by £20 millions.

In the banking department there has been a drop of £8.6 millions in public deposits. This is not due to the War Loan dividend, which, unlike last year, was only paid the day after this week's return. The money market, however, had concentrated most of its Treasury bill payments towards the latter end of this week, and this is probably the chief reason why public deposits are lower. Discounts and advances have risen by £5.4 millions. Part of this increase may represent further drawings against the Czech credit. It is also possible that some of this money is for the moment on deposit with the Bank, for other deposits have risen by £2.2 millions. The increase in discounts and advances outweighs the drop in the Reserve, which may be why Government securities have been reduced by £1.6 millions. As a result of all these movements bankers' deposits have risen by £4.9 millions.

*

The Money Market

PARTLY because the market had no Treasury bills to pay for on Monday and Tuesday and only a few bills on Wednesday, money has become definitely easier. Last week bond money was being bid for each morning at $\frac{3}{4}$ per cent. but this week it was freely offered at the same rate, while large borrowers had no difficulty in securing loans at $\frac{1}{2}$ per cent. There was a fair demand for money on Thursday, when the market had a large part of its week's bills to pay for, but by then the War Loan dividend money was beginning to come through, and so conditions remained easy. By next week the whole of the War Loan dividend will have reached the market, and so, pending the further withdrawal of Christmas currency, money should for a short time be more plentiful.

	Dec. 1, 1937	Nov. 16, 1937	Nov. 23, 1937	Nov. 30, 1937	Nov. 30, 1938
Bank Rate	2	2	2	2	2
London Deposit Rate.....	2	2	2	2	2
Short Loan Rates:					
Clearing Banks	1 $\frac{1}{2}$ -3 $\frac{1}{4}$	1 $\frac{1}{2}$ -1 $\frac{1}{2}$	1 $\frac{1}{2}$ -1 $\frac{1}{2}$	1 $\frac{1}{2}$ -1 $\frac{1}{2}$	1 $\frac{1}{2}$ -1 $\frac{1}{2}$
Others	1 $\frac{1}{2}$ -3 $\frac{1}{4}$	1 $\frac{1}{2}$ -3 $\frac{1}{4}$	1 $\frac{1}{2}$ -3 $\frac{1}{4}$	1 $\frac{1}{2}$ -3 $\frac{1}{4}$	1 $\frac{1}{2}$ -3 $\frac{1}{4}$
Discount Rates:					
Treasury bills	11 $\frac{1}{2}$ -3 $\frac{1}{4}$	3 $\frac{1}{4}$	13 $\frac{1}{8}$		
Three months' bank bills	5 $\frac{1}{2}$	3 $\frac{1}{4}$	13 $\frac{1}{8}$		

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

ruary were being taken at $\frac{1}{2}$ per cent., but later on the banks were prepared to pay $\frac{3}{4}$ per cent. for suitable February dates. January maturities are, of course, less popular, as they mature relatively soon after the New Year and its disturbances; they therefore remained at $\frac{1}{2}$ per cent. The rate for bills with a full three months to run was also $\frac{1}{2}$ per cent. These rates are fractionally higher than last week, but indicate no more than the usual December stiffening.

*

The Bullion Market

ON November 26th the London price of gold touched a new high record, which actually was 150s. 4d. for a small deal after the fixing. Since then there has been the sharp recovery in sterling, which has brought the price of gold down again. On Monday and Tuesday there was an incipient "dollar scare" on the Continent, which led to fresh Continental buying of gold, and at one time on Monday threatened to establish a big premium. This demand was met by Continental resales and official sales. There was no arbitrage on Monday or Tuesday, as the pound was appreciating. On Wednesday there was very little business, but on Thursday, when the exchange turned against the pound, arbitrage began once more, in addition to further Continental purchases. Over half this day's demand had to be met from official sources.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in £	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Nov. 25 ...	149 10 $\frac{1}{2}$	1 $\frac{1}{2}$ pm	888	20 $\frac{1}{8}$	19 $\frac{1}{8}$
" 26 ...	150 0	1 $\frac{1}{2}$ pm	444	20 $\frac{1}{8}$	19 $\frac{1}{8}$
" 28 ...	149 9 $\frac{1}{2}$	1 pm	1,362	20 $\frac{1}{8}$	19 $\frac{1}{8}$
" 29 ...	149 3	1 pm	1,087	20 $\frac{1}{8}$	19 $\frac{1}{8}$
" 30 ...	149 1	$\frac{1}{2}$ pm	319	20 $\frac{1}{8}$	19 $\frac{1}{8}$
Dec. 1 ...	148 6 $\frac{1}{2}$	1 pm	797	20 $\frac{1}{8}$	19 $\frac{1}{8}$

* Above or below American shopping price. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing.
The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market also established a record, as the premium of cash over forward rose to $\frac{1}{4}$ d. per ounce, which is the widest margin since January, 1924. London stocks of silver have become depleted through the steady stream of American trade purchases, all of which are for cash, and as a result of this shortage the cash price rose on Tuesday to above the New York parity.

lian exports, explains why an active balance of payments of £stg7 millions for 1936-37 has given place to a passive balance of £stg20 millions for the following year. It equally explains the year's reduction in London funds and so in the trading banks' cash. Meanwhile the fall in export prices, in conjunction with the drought, placed many primary producers in need of additional assistance. The result was that the trading banks' advances rose by £A23 millions during the year to the third quarter of 1938, while their deposits only rose by £A3.8 millions, their cash fell by £A4.2 millions and their Treasury bills by £A5.5 millions. This reduced their cash ratio from 12.0 to 10.5 per cent., and raised their advance ratio from 86.0 to 92.3 per cent., or nearly to the record 1936 ratio of 93.6 per cent. The Bank of New South Wales's figures followed this general trend. Mr Gillespie takes the view that this has created a banking stringency, from which there is no prospect of escape through an early rectification of the trade balance. Indeed, the 1938-39 wool clip will in his opinion prove to have been affected by the drought of 1937-38. He equally holds that internal monetary policy can be directed in such a way as to cut short any tendency for total spending power to be reduced to levels where enterprise is discouraged and factors of production thrown out of employment. He argues that Australia is in a stronger position than in 1928-29, for she is no longer dependent upon a large annual inflow of capital, while she also has a greater diversification of home industries. Yet it is obvious that he does not view the outlook with equanimity, and his whole speech carries the implication that the authorities must adopt a liberal monetary policy to carry Australia through the present setback in export prices.

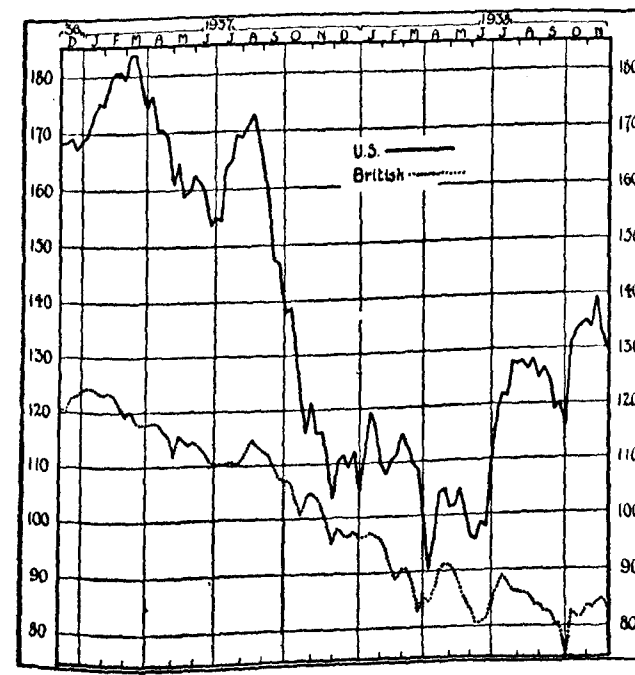
Royal Bank of Scotland.—As the Duke of Buccleuch explained at the Annual General Court, held on Wednesday last, the accounts of the bank were made up to October 8th, a date which this year fell immediately after the crisis. This has to some extent vitiated comparisons with previous years. As the Duke revealed, there were certain withdrawals of deposits during the crisis, and had it not been for these the increase of £247,000 in deposits, from £69.7 millions to £69.9 millions, during the year, would probably have been greater still. Cash, call money and short loans, at £15.7 millions, were slightly higher than in the previous year and again represented 21.5 per cent. of the bank's deposits. Advances rose during the year from £26.4 millions to £27.4 millions. The Duke of Buccleuch revealed that this increase was well spread and reflected conditions in the areas served by the bank. It had, however, necessitated a reduction from £27.7 millions to £27.2 millions in the bank's holdings of British Government securities, while discounts had fallen from £3.9 millions to £3.5 millions, largely as the result of a contraction in the commercial bill portfolio. Net profits showed a slight reduction compared with the previous year, owing to an increase in management charges and also to the heavier incidence of taxation. Scottish trade and industries generally enjoyed a fair year, but the Duke of Buccleuch declared that the heavy industries in the West of Scotland had been saved from depression mainly by re-armament. He emphasised the need for stimulating and developing our export trade, and claimed that there was a margin of productive capacity available towards this end, even after meeting the needs of re-armament.

Investment

Course of Share Values.—Since the middle of the year, the paths of Throgmorton Street and Wall Street have tended to diverge—except when they were united by

BRITISH AND AMERICAN INDUSTRIAL SHARE VALUES DURING THE PAST TWO YEARS (July 1, 1935 = 100)

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



common political fears. America has provided a jump in stock values which, even after the post-Election reaction, still leaves prices about 30 per cent. higher than in the

third week of June. By comparison, British equity prices display a solidity which is not, in the circumstances, unremarkable, though it provides no advertisement for new investors. The current level of British equities, indeed, is approximately the same as that recorded towards the end of June, and also in the latter part of March. If the investor disregards the sharpest effect of the crisis, which pushed the *Financial News* index as low as 73.7 on September 28th, the market's behaviour during recent months is broadly in line with the economic facts. In New York, the steepness of the ascent in June and July would not have been maintained in any event, and if the same process of smoothing is applied, it would seem that the market's intrinsic momentum slowed down towards the election peak, and has subsequently reacted—again in strict conformity with the economic indicators. The investor's pre-occupations with the future of appeasement and re-armament in Europe are too real to dismiss political considerations from the scene—they have clearly contributed towards the decline of business to low ebb in recent weeks. Political factors are united at first hand with the financing of re-armament, on which the market has recently sought enlightenment. Sir John Simon's guarded statement of re-armament finance

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policy (which is discussed more fully on page 470) does not, perhaps, supply the guidance which the gilt-edged market, in particular, would have liked. It certainly does not assure (as some interpreters appear to have assumed) the maintenance of the existing level of taxation and complete resort to borrowing next year. In either event, however, it is difficult to find positive encouragement for the gilt-edged market. And the check to recession has not yet gone sufficiently far to provide new buying points for high-grade industrials.

* * *

Bulgarian Loan Offer.—At present, coupons are being paid at the rate of 32½ per cent. on the two Bulgarian League Loans and the six pre-war loans. The arrangements, made at the end of 1936, covered only specific coupons and expire at the end of this year. A new agreement has now been reached, covering coupons maturing in 1939 (including those due January 1, 1940), and providing for higher rates of payment. In effect the Bulgarian Government propose to retain 61½ per cent. of the interest due, instead of 67½ per cent. as at present, but the rate now payable to bondholders is to be raised in two steps. The half-yearly coupons first falling due in 1939 will be paid at the rate of 36½ per cent., and the second coupons at 40 per cent., making an average rate of 38½ per cent., while any provisional payments on account of coupons due in 1940 will also be at 40 per cent. The various bondholders' organisations recommend acceptance. Indeed, Bulgaria's recognition of the claim of her creditors to increased payments sets an example which other debtors might well copy. Bondholders, however, will hope that the shortness of the period covered by the new offer will bring nearer the possibility of more permanent and normal payments.

* * *

Capital Issues in November.—The November totals of capital issues, both on our old and new bases, are larger than for many months past. Though the amounts are, at £14,758,000 and £24,858,000 respectively, due largely to the Woolworth and Ranks and Hawker Siddeley offers (all from the same issuing house) there has been a significant increase in the amount of new money raised in other directions. Our new issue figures for recent months are set out in the following table:

(000's omitted) Excluding Conversions

Monthly Average	United Kingdom	British Possessions	Foreign Countries	Total
1937	£	£	£	£
Old basis	18,603	1,842	525	20,970
New basis	32,296	5,283	592	38,171
Monthly Total (Old Basis)				
Sept., 1937 ...	Dr. 550	4,487	2,706	Nil
Sept., 1938 ...	150	1,239	413	Nil
Oct., 1937	Dr. 400	6,965	350	Nil
Oct., 1938 ...	Dr. 850	500	1,518	Nil
Nov., 1937	Dr. 150	10,570	1,802	Nil
Nov., 1938 ...	Dr. 300	14,561	497	Nil
(New Basis)				
Sept., 1937 ...	Dr. 550	5,634	5,897	Nil
Sept., 1938 ...	150	1,836	413	Nil
Oct., 1937	Dr. 400	10,528	1,061	Nil
Oct., 1938 ...	Dr. 850	4,471	3,269	Nil
Nov., 1937	Dr. 150	13,318	2,897	Nil
Nov., 1938 ...	Dr. 300	23,515	1,643	Nil

On balance, industrial borrowers are still concentrating upon issues of fixed interest securities, and their terms,

in some cases, have not been made sufficiently attractive for the general investor in quiet market conditions. The considerable revival in the number of Stock Exchange introductions is marked in the expansion of our "new basis" figures last month.

* * *

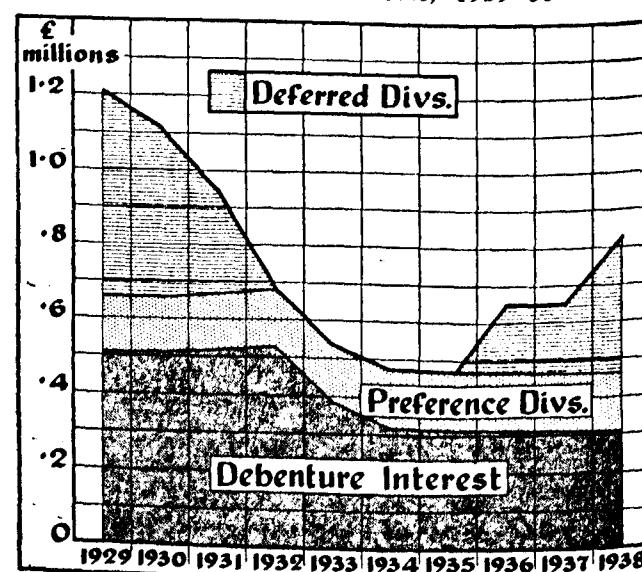
P. & O. Progress.—After giving a warm reception to the doubled deferred stock distribution three weeks ago, the market awaited the report with expectancy tinged with scepticism. The accounts for the year to September 30th (based on voyage accounts to June 30th) clearly show, however, that the 8 per cent. payment is not too good to be true. Net voyage receipts have increased from £1,115,837 to £1,326,264—a rise of 19 per cent. The increase is due to a combination of favourable factors, including higher conference rates, the residuum of high profits in 1937, reduced Suez Canal dues, and lower laying-up expenses. Dividends from the shipping subsidiaries have increased from £413,612 to £564,134, and total profits have advanced from £1,975,695 to £2,360,424. The deferred stock has, in effect, a double gearing, for the main items of cost, including £880,000 (as before) for depreciation, and administration expenses, show little change. Hence the rise in deferred stock earnings is spectacular—from £79,888 (excluding last year's special credits of £244,920) to £385,335. On the strictest calculation of deferred stock earnings (adopted in the following table) the 8 per cent. dividend is covered with a small margin:—

	Years ended Sept. 30th	1936	1937	1938
Voyage net receipts.....	£	1,284,923	1,115,837	1,326,264
Total profits.....	£	2,114,420	1,975,695	2,360,424
Depreciation, etc.	£	885,000	885,000	885,000
Expenses.....	£	593,418	546,777	629,209*
Debtenture int.	£	314,663	312,030	308,880
Preferred div.	£	152,000	152,000	152,000
Deferred stock—				
Earned.....	£	169,339	79,888	385,335
Paid	£	183,701	183,701	367,401
Earned %	%	3.7	1.7	8.4
Paid %	%	4	4	8
Contingencies & reconditioning	£	...	150,000	...
Special credits (net)	£	7,570	244,920	34,175
Carried forward	£	152,093	143,200	170,309

* Including £75,000 to Provident Good Service Account.

The following chart shows the movement of deferred stock dividends during the past decade:—

P. & O. DISTRIBUTIONS, 1929-38



The curve of total profits would actually lie slightly below the cumulative total of debtenture, preference and deferred stock payments, if special income were excluded.

Reference to the consolidated balance sheet suggests that these results fairly reflect the trading experience of the group, for while the balance at profit and loss is reduced by roughly £83,000, general and contingency reserves in the subsidiaries' books have increased by some £269,000. It is fortunate that continued disturbance in the Far East was offset by good Indian, Australian and Straits trade. The consolidated balance sheet reflects the great strength of the group. Amounts written off the cost of ships exceed depreciation at a 5 per cent. rate by £8,815,000 (though the parent company's allocation in the past two years has been below that rate). Net floating assets (taking into account investments of £16,420,819 and cash holdings of £2,189,956) of £11,139,457 are impressive, since the parent company, and to some extent its subsidiaries, have replaced a considerable proportion of tonnage at advantageous prices. But the market, viewing the deferred stock by the stern test of potential earnings for the current year, is paying due regard to the fact that the directors themselves designated 3 per cent. of the 8 per cent. distribution as "bonus," and shipping conditions during the latter part of the group's accounting period suffered a setback. The deferred stock, at 22s. 6d. yields £7 2s. per cent. on an 8 per cent. distribution and £4 9s. per cent. on the more conservative hypothesis of a 5 per cent. distribution for the current year.

* * *

British Celanese Reverse.—The directors of British Celanese have always declared that, if capacity could be employed more advantageously, shareholders would come into their own, after years of patience. These hopes are duly repeated in the latest report. Even at the present low selling prices, an increase in demand which would enable the company to operate at a rate in closer relation to capacity would permit "satisfactory" earnings to be made. Unfortunately, these hopes are accompanied, not for the first time, by discouraging trading results. The company claims to have increased its proportion of the diminished total trade of the industry during the year to July 2nd last. But the reduction in trading profits from £2,195,760 to £1,939,468 would have been more serious but for reductions in costs to offset lower selling prices. After providing for expenses, commutation of royalties, research, depreciation and debtenture service on a lower scale than in 1936-37, the residue available for preference dividends has shrunk from £247,078 to £29,781—an amount which does not cover half of the six months' dividend on the first preference capital to October, 1937. Results for the past three years are analysed below:—

	Years to June 30 (approx.)	1936	1937	1938
	£	£	£	£
Trading profit		2,306,107	2,195,760	1,939,468
Total profit		2,310,784	2,212,742	1,950,682
Expenses, commutation of royalties, and taxation		1,237,113	1,169,106	1,132,044
Research, advtg., etc....		190,633	239,991	248,670
Depreciation		310,000	350,000	346,394
Deb. service		208,530	206,567	193,793
Earned for pref. divs. ...		364,508	247,078	29,781
1st pref. divs.		322,875†	132,344‡	65,625*
2nd pref. divs.		Nil	121,523§	Nil
Earned for ord. div. ...		Nil	Nil	Nil
Carried forward		302,325	295,536	259,692

* Half-year to October, 1937. † 3 years' arrears, bringing div. up to date, Apr. 30th, 1936. ‡ Year to April 30th, 1937. § Half-year to October, 1930.

At last year's meeting the chairman made a cryptic reference to the possibility of co-operation in the industry. In the present report it is stated specifically that during the past few months contact has been established with Courtaulds, though the directors decline to discuss the scope of the discussions. Obviously, the possibility of a firm price agree-

ment in the acetate section of the industry—linked, of course, with the arrangements which already exist in the viscose section—would have an important bearing on the company's future prospects. The first step, clearly, is to establish a reasonably stable basis of earning power; the second is to bring the existing capitalisation into line with that earning power and to eliminate intangibles (which exceed £3 millions out of a balance-sheet total of £13.2 millions) from the assets. Until these steps are achieved, existing quotations of 9s. 3d. for the first preference, 5s. for the second preference, and 3s. 6d. for the 10s. ordinary shares must surely be regarded as generous.

* * *

Amalgamated Anthracite Scheme.—The need for a capital reconstruction for Amalgamated Anthracite has long been recognised. No cash ordinary dividends have been paid since 1924-25, preference dividend arrears will amount by the end of this year to £591,104 (and would be much larger but for the issue of funding certificates in 1933), and a capital loss computed at £6,154,484 can be met only to the extent of £1,236,145 from reserves. The proposed scheme is complicated in detail, but its effects can best be summarised as follows:—

Existing Share Capital	New Share Capital
£2,386,850 7% pref.*	£1,193,425 5% "A" cum. pref. part. pref.
	£1,193,425 5% "B" non-cum. pref.
	£456,269 new ord.
	£1,343,652 new ord.
£6,718,260 ord.	£4,904,330 reduced.
	£14,009 fractions cancelled.

* Of which £1,964,821 is "original" issue and £422,029 is "1937" issue, with different dividend rights.

Each of the 6,718,260 ordinary shares at present issued will be written down to 4s. The sum of £4,918,339 will be released for the reduction of assets, and about one-quarter of the new equity will be transferred to preference shareholders, in discharge of arrears and in consideration of a change in preference rights. The present preference capital is not to be cut, but it is proposed to divide it equally into two classes. The "A" preference shares will carry a 5 per cent. cumulative dividend, and the "B" preference shares a 5 per cent. non-cumulative dividend with rights *pari passu* with the ordinary shares up to a further 2 per cent. And in addition, the 10s. preference shares of each class are entitled to a 2s. premium on winding-up.

* * *

At present, the 7 per cent. preference dividend would require £167,076 gross annually. The reduced preferential dividends will require only £119,340, but if maximum participating rights are to be obtained, net profits must exceed £179,200. Further, if preference shareholders are to receive their original income, profits would have to exceed £237,700, and the ordinary dividend 5½ per cent. With profits at that level, holders would receive £59,670 in respect of their "A" shares, the maximum of £83,538 in respect of their "B" shares, and some £24,000 in respect of their share in the equity. Total profits in 1937 were £294,052, but the fixed charges (including provision for redemption) are heavy, and the balance available for distribution was no more than £63,103. Thus, unless there is a

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sharp recovery in total profits, or until the existing £1,357,355 of 5 per cent. debenture stock and £444,265 of 4½ per cent. Funding Certificates are paid off, shareholders may not experience much tangible benefit from the scheme. The proposals may tidy up the balance sheet. But the re-apportionment of earnings on the new share capital does not appear to be sufficiently far reaching, in relation to immediately prospective earning power, to reward the preference shareholders' sacrifices equitably.

* * *

Crompton Parkinson's Future.—Crompton Parkinson's profits record in the last decade has been meteoric. Ten years ago the company earned £89,110; during the year to September 30, 1937, profits amounted to £432,114. The lesson of economic history is that such rapid advance cannot indefinitely be maintained, and Crompton Parkinson appears to have reached stable earnings with unexpected suddenness. Profits for the year to September 30, 1938, are practically unchanged at £431,046 against £432,114. There was some decline in orders during the year, although it began with a well-filled order-book. Yet the scope of the business has further increased, for shares in subsidiaries stand in the balance sheet at £635,096 against £608,164, current accounts with subsidiaries show a net increase of £93,000, and a new item of £20,190 appears for trade investments. But the contemplated *liaison* with Callender's Cable has been abandoned, and it is also evident from higher cash distribution (and confirmed by the chairman's speech which accompanies the report) that profits are not expected to expand in future at the rapid rate of recent years. Earnings for the ordinary and "A" ordinary shares, at £354,388, are a mere £818 less than in 1936-37 and represent 48.2 per cent. on the increased capital. But the regular dividend is raised from 12½ per cent. to 15 per cent., a special cash bonus of 15 per cent. is to be paid, and in addition a capital bonus of 50 per cent. is proposed. The dividends absorb £245,889 against £73,008, while the capital bonus entails a draft of £409,814 on reserves. The allocation of £106,419 to general reserve reinstates the fund at £500,000. The chairman explains that six years ago a basic cash dividend of 12½ per cent. and a 7 per cent. capital bonus were aimed at, with special capital bonuses from time to time. By this means the company has built up substantial liquid resources, which are now adequate, and the expansion of earnings is not expected to continue at the same rate. The directors' objective will now be a basic dividend of 15 per cent., with a cash bonus when profits permit. Assuming that a 15 per cent. dividend is paid on the increased capital (it would, of course, be comfortably covered by last year's earnings), the ordinary and "A" ordinary shares yield £4 8s. 3d. per cent. at a current price of 26s. 7½d., cum dividend and bonus. The fact that the company's order book is little lower than a year ago, coupled with the benefit of Government orders, appears to justify the chairman's "quiet confidence."

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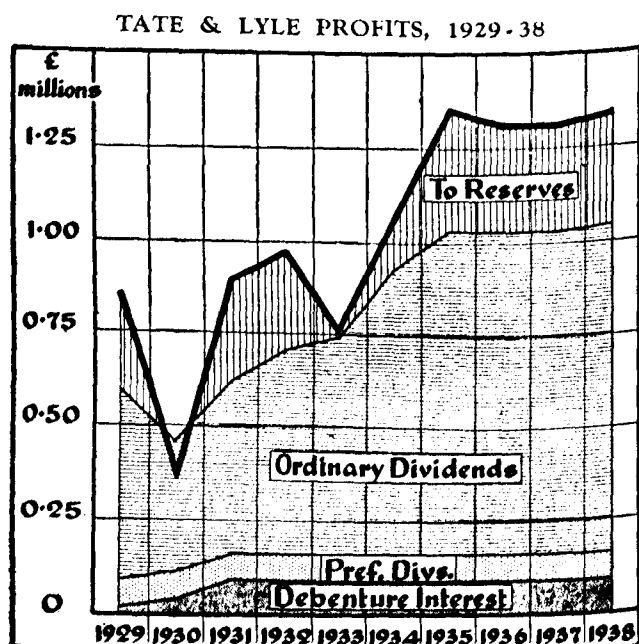
Tate and Lyle Report.—Stability has been the keynote of Tate and Lyle's profits and ordinary dividends since 1934. A 2 per cent. increase in last year's total profits is in the right direction, but it does not suggest that the long-term benefits of extensions and technical improvements have begun to materialise. And the capital bonus of two new shares for every five held (which will reduce the general reserve from £2,100,000 to £100,000) is intended to bring the capitalisation more into line with the assets employed in the business. The latest balance sheet to October 1st shows that fixed assets and invest-

ments amount between them to £8,735,805 apart from stocks totalling £2,678,777, but share and debenture capital totals only £7,798,000. Unless the stability of profits in recent years is succeeded by another jump in profits, such as occurred in 1935 when a 40 per cent. capital bonus was also distributed, the maintenance of the 18½ per cent. dividend may be problematical. It is worth noting, however, that last year's earnings rate of 27 per cent., as shown below, is equivalent to 19.3 per cent. on the increased capital:—

	Years ended September 30		
	1936	1937	1938†
Total profits	1,324,416	1,325,362	1,357,884
Expenses	7,013	7,972	8,222
Debt interest	90,562	89,837	89,072
Preference dividend...	71,500	71,500	71,500
Ordinary shares—			
Earned	1,155,341	1,156,053	1,189,090
Paid	868,700	868,700	883,027
Earned %	26.1	26.3	27.0
Paid %	18¼	18¼	18¼*
To reserve	284,000	300,000	300,000
Carried forward	58,874	46,227	52,290

† 366 days to October 1st. * Also 40 per cent. capital bonus.

The following chart illustrates the progress of Tate and Lyle ordinary dividends since 1930:—



In 1929 some £3,312,000 of ordinary capital ranked for dividend. To-day the total is £5,000,000, and in future it will be £7,000,000. Last year's additions to fixed assets are not exceptional at £370,659, but investments in subsidiaries have risen from £296,089 to £865,714. This expansion covers the purchase of the ordinary shares of Macfie & Sons for 240,000 ordinary shares of Tate and Lyle, the formation of a private lighterage company with a capital of £300,000, and the purchase by a West Indian subsidiary of a factory for £350,000 cash. At the current price of 80s. 6d., the ordinary shares would be worth 57s. 6d. ex rights. On this basis they would offer an earnings yield of £6 14s. 3d. per cent. and a dividend yield of £4 10s. 9d. per cent., assuming that earnings and distribution policy remained unchanged.

* * *

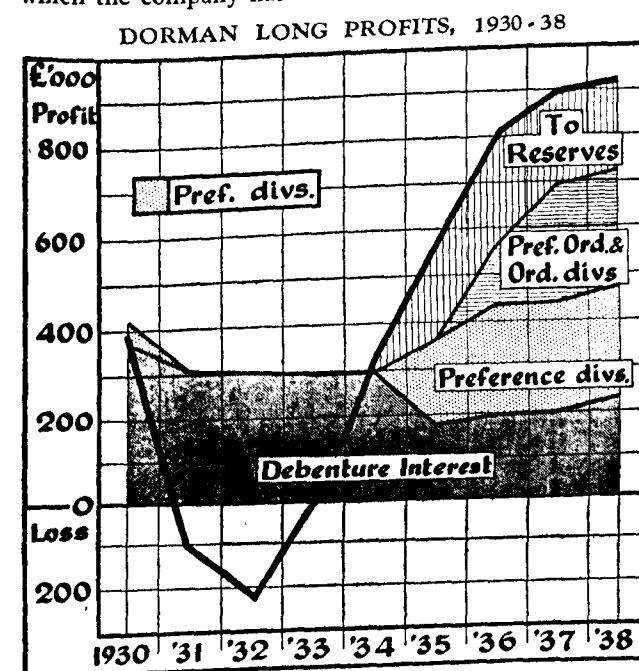
Dorman Long Prospects.—The favourable impression created by the preliminary results and dividend of Dorman Long (on which we commented on November 19th, page 386) have been confirmed this week by the full report. The directors, however, do not discuss the reason for the substantial increase in trading profits from £1,396,701 to £1,498,517 in a year in which district steel output declined by 7 per cent. The increased provision for taxation (which is up from £152,208 to £245,896) absorbs the bulk of the increase in profits; net earnings after taxation and their distribution have virtually remained

stable during the past year, as the following table indicates:—

	Years ended Sept. 30th		
	1936	1937	1938
Total profits.....	1,128,916	1,396,701	1,498,517
Depreciation	250,000	300,000	300,000
Taxation	152,208	245,896	245,896
Expenses	69,615	45,447	28,038
Debt service	197,591	200,591	232,709
Preference div.	238,803	238,803	238,803
Surplus	372,907	459,652	453,071
Pref. ord. shares—			
Paid	71,846	92,374	92,374
Earned %	24.3*	31.3	31.3
Paid %	14	18	18
Ordinary shares—			
Paid	49,869	158,115	158,115
Earned %	16.3*	23.3	23.3
Paid %	6	10	10
To reserve	113,235	200,000	200,000
Carried forward	142,967	152,130	154,712

* After reserve allocation.

The chart below portrays the continuous progress which the company has achieved since 1932:—



During the past six years, in fact, the company has converted a loss of £215,534 into distributable earnings of £924,583.

* * *

Dorman Long is one of the few companies which provides a four-year balance sheet and profit-and-loss comparison in its report, and it is eloquent of the progress achieved since 1935. Fixed assets show comparatively little change—their values were, in fact, largely determined under the capital reorganisation of 1934. But stocks and work in progress have advanced from £1,328,714 at September, 1935, to £1,698,468 at September last, while capital has increased at the end of 1936 from £831,148 to £1,581,148; general reserve stands at £1,543,008 compared with £200,000 in 1935; and a workmen's compensation reserve has grown from £18,182 to £302,237. These are considerable achievements even for a period of prosperity. The company would be fortunate indeed if the next four years were as favourable, and the immediate outlook is fairly summed up in a yield of 8 per cent. on the ordinary shares at 25s.

* * *

Tube Investments' Report.—The 5 per cent. increase in Tube Investments' profits is a much better result than might have been anticipated from the maintenance of the 23½ per cent. dividend. Moreover, at last year's meeting, Mr Chamberlain was cautious in his

view of 1937-38 prospects. He stressed that the arms programme could not affect the company until 1939, and believed that, though turnover would probably be larger, the rate of profit would fall. In the event, total profits have increased from £836,668 to £883,726, and the bulk of the increase is available for the ordinary and the *liaison* stockholders. The following table shows that the 23½ per cent. dividend is covered with the increased margin of 6¼ per cent.:—

	Years ended October 31		
	1936	1937	1938
Total revenue	639,561	836,668	883,726
Interest, fees, etc.	13,679	11,578	16,469
Preference divs.	44,220	43,490	42,045
Ord. and <i>liaison</i> † shares:—			
Earned	581,662	781,594	825,212
Paid	421,117	666,043	643,842
Earned % (ord.)	24.2	27.9	30.4
Paid % (ord.)	17½	23½	23½
Reserve	150,000	150,000	177,458
Carry forward	112,669*	128,220	132,132

* After £5,152 capital increase expenses. † Each £1 *liaison* share carries the rights of £1,000 deferred stock.

The already close working connection between the company and Stewarts and Lloyds has been strengthened during the year, for a further £203,278 of Stewarts and Lloyds deferred stock has been bought by the company at 35s. (raising the total holding to £329,888 nominal). In accordance with custom, the additional holding has been written down to its par value, and the resulting allocation to general reserve of £177,458 represents £25,000 in excess of the £152,458 premium at which the stock was bought. This acquisition appears to be the main change since the previous balance sheet, for a rise of £107,000 in land and buildings in the consolidated balance sheet and of £277,000 in plant is largely offset by a fall of £347,000 in trade interests. The current year should see a satisfactory level of activity owing to the arms programme, and a yield of £5 15s. 3d. is now obtainable on the ordinary stock units at 82s. 6d.

* * *

United Molasses' Strong Position.—The increase in United Molasses' dividend from 21½ to 22½ per cent., announced at the end of last week, disappointed some optimists, but there will be no complaint with the position disclosed by the detailed and highly informative report. The company's total income increased from £1,139,284 to £1,192,185, while the consolidated profit, after providing £279,607 for taxation, was reduced to £877,714, compared with £946,241 in 1936-37, after an undisclosed appropriation for tax. The depreciation provision, however, has been reduced from £318,101 to £205,701, and the directors contemplate that the provision will approximate to £200,000 in future—a level which will still write off the assets of the group many years before the expiration of their working life. After providing £45,000 for staff funds (this item, again, should not exceed

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£15,000 in future), the balance available for the ordinary stock has increased from £534,421 to £571,701, and the 22½ per cent. dividend is covered by earnings of 40·3 per cent., as we show below:—

	Years to 1936	September 1937	30th 1938
Consolidated profits, after expenses and taxation	759,044	946,241	877,714†
Depreciation	303,678	318,101	205,701
Debt interest	56,298	...	...
Staff funds	20,000	37,000	45,000
Preference dividends	57,656	56,719	55,312
United Molasses ordinary stock:—			
Earned	321,412	534,421	571,701
Paid	207,148	309,267	318,828
Earned %	21·7	36·7	40·3
Paid %	14	21½	22½
General reserve*	110,000	225,000	250,000‡
Carried forward	49,480	49,634	52,508
* Share premiums and investment profits transferred to general reserve: 1936, £122,643; 1937, £215,123; 1938, £177,544.			
† Taxation absorbed £279,607. ‡ Includes £50,000 survey and renewal reserve.			

Compared with the dark days of 1930-33, the company's position is immensely strong. The sale of the "Athelchief" for £130,950 net compared with a written-down value of £36,024, is typical of the conservative value at which the fleet now stands in the books. Indeed, it is calculated that it would require £9 millions to replace the group's existing investments and equipment, compared with a total issued capital of £3,204,500—a position which, as the directors point out, is relevant when calculating the percentage of profits earned by the company. As for the trading outlook, the company is making further headway in offsetting the decline in molasses business in the U.S.A. and the Far East by increased sales in this country and Europe. A large increase in European demand has followed a fall in prices to the lowest recorded levels, but the tanker outlook is improving, and the company has the benefit of certain time charters. The directors forecast that, although earnings are unlikely to equal last year's level, they should justify the maintenance of the dividend, should satisfy ordinary shareholders. The 6s. 8d. shares stand at 22s. 10½d. to yield £6 17s. per cent.

Lautaro Nitrate Position.—The accounts of Lautaro Nitrate for the year to June 30, 1938, must be considered good in the circumstances. Not only was the important Spanish demand again severely curtailed, but lower agricultural prices might have been expected to reduce sales. The company's actual share of sales for the year, however, was scarcely changed at 414,995 metric tons, against 416,654 tons, while gross nitrate and iodine profits fell only from £568,766 to £548,981. The net profit of £450,454 fell short of the previous year's level by only a few pounds. Owing partly to the rather smaller prior interest requirements on the diminishing frozen bank loan, and partly to smaller bond and debenture service, this year's profits provide a full 4 per cent. on all bonds and debentures—last year the first mortgage income bonds only received 3½ per cent.—and there was a surplus for amortisation of £127,643, against £108,672 last year. Bond and debenture interest and amortisation absorb the entire profits for the year, and, under the scheme of 1936, must continue to do so until the frozen bank loans have been paid off by the liquidation of the corresponding frozen stocks of nitrate, which form the loan's security. When this process is completed, the company will be able to meet the whole of current demand out of its own production, instead of meeting a minimum of 20 per cent. out of stocks on which the profits, if any, must go to the bank creditors. In addition, only 80 per cent., instead of 100 per cent., of profits will be earmarked for debenture service, the balance of 20 per cent. being earmarked for ordinary dividends. Lautaro shareholders therefore have an immediate interest in the company's progress in liquidating the frozen stocks and repaying its bank creditors. The reduction of £334,699 effected last year brings the debt down to £1,541,924, a sum

which, on present performance, should comfortably be cleared by June 30, 1943, the intended date. At 3s. 3d. the £1 shares can only be considered a likely speculation, in which a five-year time element is involved.

Kaffir Dividend Prospects.—In the light of the substantial rise in the price of gold during the current half year, the Kaffir market contemplates the approaching dividend season with a degree of indifference which is superficially surprising. The explanation is, of course, partly to be found in the companies' trading policy and partly in the market's concern with Colonial discussions. Nevertheless, for the four months July to October inclusive the Rand gold output reached the record level of 4,146,135 ozs., showing an increase of 232,719 ozs. on the first four months of the year, and in the aggregate higher profits and a net increase in the total amounts of dividends distributed are to be anticipated. Next year some of the new producers will make an appreciable contribution, but on this occasion only Van Dyk, which may make a small initial distribution, is likely to appear as a newcomer to the dividend list. Both "Sallies" and Grootvlei have begun to make profits, but they can hardly make up the leeway of the earlier months sufficiently to justify a distribution this month. Among the fairly clear cases in which an increase is to be expected is East Geduld, whose production position has been stabilised and which has, therefore, no problems of capital expenditure to consider. In June the distribution was raised by 6d. to 5s. 6d., and a further increase to 6s. would now appear to be justified.

Simmer and Jack is a contrasting case. In this instance, profits are rising steadily, but with the approaching completion of one expansion scheme the directors, with every technical justification, have announced another. To finance this a new issue is to be made, which will provide a small surplus over the estimated total expenditure. Hence a moderate increase in the distribution, possibly from 5d. to 7d. per share, is looked for. For Modder East, owing to the fall in capital expenditure this year and a moderate increase in profits, an increase of 6d. in the distribution to 3s. 6d. may be possible. Rand Leases working profits for the four months in the present period have been £238,615, as against £184,796 in the corresponding period of the first half of this year, when the distribution was 1s. The market is therefore expecting an increase in the distribution from 1s. to 1s. 6d. New Kleinfontein and Rose Deep are also among the possibilities, but in both cases a larger capital ranks. Despite the fall in profits it is hoped that Randfontein will be able to maintain its distribution, although there is an admitted element of uncertainty. On the other hand, Brakpan, Langlaagte Estates, Modder B, New Modderfontein and Van Ryn Gold may well shade their distributions to conform with the trend of profits.

Gold Coast Mining Results.—Shareholders in Marlu and Gold Coast Selection Trust are now receiving substantial dividends. Increasing output and continuous operations produced very satisfactory earnings of £529,400 for Marlu for the year to July 31st. After providing £149,500 for taxation, dividends totalling 25 per cent., less tax, were paid; and an interim of 15 per cent., tax free, has been declared on account of the current year. The development position of the two principal properties, however, qualifies the immediate outlook; and although the reserve tonnage has been increased by acquisition of additional properties (of low average values), the report intimates that alterations and adjustments to the treatment plant "will probably enable the monthly profit to be maintained at approximately the current rate." Work on the 400 ft. and 600 ft. levels of Marlu and Bogosu North continues to provide negative results. Nothing is said in the reports of Marlu or Gold Coast Selection regarding the purchase price of the properties lately acquired by the former from the latter, but the property account of Marlu has increased by £102,060

to £1,087,080. Gold Coast Selection, whose income consists chiefly of dividends on its shareholdings, shows a profit of £172,860 and paid a dividend of 10 per cent., tax free, for the year ended March 31st last. An interim of 15 per cent., tax free, has been declared on account of the current year. Property account has risen from £154,290 to £260,050, while cash in hand has dropped from £139,350 to £28,280. Investments stand in the latest balance sheet at £1,045,000, of which shares entered at £967,430 had on March 31st a market value of £4,402,210. Marlu 5s. shares stand at 13s. 1½d. and Gold Coast Selection 5s. shares at 23s. 9d.

Whither Wiluna?—A year in which gold was recovered to the value of nearly £A1,000,000, but without benefit to the shareholders, must certainly be written down as a disappointment. In the twelve months to last March 31st the income of the operating company—the Wiluna Gold Mines—amounted to £965,560, of which a surplus of £109,600 remained after various provisions. From the balance of £281,200 shown by the appropriation account (including the sum brought forward from the previous year) £159,550 has been written off, leaving the carry-forward at £121,660. The grade of ore treated fell from 5.1 dwts. to 4.45 dwts., while costs, including smelting but excluding all exploration and development, rose by 3s. 7d. per ton, owing to higher wages and reduced hours. The percentage of extraction improved, although it entailed a rather appreciable addition to expenses. Certain sections of the plant, however, are still not giving really satisfactory results. At 1,920,000 tons, value 4.3 dwts., the ore reserves show a decrease of 390,600 tons in quantity and of nearly ½ dwt. in value. It is notable that "positive" ore now figures at 1,217,100 tons, compared with 2,200,500 tons. The special programme of diamond drilling and exploration recommended at the end of last year has so far failed to disclose any sustained improvement in values in the main property, although interesting discoveries have been made on the neighbouring Bulletin and Happy Jack leases. The report of the general manager certainly fails to disclose any ground for the wave of optimism which swept through the market a few months ago. The future of the company depends upon the development of more pay-

able ore, and its financial resources are distinctly limited. The last dividend was 10 per cent., paid as interim on account of 1935-36, and the £1 shares now stand at 13s. 10½d.

The Week's Company Profits.—This week's company results are numerous and important. The results of some 58 companies are analysed in our usual table on page 519, and their net profits (excluding two cases where comparable figures are not available) amount to £11,360,000, against £11,681,000, a fall of only 2½ per cent. The cumulative total for 2,225 companies reporting during the year to date is £283,918,000, an increase of 8 per cent. on the total of £262,677,000 for the previous year. The week's results are discussed in earlier Notes and on page 500 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found in this issue from page 508. The speeches at the *Royal Bank of Scotland* and *Bank of New South Wales* meetings are discussed on pages 488 and 489. Mr John A. Agnew, at the *Consolidated Gold Fields* meeting, discussed the position on the developing properties, and referred in particular to the promising results at Venterspost. At the *Central Uruguay Railway* meeting, Mr G. H. Harrison stressed three matters of vital importance to the company—the exchange rate, the co-ordination of transport, and the settlement of the claim against the Government. Discussing the expansion of the *Bristol Aeroplane* works, Mr W. G. Verdon Smith pointed out that a large proportion of the extensions would be of a permanent profit-earning character. Mr A. Chester Beatty referred hopefully to the effect of the lead restriction agreement at the *Trepca Mines* meeting. Addressing shareholders of *Ratanui Rubber*, Mr W. Arthur Addinsell described the criticism of the Control Committee's decision to fix production at 50 per cent. for January-March, 1939, as "premature," and suggested that the position warranted "moderate optimism." At the *Kwahu Mining* meeting Lieut.-Col. Frank Johnson described the changes in the company's Gold Coast Main Reef and Marlu holdings.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET	ACCOUNT
DECEMBER 6	DECEMBER 8

THE victory of M. Daladier over the C.G.T., the smart recovery in the pound, and Sir John Simon's statement regarding defence finance have all contributed some quota towards this week's modest improvement. Not that the tale of the markets is lively; turnover remains small, with perhaps some slight expansion towards the end of the week. The rally has been one of prices, rather than expanding business.

Gilt-edged were depressed at first owing to nervousness regarding the French situation and the uncertain movements of the pound. These losses were limited to ¼ on the undated stocks, and on Tuesday further falls were regained, modest improvements being recorded on the day. The continued improvement in sterling was marked in mid-week by a further recovery, and the market was also assisted by Sir John Simon's statement on defence finance. The collapse of the general strike in France led initially to rises of up to ¼ in gilt-edged on Thursday, but these were not maintained.

Dominion stocks were still affected by the weakness of New Zealand issues.

In the *foreign bond market*, Japanese issues were depressed at first, but recovered in mid-week on bear closing. Bulgarian loans were favourably affected by the new debt agreement (discussed on page 490), and small improvements were recorded later in Brazilian bonds. French rail issues made a smart response to the collapse of the strike, and some improvement was reported in German bonds.

Home rail stocks opened in gloomy fashion, with falls ranging up to two points in the debentures and slightly less in the guaranteed stocks. A smaller setback occurred on Tuesday, but it was followed by a moderate recovery in mid-week, despite a total fall in traffic of £300,000. The ordinary stocks showed smaller movements, but obtained little support. Argentine rail issues remained quietly firm, without attracting much business.

Industrial shares opened in unimpressive fashion, but prices moved a shade higher as the week went on, though business remained on a modest scale. Iron and steel shares remained dull until Wednesday, and movements were not uniform. Thornycroft were again a good feature, John Brown gave

way on disappointment with the interim dividend but rallied on news of an Admiralty order, while Tube Investments failed to respond to the satisfactory report (discussed on page 493). In the coal group, Glass Houghton were depressed on the decision to omit a final dividend, and the weakness spread to other issues; the Amalgamated Anthracite scheme was well received. Engineering shares were irregular. J. Brockhouse gave way following the reduced dividend, but Henry Meadows were firm on the record profits. Prices of electrical equipment issues reacted. The motor section was subdued on the A.E.C. profits reduction. Aircraft shares were uninteresting but steady, though a wider interest was noticeable from mid-week. There was some enquiry for the leading tobacco issues. On Wednesday, brewery shares brightened considerably on calculations of a smaller chance of heavier taxation. British Celanese were not much affected by the report (see page 491), but Courtaulds were firmer on the news of negotiations. Among provision and catering issues, Tate and Lyle were indifferent to the report (analysed on page 492), while A.B.C. hardened on the maintenance of the dividend. Stores were uncertain. Though miscellaneous issues made a mixed showing, the underlying tone of indecision was less.

marked than in recent weeks. United Molasses improved slightly on the report. Cement shares improved after early weakness. The shipping group was quiet, but P. and O. deferred gained slightly on the full report (see page 490).

★

Conditions in the oil share market were unchanged. The tone was heavy, price changes slight, and the small business was confined to the leaders. Continental dealings were too small to be decisive. Nothing happened to awaken the rubber share market from its state of coma; changes were trifling and mostly downwards. Tea shares strengthened slightly as the week went on.

The mining market behaved similarly to other sections, and, except for Monday's session, the tone was rather brighter. At first the record gold price was without effect on Kafirs, and support (mostly from the Cape) was mainly for the developing mines. Dividend payers were relatively neglected, Paris dealers turning for the time being to domestic stocks. On Thursday, Cape buying was more in evidence, in advance of the November profits statements. West African gold shares were more active than in recent weeks. At first, Rhodesian copper issues reacted, except for temporary gains on Tuesday afternoon, but they improved a little in mid-week. Among base metals, Trepcia went ahead on Paris support.

"FINANCIAL NEWS"

INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 25	5,575	8,535	82.5	124.5
Nov. 28	6,175	10,590	81.8	124.2
Nov. 29	5,655	8,220	81.8	124.2
Nov. 30	5,280	7,730	81.8	124.2
Dec. 1	5,545	7,180	81.9	124.3
1938 High...	...	...	97.2	131.0
Low...	...	...	Jan. 12 73.7	Feb. 4 119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' index of 151 industrial ordinary share prices on Tuesday last, November 29, 1938, stood at 63.1, compared with 63.7 five weeks ago and 73.6 a year ago. The corresponding average yields are 5.94, 5.85 and 4.95 per cent. We give below a selection of the separate indices, and also the usual monthly particulars of fixed interest securities. One of the chief changes, however, is the fall as compared with five weeks ago in the index of industrial (distributive) debentures from 107.8 to 105.7, and in the corresponding preference stocks from 72.3 to 70.5, owing to the decline in home rails.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Nov. 30, 1937	Oct. 25, 1938	Nov. 29, 1938
Fixed Interest:			
2½% Consols (1)	133.6	127.8	126.6
Misc. indus. deb. (13)	121.2	119.7	119.7
Misc. indus. pref. (26)	115.6	112.4	111.4
Ordinary:			
Insurance (10)	123.5	114.0	115.5
Coal (9)	104.9	81.1	82.8
Cotton (6)	36.8	22.7	24.1
Elcc. manufg. (12)	131.2	117.2	120.7
Iron and steel (17)	64.9	55.6	53.8
Home rails (4)	69.1	37.6	33.7
Breweries, etc. (20)	134.1	116.7	111.7
Group	Yield (%)		
	Nov. 30, 1937	Oct. 25, 1938	Nov. 29, 1938
Fixed Interest:			
2½% Consols	3.34	3.49	3.53
Misc. indus. deb.	4.10	3.98	3.98
Misc. indus. pref.	4.47	4.38	4.42
Ordinary:			
Insurance	3.57	3.75	3.70
Coal	4.58	6.30	6.38
Cotton	2.61	3.33	3.07
Electrical manufg.	4.78	5.75	5.56
Iron and steel	6.10	7.38	7.58
Home rails	3.14	9.21	9.97
Breweries, etc.	4.63	5.72	5.92

New York

AFTER a weak close last Saturday, Wall Street reopened with a further display of selling pressure, which depressed the Dow Jones industrial average 2.31 points, despite a fair closing rally. The rally provided a signal that a resistance point had been met, for on Tuesday there was a fractional advance of a technical character, while in mid-week the Dow average jumped 2½ points in response to the news from France and the newly-found strength of sterling. The slight setback in steel operations, estimated by *Iron Age* to be running at 60½ per cent. of capacity, compared with 61½ per cent. last week, tended to confirm the market's impression that business news will show no decisive change for better or for worse during the next few weeks. The current decline in steel activity is attributed partly to smaller orders from consumers as the year-end stock-taking approaches. Thin trading remains a feature of the market, and is liable to cause rather extreme price movements. Government bonds reacted on the Treasury's borrowing schedule for December, but second-grade bonds responded to the recovery of stocks in mid-week.

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

WEEKLY AVERAGES				
	1938		Nov. 16, 1938	Nov. 23, 1938
	Low Mar. 30	High Nov. 9		
347 Inds. ...	75.9	117.9	112.4	111.3
32 Rails ...	19.0	31.8	29.7	28.8
40 Utilities...	57.7	83.2	79.9	79.2
419 Stocks	63.7	98.2	93.6	92.6
Av. yield %	5.35	3.30	3.35	3.54
	High	Low		

* 50 Common Stocks.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)						
Nov. 17	Nov. 18	Nov. 19	Nov. 21	Nov. 22	Nov. 23	
129.7	127.0	127.4	127.4	126.3	126.4	
Nov. 24	Nov. 25	Nov. 26	Nov. 28	Nov. 29	Nov. 30	
126.8	121.5	122.7	123.1	126.1		
Closed	126.8	121.5	122.7	123.1	126.1	
1938 High: 136.1 November 12th. Low: 83.6 March 31st. * Thanksgiving Day.						
TOTAL DEALINGS IN NEW YORK						
1938		Stock Exchange		Curb Shares		
		Shares 000's	Bonds \$000's		000's	
Nov. 24	Closed (a)	Closed (a)	Closed (a)			
" 25	810	5,930	189			
" 26*	690	3,540	128			
" 28	1,250	6,040	217			
" 29	820	6,490	175			
" 30	980	7,500	174			
* Two-Hour Session. (a) Thanksgiving Day.						

New York Prices

	Close Latest Nov. Dec. 23, 1, 1938	Close Latest Nov. Dec. 23, 1, 1938
--	------------------------------------	------------------------------------

1. Rails and Transport

Atchafalaya	39	39½
Balt. & Ohio	71½	7
B.M.T.	12½	13½
Can. Pacific	61½	61½
Ches. & Ohio	33½	35½
C.N. Ry. P.	25	25½
Illinois Cent.	15½	15½
N.Y. Central	18½	18½
Norfolk Pac.	11½	11½
Pennsylv. R.	20½	21
Southern Pac.	18½	18
Southern Ry.	17½	18½
Union Pac.	93	91½
Greyhound	19½	20

2. Utilities and Communications

Am. W. Works	12½	38½
C. & S.	1½	15½
Con. Edison	30½	30½
Col. Gas & El.	7	6½
El. Bond & Sh.	10½	10½
Nat. Pwr. & Lt.	7½	8
N. American	22½	22½
Pac. Gas & El.	29½	28½
Pac. Lighting	41½	40½
Pub. Serv. N.J.	32½	50½
Stan. Gas & E.	34½	4
United Corp.	31½	3½
Un. Gas Imp.	11½	11½
Amer. Tel.	147½	148½
Internat. Tel.	8½	9½
West. Union	25	25½
Radio	75½	75½
" B. Pref.	62½	63½

3. Extractive and Metal

Am. Rol. Mill	21½	21½
Beth. Steel	74	72½
Beth. Steel P.	112	112½
Republic St.	24	22½
U.S. Steel	66½	64
U.S. Steel P.	116½	115
Alaska Indus.	9½	10
Am. Metal	39½	38½
Am. Smelting	53	52½
Amconda	35½	33½
Born Alum.	25½	26
Cerro de Pas.	48½	46½
Int. Nickel	53½	52½
Kennecott	45	43½
Patino Mines	11½	11
Tex. Gif. Sul.	32½	31½
U.S. Smelt.	65½	65½
Vanadium	26½	25½
Atlantic Refg.	22½	22½
Phillips Petr.	39½	40½
Shell Union	14½	14½
Shell Un. P.	103½	105
Sucony Vac.	13½	14
Stan. Oil Cal.	28½	27½
Stan. Oil N.J.	51½	50½
Texas Corp.	43½	43½

4. Manufacturing

Briggs	31½	29½
Chrysler	80½	80½
Elcc. Autolite	32½	33½
Gen. Motors	49½	48½
Hudson Mtr.	8	8
Nash Kelvtr	9½	9½
Packard Mtr.	4½	4½
Bendix Avtn.	21½	22½
Boeing Airpl.	32½	31½
Douglas Air.	68½	69½
United Aircr.	37½	37½
Air Reduction	64½	63½
Allied Chem.	182	186½
Col. Carbon	96	95½
Dupont	144	145
Un. Carbide	86½	84½
U.S. Ind. Alc.	28	27½
Allis Chalmr.	49½	47½
Gen. Electric	42½	42½
West. Elec.	115	117½
American Can	99½	98½
Addressograph	27½	28
Caterpillar	46½	46½
Cont. Can.	38½	38
Ingersoll Rnd	107½	109
Int. Harvester	61½	63½
Johns Manvil	101½	100½
Am. Radiator	16½	16½
Corn Prods.	65½	64½
J.I. Case & Co.	90½	89½
Gillette	24½	24½
G. Am. Trans	52	51½
Allied Stores	11½	11½
Celanese of A.	23	22
Ind. Rayon	25½	25½
Colgate Palm.	15½	15½
Eastm'n Kdk.	17½	180
Gillette	8½	8½
Lowes	58	58½
20th Cen. Fox	26½	26

5. Retail Trade, etc.

Mont. Ward	49½	49
J. C. Penney	79½	79½
Sears Roebck	72½	73
Walgreen	16½	17½
Woolworth	51	50½
Borden	16½	17½
Gen. Foods	37½	36½
Kroger Grey.	20½	20½
Nat. Biscuit	25½	24½
Nat. Dairy	13	12½
Am. Tob. B.	86½	86½
Lorillard	19½	21½
Reyn. Tob. B.	44	45½
Nat. Distillers	27½	28½
Schenley Dis.	20½	20½

6. Finance

Comel. Credit	55½	57½
Atlas Corp.	81½	8
Com. Inv. Tr.	59½	62½

Paris

UNTIL the last day of the month November proved a trying time for the Bourse. Popular dissatisfaction with M. Reynaud's economic measures dominated consideration of the decrees themselves. On reopening after the Toussaint holiday, the market received M. Reynaud's appointment as Finance

Minister well, but irregularity followed on rumours that political changes might prove more extensive. Business thus improved considerably before the announcement of the decrees and but for a check induced by profit-taking, the second week of November was one of the best for a long time. Though increased taxation was to nobody's taste, the belief prevailed that national recovery would follow, and the immediate response to the decrees was favourable. Very soon, however, weakness set in: it could partly be excused on the grounds of a weak technical position and disturbances in Germany, but the real cause was consternation at Labour's reaction to the decrees. Growing anxiety prevailed over such factors as Mr Chamberlain's visit to Paris, the preliminaries of a Franco-German pact, and the reduction of Bank rate. The collapse of the general strike led to an all-round recovery in rentes and bank shares, Bank of France reaching a new "high" for the year.

Berlin

DURING the first ten days of November the Berlin Bourse showed the same characteristics as October—unimportant price changes, small turnover, and a little inquiry for specialities on hopes of increased dividends. There was some demand for mines, the Hoesch dividend increase providing a useful stimulus, but trading generally became more and more listless. Towards the middle of the month pronounced weakness followed the anti-Jewish disturbances. Restriction on dealings by Jews prevented any large scale realisations, but there was a complete absence of buying, and modest though persistent sales depressed prices and gave a gloomy tone to the market. Renewed dullness and anxiety at the end of November followed a short-lived improvement.

	Nov. 2, 1938	Nov. 30, 1938	Nov. 2, 1938	Nov. 30, 1938
Reichsbank	193.75	190.90	125.20	114.00
D.D.	120.25	116.50	201.10	190.00
Bank	114.10	110.00	112.90	104.75
Dresdner	153.75	146.90	75.50	72.25
L.G. Far				
benind.				

Amsterdam

LIKE the London market, Amsterdam was more than usually dull in November. Although there were occasional active sessions, average turnover was at a minimum, and the month ended with prices little changed on balance, but below the best. Domestic factors provided no impetus in either direction, and such changes as occurred were governed mainly by the behaviour of Wall Street, foreign politics and the exchanges. The second week of November was the best of the month, for business was stimulated for a time by the United States election results. Greater reserve, however, was shown later, on fears of the international repercussions of the anti-Jewish disturbances in Germany. Further anxiety was caused by the labour situation in France

and the weakness of sterling. Sugar shares were active on better Java prices, but rubber issues lost ground on the quota decision.

	Nov. 2, 1938	Nov. 30, 1938	Nov. 2, 1938	Nov. 30, 1938
21½% Dutch	83½	83½	A. K. U. ...	42 40
5½% Ger.*	25½	25	Ford Motor	334 349
Philips Lp.	229½	228½	Del. B. To.	220 212½
Neth. Ship.	121	120½	Ryl. Dutch	328½ 328 8
Lever Bros.	141	139	Hand. Am.	467½ 477½
& Unilever				

* Without transfer certificate.

Canada

THE Canadian stock markets up to the middle of November displayed a much healthier tone. The public was more actively interested and the volume of trading increased. During October the collateral borrowings of Montreal Stock Exchange firms totalled \$14,508,907, an increase of \$1,131,861 over September. Stocks of companies due to benefit from British Government orders for aeroplanes and other armaments were popular speculative favourites. Liquor stocks also gained ground, and there was some improvement in newsprint and construction issues, while western grain stocks were in better favour. But the decline in other sections prevented any general improvement in the stock averages. Prices turned downwards again after mid-November, and though the fall was checked, the latter part of the month was disappointing. The market failed to respond to the Anglo-American trade agreement. In the mining market base metal issues were strong, though active conditions were not maintained throughout November. The bond market has been firm, without showing any material change in the price level. The "Investors' Index of the Bureau of Statistics, which stood at 111.0 on October 14th had risen to 119.9 by October 25th, but by November 3rd it had fallen back to 110.8. The Bureau's index for the price of long-term Dominion bonds for the week ending November 3rd was 117.4, as compared with 117.3 for the previous week and 114.3 for the corresponding week of 1937.

	Nov. 2, 1938	Nov. 30, 1938	Nov. 2, 1938	Nov. 30, 1938
Bell Tel.	166½	167½	Int. Petrol	27 26½
Can. Car.	16	16½	Brazil Trac	11½ 10½
Do. pred.	29½	30½	Brit. Col.	
Power Corp.	14	12½	Power "A"	27½ 27½
Dome Mines	32½	31½	Do. "B"	3 3
Hollinger	15	14½	Can. Cement	9 9
McIntyre	51½	51½	Int. Nickel	56 54
B. of Mont.	1215	205	Massey Harris	7½ 6½
Bk. of Nova	300	300	Quebec Pow.	17½ 17
R. Bk. of Can.	187	187½	Shawinigan	
C.B.K. Com.	179	172½	Water	20½ 20½
Can. Pac.	61½	61½	Steel Co. of	
Cock. Plow	8½	7½	Canada	74 70½

Capital Issues

THE issue of 4½ per cent. £1 preference shares of *British Power and Light Corporation* at 21s. should meet with a satisfactory investment demand. On the basis of the 1937 profits (which the directors anticipate will be approximately maintained this year) the cover for the existing 6 per cent. preference shares and the new capital, taken jointly, would be just under 2½ times. *Hargreaves Collieries* 5 per cent. debenture stock, issued at par, is secured on the existing assets of the company and two subsidiaries, which in turn guarantee the service of the stock. Average net profits for the group for the past three years would cover the interest on the present issue five times,

and on the authorised total amount nearly four times. The debenture is of reasonable standing, although it may not command a wide market. Among

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Nov. 30, inclusive		Name of Security	Price, Nov. 30, 1938	Change since Nov. 23, 1938	Yield Nov. 30, 1938	Prices, Year 1938 Jan. 1 to Nov. 30, inclusive		Name of Security	Price, Nov. 30, 1938	Change since Nov. 23, 1938	Yield Nov. 30, 1938
High	Low	High	Low					High	Low				
84 1/2	73 1/2	79 1/2	64	British Funds	71 1/2	-1 1/2	13 1/2	84 1/2	73 1/2	79 1/2	64	13 1/2	13 1/2
113	103 1/2	113 1/2	98	Consols 2 1/2% (1957)	107 1/2	-1 1/2	10 1/2	113	103 1/2	113 1/2	98	10 1/2	10 1/2
103 1/2	94 1/2	100 1/2	90	Conv. 2 1/2% 1944-49	96 1/2	-1 1/2	10 1/2	103 1/2	94 1/2	100 1/2	90	10 1/2	10 1/2
103 1/2	97 1/2	103 1/2	92	Do. 3% 1948-53	99 1/2	-1 1/2	10 1/2	103 1/2	97 1/2	103 1/2	92	10 1/2	10 1/2
106 1/2	99 1/2	104 1/2	90 1/2	Do. 3 1/2% 1940-44	99 1/2	-1 1/2	10 1/2	106 1/2	99 1/2	104 1/2	90 1/2	10 1/2	10 1/2
117 1/2	105 1/2	105 1/2	100	Do. 4 1/2% 1940-44	103 1/2	-1 1/2	10 1/2	117 1/2	105 1/2	105 1/2	100	10 1/2	10 1/2
92 1/2	89 1/2	115 1/2	102	Do. 5% 1944-49	110 1/2	-1 1/2	10 1/2	92 1/2	89 1/2	115 1/2	102	10 1/2	10 1/2
96 1/2	89 1/2	90 1/2	81	Fund. 2 1/2% 1956-61	87 1/2	-1 1/2	10 1/2	96 1/2	89 1/2	90 1/2	81	10 1/2	10 1/2
101 1/2	89 1/2	90 1/2	90	Fund. 2 1/2% 1952-57	93 1/2	-1 1/2	10 1/2	101 1/2	89 1/2	90 1/2	90	10 1/2	10 1/2
116 1/2	109 1/2	114 1/2	98	Fund. 4% 1950-59	108 1/2	-1 1/2	10 1/2	116 1/2	109 1/2	114 1/2	98	10 1/2	10 1/2
99 1/2	96 1/2	101 1/2	90	Fund. 4% 1960-90	108 1/2	-1 1/2	10 1/2	99 1/2	96 1/2	101 1/2	90	10 1/2	10 1/2
111 1/2	100 1/2	101 1/2	93	Nat. D. 2 1/2% 1944-48	98 1/2	-1 1/2	10 1/2	111 1/2	100 1/2	101 1/2	93	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. 3% 1954-58	97 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Victory Bonds 4%	107 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	War L. 3 1/2% af. 1952	99 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Local Loans 3%	85 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Austria 3% 1933-53	98 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	India 2 1/2% 1938-53	98 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. 3 1/2% 1938-53	98 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. 4 1/2% 1938-53	98 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Dom. & For. Govts.	115 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Austr. 5% 1945-75	103 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Canada 4% 1940-60	102 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Nigeria 5% 1950-60	112 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	N. Zealand 5% 1946	102 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Queens. 5% 1940-60	102 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	S. Africa 5% 1945-75	109 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Foreign Governments	87 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Arg. 4 1/2% Stg. Bds.	87 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Austria 1930 5%	48 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. 4 1/2% 1934-59	59 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Belgian 4% (36) 1970	92 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Bulgaria 7 1/2%	33 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Brazil 5% Ed. 1914	15 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Chile 6% (1929)	15 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	China 5% (1912)	39 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. 5% (1913)	52 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Czechoslovakia 8%	59 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Denmark 3%	97 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Egypt United 4 1/2%	92 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	French 4 1/2% (British)	112 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Ger. Danes L. 5%	49 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. Young L. 4 1/2%	39 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Greek 6% Stab. L.	31 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Hungary 7 1/2%	39 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Japan 5 1/2% 1936-65	54 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Do. 6% (24) red. 1959	57 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Poland 7 1/2% 1922	50 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Roum. 4% Con. 1922	10 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	U.K. & Arg. C. 3%	79 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Corporation Stocks	111 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Birham 5% 1946-56	111 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Bristol 5% 1948-58	113 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	L.C.C. 3%	82 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Liverpool 3% 1954-61	93 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2
105 1/2	99 1/2	100 1/2	90	Midx. 3 1/2% 1957-62	102 1/2	-1 1/2	10 1/2	105 1/2	99 1/2	100 1/2	90	10 1/2	10 1/2

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allow for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4 1/2% basis. (i) Based on payment of 2 1/2%. (j) To redemption at par, in year shown. (k) Yield on 15 1/2% basis. (l) Free of Income Tax. (m) Yield based on 40% of coupon. (n) Yield worked on a 10% basis. (o) Yield worked on a 14% basis. (p) Yield worked on a 10% basis. (q) Yield worked on a 14% basis. (r) 1% paid free of income tax.

Prices, Year 1938 Jan. 1 to Nov. 30, inclusive				Last two Dividends		Name of Security	Price, Nov. 30, 1938	Change since Nov. 23, 1938	Yield Nov. 30, 1938	Prices, Year 1938 Jan. 1 to Nov. 30, inclusive		Last two Dividends		Name of Security	Price, Nov. 30, 1938	Change since Nov. 23, 1938	Yield Nov. 30, 1938
High	Low	(a)	(b)	High	Low					(a)	(b)	High	Low				
40 1/2	20 1/2	Nil	Nil	Iron, Coal, &c.—cont.	40 1/2	+6 3/4	£ s. d.	28 10 1/2	17 1/2	10 c	11 1/2 c	Fairley Aviation 10/-	28 1/2	...	£ s. d.	4 13 10	
27 1/2	17 1/2	1 c	Nil	Thornycroft, John £1	27 1/2	-8 1/2	8 Nil	56 9	45 1/2	5 a	7 1/2 b	Finlay (Jas.) & Co. £1	47 1/2	...	5 5 2	4 13 10	
27 1/2	17 1/2	3 a	7 b	U. States Steel 1000	27 1/2	-1 1/2	4 Nil	65 1/2	55 1/2	20 b	7 1/2 b	Gallagher Ltd. Ord. £1	47 1/2	...	4 8 0	4 13 10	
27 1/2	17 1/2	10 c	4 a	Un. Steel Cos. Ord. £1	27 1/2	+4 3/4	4 2	20 6	23 1/2	17 1/2	Nil	Gaumont-Brit. £1	28 1/2	-3d	4 17 0	4 13 10	
27 1/2	17 1/2	10 c	4 a	Vickers 10/-	27 1/2	-1 1/2	10 0	35 3	7 1/2	16 c	Nil	Gen. Refract. 10/-	12 1/2	-6d	13 6 9	7 16 3	
43 1/2	33 1/2	12 1/2 c	17 1/2 c	Ward (Thos. W.) £1	43 1/2	-1 1/2	9 0	70 7 1/2	68 9	5 a	20 b	Gestetner (D.) 5/-	25 7 1/2	-1 10 1/2	7 16 3	7 16 3	
43 1/2	33 1/2	12 1/2 c	17 1/2 c	Whitehead & Co. £1	43 1/2	-1 1/2	9 0	76 5	55 1/2	13 1/2 b	5 a	Harrissons & Gros. Del. £1	87 6	...	5 18 4	7 16 3	
66 1/2	40 1/2	15 c	20 c	Yarrow & Co. £1	66 1/2	-1 1/2	6 13 3	30 1/2	18 1/2	15 a	27 1/2 b	Hawker Siddeley (3/-)	24 9 1/2	-9d	8 5 0	7 16 3	
59 1/2	27 1/2	Nil	Nil	Bleachers £1	59 1/2	-1 1/2	Nil	29 9	20	9 c	7 c	Imp. Airways £1	31 3	-3d	5 18 4	7 16 3	
59 1/2	27 1/2	Nil	Nil	Bradford Dyeing £1	59 1/2	-1 1/2	Nil	35 3	27 1/2	5 b	3 c	Imp. Chem. Ord. £1	31 3	-3d	5 18 4	7 16 3	
54 1/2	19 1/2	Nil	Nil	Brit. Cel. Ord. 10/-	54 1/2	-1 1/2	Nil	73 5	57 1/2	11 1/2 b	7 1/2 a	Imp. Smelting £1	12 6	...	5 18 4	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	60 3	38 1/2	6 b	4 a	Imp. Tobacco £1	63 1/2	...	3 15 5 1/2	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Inter. Nickel n.p.	55 1/2	-8 1/2	3 10 10	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	International Tea 5/-	10 6	-3d	4 15 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Lever & Unilever £1	36 10 1/2	xd.	5 18 9	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Lon. & Th. Oil/Wh £1	20 2 1/2	-3 1/2	8 7 9	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	London Brick £1	55 1/2	...	4 9 9	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Lyons (J.) Ord. £1	55 1/2	...	4 9 9	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Marks & Spen. £1	55 1/2	...	4 9 9	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Murex £1. Ord.	31 3 1/2	-1 1/2	5 16 10	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Philips (Goldrey) £1	32 1/2	...	8 10 10	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Pinchin Johnson 10/-	25 7 1/2	-7 1/2	6 16 9	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Princes Trust Ord. 5/-	36 3	...	6 18 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Radiation Ord. £1	53 9	+1 1/2	5 11 6	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Ranks Ord. 5/-	17 6	...	4 16 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Reckitt & Sons Ord. £1	55 1/2	...	4 16 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Tube Investments £1	10 3	-3d	8 3 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Smithfield & Arg. Mt. £1	9 3	-6d	8 11 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Spillers Ord. £1	57 6	...	5 4 4	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Swed. Match. Bk. 25/-	29 4 1/2	...	Nil	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Tate and Lyle £1	81 3 1/2	-1 1/2	4 10 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Tilling, Thos. £1	43 1 1/2	...	4 13 6	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Tob. Secerts. Ord. £1	61 3	...	7 11 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Triplex Safety Co. 10/-	31 10 1/2	-7 1/2	5 15 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Tube Investments £1	82 6	...	5 15 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Turner & Newall £1	78 9	...	5 16 1	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	United Dairies £1	53 1 1/2	-1 1/2	4 13 10	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	United Molasses 6/8.	22 6	-1 1/2	7 1 2	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	W. L. P. Mfrs. Del. £1	34 4 1/2	xd.	7 6 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Coats, J. & P. £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Wiggins, Teape Ord. £1	36 3 1/2	...	5 10 0	7 16 3	
41 1/2	30 1/2	10 c	10 c	Calico Printers £1	41 1/2	-1 1/2	5 8 4	40 3	27 6	10 c	Nil	Woolworth Ord. 5/-	57 6	-7 1/2	5 4 4	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Gas L. & C. £1	25 1/2	...	5 0 0	84 1/2	52 6	95 c	95 c	Asanti Goldfields 4/-	83 1 1/2	+1 1/2	4 11 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Imp. Cont. Stk.	25 1/2	...	9 2 8	12 10 1/2	8 1/2	96 a	94 b	Burma Corp. Rs. 9/-	8 10 1/2	-6d	9 0 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Commw. Mng. 5/-	1 6	-4 1/2	Nil	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Cons. Glds. of S. At. £1	67 6 1/2	...	5 18 6	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Crown Mines 10/-	17	...	5 12 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	De Beers (Del.) £2 1/2	8 8	-1 1/2	8 14 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Jo'burg Cons. £1	50 1/2	-1 1/2	6 0 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Randfontein £1	41 3	+7 1/2	10 18 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rhokana Corp. £1	12 8	-4 1/2	5 1 0	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...	4 18 0	3 6 1/2	13 1/2	Nil	Nil	Rio Tinto £5	14	-3d	5 14 3	7 16 3	
25 1/2	17 1/2	2 1/2 a	2 1/2 b	Newc.—on Tyne £1	25 1/2	...											

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after at 104 per cent. Final redemption January 1, 1954, at 102. Messrs Cazenove Akroyds and Greenwood and Company have agreed to purchase the stock at 98½ per cent. less ½ per cent. commission.

Grant (James) and Company, Ltd.—Particulars of issue of £150,000 5½ per cent. registered notes. Redeemable at par November, 1939–53, or from 1943 at 102 on notice. Stelland Trust, Ltd., take issue at 100 less 2 per cent. commission.

United Steel Companies.—Particulars of an issue of £1,500,000 4½ per cent. ten-year notes, 1948, unsecured, repayable at par December, 1948, or on notice 1940–42 at 102, or 1942–47 at 101. Morgan Grenfell and Company take issue at par, less 1½ per cent. commission. At same time, 882,180 £1 shares offered to stockholders at par (1 in 10).

Ultramar Exploration Company, Ltd.—Issued capital, 1,764,425 10s. ordinary shares. Owns (itself or through subsidiaries) large concessions over lands in the Venezuelan Orinoco basin which are in process of being proved as oil-bearing. Total assets, end 1937, £525,480.

Newman Industries, Ltd.—Particulars concerning 100,000 6 per cent. redeemable cumulative £1 preference and 200,000 2s. ordinary shares. Preference are redeemable by 1975 by sinking fund at 22s. (or under by purchase), or on notice. Formed April, 1936, to take over existing engineering business.

UNIT TRUST

Supervised Shares, Inc.—Dealings in the shares of Supervised Shares, Inc., will commence on Monday next in London, under the auspices of the National group of unit trusts, at around \$11 per share.

ISSUE TO SHAREHOLDERS ONLY

Gold Coast Main Reef.—Issue of £300,000 non-interest bearing notes redeemable in 1943 at 120. The notes are convertible into shares at any time on the basis of three shares for every £1 notes. Gold Coast Selection Trust is to take £60,000 notes in exchange for loans, and the remainder of the loan from that company is to be repaid in cash.

RESULT OF ISSUE

London Power Company.—Underwriters to the issue at 98½ of £1,000,000 3½ per cent. debenture stock have had to take up 73 per cent.

SHORTER COMMENTS

Company Results of the Week.—Breweries continue to make a mixed showing, one of the larger companies, WOLVERHAMPTON AND DUDLEY BREWERIES, earned trading profits of £259,231 against £270,214, but the 16 per cent. dividend is maintained. A slight improvement in profits is shown by TOBACCO SECURITIES TRUST, whose net profits for 1937–38 are £577,152. The heavy industries again have a satisfactory record. WEARDALE STEEL COAL AND COKE have earned about £15,000 more at £114,901, and the dividend is increased from 12½ per cent. to 17½ per cent. SHORT BROTHERS (ROCHESTER AND BEDFORD) have issued an excellent report, showing an increase of £78,000 in total profits at £211,580, but the dividend is raised conservatively from 40 to 42½ per cent. A decline in the total profits of ASSOCIATED EQUIPMENT from £443,968 to £382,717 is somewhat disappointing, though the 7½ per cent. tax-free dividend is maintained. DENNIS BROTHERS, LTD., on the other hand, have maintained net profits at £99,303, but are reducing their dividend from 11½ to 100 per cent. Though a decline in profits from the motor industry was only to be expected, the setback experienced by HUMBER, LTD., is of some severity. Trading profits are £219,885 against £322,044. Disorganisation due to rebuilding is the main reason for a drop in O.K. BAZAARS' net profits from £241,560 to £219,220. Net profits of BRITISH ELECTRIC TRANSFORMER are practically stable at £79,681. The business of BRITISH TYRE AND RUBBER COMPANY was fully maintained during the year, and net profits of £162,293 are only £5,500 lower. Satisfactory progress has been made by the CRITTALL MANUFACTURING COMPANY, and although the 25 per cent. dividend is maintained, net profits are £17,000 higher at £266,721.

MISCELLANEOUS

British Industrial Plastics.—The report for year to September 30, 1938, shows gross profits £97,565, against £105,569. Net profits have declined from £31,098 to £22,184, after £21,331 for depreciation and taxation reserve. Consolidated account shows £26,642 in all for these purposes. Dividend recommended 6 per cent., against 8 per cent. Forward £5,697.

Redpath, Brown and Company.—Net profit year to July 31, 1938, £223,396, an advance of £15,593. To reserve, nil against £70,000. The directors recommend a free of tax dividend of £215,784 against £52,500 net. Carry-forward unchanged at £172,244.

Henry Meadows.—Profit year to August 31, 1938, £35,832 (£27,167). Ordinary dividend unchanged at 20 per cent. To reserve for obsolescence, £5,000 (nil); forward, £8,396 (£6,564).

Siemens and Halske.—Holders of 6½ per cent. 25-year sinking fund gold debentures, 1951, are offered payment of interest in U.S. dollars at reduced rate of 3½ per cent., payable half-yearly, beginning March 1, 1939. All unpaid coupons attached to

assented debentures will be redeemed at \$16.25 per coupon. Holders accepting will receive a cash payment of 2 per cent.—that is, \$20 per \$1,000 debenture.

Associated Equipment Company, Ltd.—Report for year to September 30, 1938, shows trading profit £377,745 (£130,428). To depreciation, £103,117 (£104,368). To taxation, £100,000 (£120,000). Ordinary dividend again 7½ per cent. tax free. Carry-forward raised from £260,000 to £262,000.

Weardale Steel, Coal and Coke.—Net trading profit year to September 30, 1938, £99,479 (£110,515). Deferred dividend raised from 12.667 per cent. to 17.111 per cent. To general reserve, £20,000 (£25,000). Carry-forward increased from £28,402 to £29,803.

Investment Trust Units.—Progress Report No. 3 covers half-year to October 22, 1938. Distribution, 3.0028d. per unit net after tax, making for year 6.5374d. net (equivalent to a gross yield of over 5½ per cent. on current price of 13s. 9d. xd.). Revenue available for ordinary shareholders of 27 companies paying final dividends during period was £1,451,296; distribution, £1,047,819. The Progress Report shows composition of Trust Fund, and rate of dividends received.

British Tyre and Rubber.—Net profits year to September 30, 1938, have risen by £8,405 to £177,112. Dividend 10 per cent. (same). Tax and N.D.C. £45,043 (£33,521); written off goodwill, etc., £12,500 (same); £25,000 to general reserve. Carry forward £51,743 (against £39,133, after £10,000 to employees' fund).

Crittall Manufacturing.—Profits for year to August 31, 1938, reached record of £304,970, an increase of £16,975. Dividend maintained at 25 per cent. on larger capital; after allowing for reserves, carry forward raised by £16,664 to £40,863.

Stanley Motors.—Second report shows profit £30,855 for year to June 30, 1938, (against £7,503, September 1, 1936, to June 30, 1937). Preference dividend again met; nil to reserve for doubtful debts, etc. (£11,646); forward, after taxation, £14,866 (£952).

Woolwich Equitable Building Society (Interest Rate Raised).—This Society is raising the rate of interest on its "D2" shares from 3 to 3½ per cent. tax free, as from the beginning of 1939. This puts the "D2" and "D" shares on exactly the same footing.

Bowater-Lloyds Acquisition.—The acquisition is announced of 5,000 square miles of timber areas from the Reid interests, with permission to ship a minimum of 50,000 cords of unmanufactured pulpwood annually from the area. The agreement includes a provision for the increase of sulphite production at Corner Brook by 30,000 tons annually. The price was not disclosed, but is reported to be \$3,500,000.

London Transport "C" Stock.—A private meeting of a number of large holders was held on November 30, but no conclusion on the steps to be taken was reached. It was decided, however, to set up a representative committee of "C" stockholders.

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Industry and Trade

Worst Spinning Control Scheme.—A further step has been taken in the attempts that are being made by the Yorkshire worsted spinning trade to reorganise the industry. Reference was made in *The Economist* of July 30th to a proposal made by a provisional Committee for a scheme of fixing minimum conversion margins between the prices of tops and yarns of different varieties. During August a Committee representing all sections of the industry was elected by the trade, and this body has decided, after full examination of the price control scheme, that it shall not be proceeded with for the present. This decision, it is understood, is due partly to the difficulty of defining with any precision the different varieties of tops and yarns, and partly to the widespread belief that it would be difficult to maintain a control of prices so long as the basic difficulty, the existence of a considerable spinning capacity surplus to requirements, was not being dealt with. This was the comment made on the price-control scheme at the time by *The Economist*. The new Committee has wisely decided to tackle the question of excess capacity. In very round figures, there are about 3,000,000 spindles in existence. At last year's peak only some 2,600,000 to 2,700,000 spindles were in use, and then only for a month or two. The average figure for 1937 would be about 2,400,000 and the present average utilisation may be put at about 2,100,000. The Committee thus estimates that there is a permanent over-capacity of about 10 or 12 per cent. of the total spindles in existence, in addition to the temporary over-capacity that exists in times of bad trade, such as the present. The outline of the scheme now proposed is that the members of the trade shall impose a levy on themselves (a rate of ¾d. per spindle per month is suggested, bringing in a revenue of £93,750 on the assumption that mills owning 2,500,000 spindles join the scheme), and that the proceeds shall be used to buy up redundant spindles for scrapping. At the moment, the scheme has only got to the stage of being presented to the trade. It remains to be seen whether the worsted spinners (who have not hitherto been noted for an excess of the co-operative spirit) will be ready to tax themselves in this way, and whether a sufficient number of spindles will be offered to the Committee to ensure the success of the scheme. The danger of all such schemes is that they may be too successful and lead to a real shortage. This result has not been unknown in other sections of the woollen and worsted industry. But the risk of its happening with the present body of some 250 separate worsted spinning firms is very small.

Raw Wool Prospects.—In common with those of many other raw materials, raw wool prices have suffered a substantial decline. Thus, the *Weekly Wool Chart's* index of raw wool prices (July, 1914=100) declined from 124 in August, 1937, to 78 in July this year. The collapse of wool prices was due to the fact that production in the principal exporting countries was maintained in the 1937–38 season, when consumption showed a decline. During the past two months, however, there has been a slight improvement in wool prices, which raised the *Weekly Wool Chart's* index from 78 in September to 80 in October and November. This improvement can be attributed chiefly to the decline in the Australian clip, from 1,015 million lbs. in 1937–38 to 920 million lbs. in the current season. This reduction has only partly been offset by the slight increases in the current season's clips in New Zealand, South Africa and Argentina. But if the reduction in the Australian clip has justified a slight increase in prices, a sustained improvement is unlikely to take place in the absence of an appreciable expansion of consumption. There are indications that consumption is, in fact, tending to increase in this country and in the United

States, though the course of the intake in a number of other countries has not been such as to justify a major rise in the prices of wool in the near future.

* * *

Continuous Sheet Mills.—No single development in the manipulation of steel has effected so profound a change in works practice as the advent of the continuous sheet or strip mill. When the Morgan bar and hoop mills made their initial appearance—they are post-war products so far as Great Britain is concerned—the steel bar trade was startled by the prodigious output obtained from these continuous bar-mills, and by the reduction in the cost of production of bars and hoops to less than one-third of that of the older hand-operated mills. The Morgan and other similar types of bar-mills, however, are completely overshadowed by the output of the continuous sheet or strip mills, of which there are thirty operating in the United States. The effective productive capacity of these mills ranges from 300,000 to 700,000 tons per annum, and one of the latest of them—the new 44-in. mill of the Inland Steel Company—can roll a mile of strip steel in less than three minutes. There is also a continuous sheet mill in the U.S.S.R. and in Germany, and one is reported to be in process of construction in France. The new continuous sheet mill of Messrs Richard Thomas, at Ebbw Vale, which is already in partial operation and is expected to be in full production this year, is claimed to have a capacity of 600,000 tons per annum. It has been constructed by arrangement with, and will be operated under licence from, the American Rolling Mill Company, which holds certain patent rights in the method of manufacture and processing. Until June 30th an agreement existed between Messrs John Summers and Sons and the American Rolling Mill Company whereby the former produced in this country the Armco sheets extensively advertised by the American firm throughout the world. This agreement has apparently been transferred to the Ebbw Vale concern. Rumour is now associating Messrs Summers' name with the United Steel Companies, and an amalgamation between the concerns, if this is actually contemplated, may foreshadow further developments in continuous

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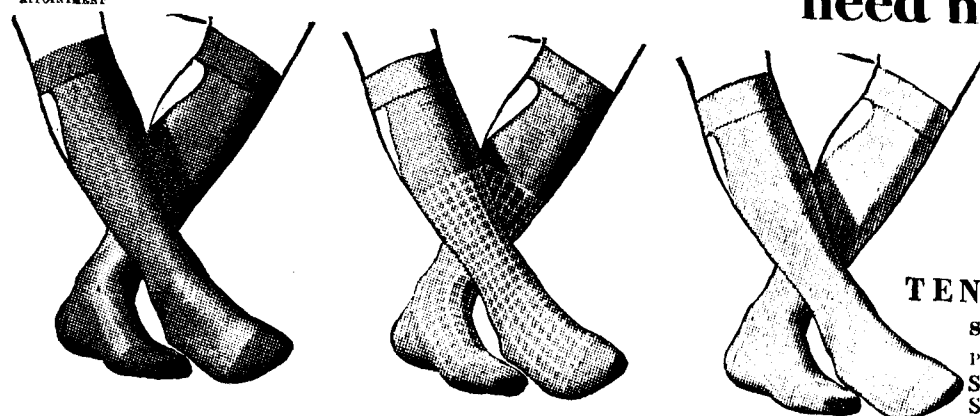
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mills. The modern continuous sheet mill is an enormously costly thing to construct, but is not beyond the united resources of these two prosperous concerns.

* * *

How many continuous mills could be supported by Britain's sheet consumption? It could be argued that if the United States, producing 15,000,000 tons of sheets and strips in 1937, could support 30 continuous sheet mills, Great Britain, with a production last year of 2,382,800 tons of black, galvanised and tinned sheets, should be able to support four continuous mills. But the continuous sheet mill demands bulk orders, i.e. large quantities of one size and thickness, and in America these are forthcoming from three principal consuming industries—the motor car, container, and metal furniture trades. Last year the American motor-car industry consumed 5,651,900 tons of steel, representing 17.4 per cent. of the total output of finished steel, but then the number of cars produced in the United States was 5,015,974. Our production of cars in the twelve months ended on September 30, 1937, totalled 507,749, and, on the average, our cars are much smaller and lighter than the American. The probability is that not more than 450,000 tons of sheets were used in the construction of the 507,749 British cars, even allowing for the waste in blanking and pressing. The container industry of America ranks third on the list of steel consumers, with a total consumption in 1937 of 3,180,000 tons, or 9.8 per cent. of the total finished steel output. In the regrettable absence of an up-to-date steel consumption analysis in this country, it is only possible to conjecture that a large proportion of the tin, terne and black plates produced in 1937, amounting to 957,800 tons, were for containers (including 444,477 tons of tinplates shipped abroad). A proportion of the black sheets produced were probably also used as containers in the form of oil drums, light tanks, etc. The following table shows the proportion of the tonnage of each item which might be produced by continuous sheet mills:—

	British sheet production 1937 Tons	Estimated tonnage suitable for continuous mills Tons
Medium plates 3 mm. and under $\frac{3}{8}$ in.	152,600	20,000
Black sheets under 3 mm. (other than galvd. or tinplates)	926,600	350,000
Tin and terne plates and black plates	957,800	700,000
Galvanised sheets	345,800	250,000
	2,382,800	1,320,000

Although the estimate is of necessity largely conjectural, there would appear to be sheet tonnage sufficient for three continuous mills in Great Britain. Owing to their enormous cost, and the consequent heavy capital and depreciation charges on them, continuous sheet mills require to be operated at a high percentage of capacity to be profitable. Formerly a 5 per cent. annual depreciation allowance was considered adequate, but the modern steel plant becomes obsolescent so quickly that a 10 per cent. annual depreciation may not be excessive. During a period of bad trade, the depreciation charges might amount to two or three pounds per ton. The superior finish and closer rolling tolerances of continuous sheet mills, quite apart from their economy in labour and materials, make their adoption in this country essential if we are to maintain our position in the world's sheet trade. Their adoption in this country will inevitably and regrettably mean a displacement of labour, but jobbing sheet mills of the older two-high and three-high types will survive for many a day in supplying small lots of special plates.

* * *

Iron and Steel Prices.—The British Iron and Steel Federation's decision on price policy in 1939 is awaited with interest. It appears that the decision is to be based

partly on the results of a special investigation into costs. But the cost of raw materials and overhead costs per ton differ owing to the varying structure of individual concerns. The following table, based on the results of the 1935 Census of Production, shows the relative importance of the elements entering into the manufacture of pig iron:—

COST ELEMENTS IN THE MANUFACTURE OF PIG IRON		
	£'000	Per cent. of gross output
Iron ore	7,415	35.2
Limestone	492	2.3
Fuel and electricity	6,773	32.2
Scrap	462	2.2
Other materials	1,822	8.7
Total materials	16,964	80.6
Wages*	3,785	18.0
All other costs	298	1.4
Value of gross output	21,047	100.0

* Represent 92.7 per cent. of the value of the net output of £4.08 millions.

A calculation, based on the prices of iron ore, fuel and scrap and on their relative importance in the total cost of pig-iron production in 1935, shows that the cost of these elements at the end of 1937 was 33 per cent. higher than at the end of 1936, but that it has since fallen by about 20 per cent. The cost of the remaining elements has risen less during this period. In comparison, pig iron prices at the end of 1937 were no less than 35.9 per cent. higher than a year earlier and, despite the fall in raw material costs, they have not been reduced in the current year. The next table analyses the costs of steel production, again on the basis of the 1935 Census of Production:—

COST ELEMENTS IN THE MANUFACTURE OF STEEL PRODUCTS		
	£'000	Per cent. of gross output
Pig iron and ferro-alloys	15,708	15.5
Scrap	12,054	11.8
Semis	18,816	18.5
Fuel and electricity	6,287	6.2
All other purchased materials and fuel	14,507	14.3
Total materials	67,372	66.3
Amount paid for work given out	814	0.8
Wages*	25,551	25.2
All other costs†	7,805	7.7
Value of gross output	101,542	100.0

* Represent 76.6 per cent. of the value of "net output" of £33.36 millions, which is the difference between the value of "gross output" and costs of materials, including payments for work given out. According to the census of 1930 wages represented 76.6 per cent. of net output and in the absence of a later figure the same percentage has been used for 1935.

† Difference between value of net output and wages.

Compared with the figure for the end of 1936, the combined cost of raw materials representing 52 per cent. of the total cost of steel showed an increase of 21 per cent. in May and 30 per cent. at the end of December, 1937. Steel prices, on the other hand, were raised by about 20 per cent. in May, 1937, and have since been maintained at that level. The rise in costs during the remainder of 1937 was largely offset by reduced overhead charges, due to a rise in output, while this year's advance in overhead costs coincided with a fall in raw material prices, which has not been passed on to the consumer.

* * *

Competition in Cement.—In his speech at the inauguration of a memorial to Mr Joseph Aspdin, Lord Wolmer, chairman of the Cement Makers' Federation, pointed to the tendency of newcomers to enter the industry as a dangerous development likely to lead to indiscriminate price-cutting. Bouts of price-cutting are not new in the cement industry. Only four years ago a price war was terminated by the conclusion of agreements which, together with the expansion in demand, brought prosperity to the industry. This prosperity is now being challenged by a decline in consumption and by the reported intention of an outside concern to secure a piece of the cake by the erection of factories in Devonshire and Kent. The erection of

cement factories, however, is a costly business, and if the Cement Cartel's selling prices justify such expenditure by a newcomer, it seems to have little reason for complaint.

* * *

Sole Leather Combine.—The British output of sole leather was seriously affected by the 1930 slump. Production in 1928 amounted to 80,000 tons, and this level was not again attained until 1936, when the output was estimated at slightly more than 78,000 tons. A record output was expected in 1937, but last autumn the declining activity in the boot and shoe trade led to an overstocked market, and output of sole leather declined in the last quarter of the year. In March, 1938, various leather producers decided to curtail their output on a voluntary basis, but the continuous fall in leather exports, as well as in the demand from domestic leather consumers during the summer, necessitated more drastic measures. A British Sole Leather Tanners Association has now been formed with the object of controlling production. It is also proposed to set up a National Council for the industry which would include the leading associations of the leather trades and the corresponding sections of the trade unions. Meanwhile, the firmer market for hides and the improved activity in the boot and shoe trade have given a more hopeful tone to the leather market.

* * *

Price Insurance for Manufactured Milk.—Under the Milk Act of 1934, as amended in 1937, the Government guaranteed to the Milk Marketing Boards minimum prices for milk sold for manufacture of 5d. per gallon in the summer half-year and 6d. per gallon in the winter half-year. The new Bill (which has now been withdrawn for further consideration) proposed to limit the Exchequer guarantee to 250 million gallons of milk sold per annum for manufacture into butter and cheese; this represents a slightly smaller quantity than that converted into butter and cheese in 1935-36, the year of the largest surplus. The new subsidy was related, not to the realised value of the milk, but to a certain level of wholesale prices for the products; for butter the minimum prices were to be 112s. per cwt. in summer and 120s. per cwt. in winter, and for cheese 62s. 6d. per cwt. in summer and 67s. 6d. per cwt. in winter. On a rough estimate, the corresponding minimum prices per gallon for the milk would be about 4d. and 4½d. in the case of butter and 5d. and 5½d. in the case of cheese. The Bill empowered the Board of Trade to regulate quantitatively the imports of butter and cheese, in addition to those of other milk products, in order to "preserve the stability of the market."

* * *

Another clause which was much criticised by representatives of the farming community is that relating to quality premiums. The premiums for "accredited" milk and milk from "attested" herds were to be raised by ½d. and 1d. per gallon respectively; by arrangement with the Milk Marketing Board these increased premiums were paid from October 1st. The Exchequer contributions towards the premiums for "accredited" and tuberculin tested milk were to diminish during the four years covered by the clause; at the end of the four years the level both of these premiums and of the Exchequer contributions was to be reviewed by the Milk Commission, which was to determine some time in 1940-41 the level of the other premiums—those for attested herds—for the two succeeding years. The diminishing rate of Government contributions would mean a higher payment from the general funds of the Marketing Boards and an increasing burden on those producers who have not qualified for graded milk production. The English Milk Marketing Board has condemned the proposals on this ground, but, in view of the urgent necessity to improve the quality of the milk supply, it is perhaps desirable that producers of ungraded milk should have an added inducement to improve their production.

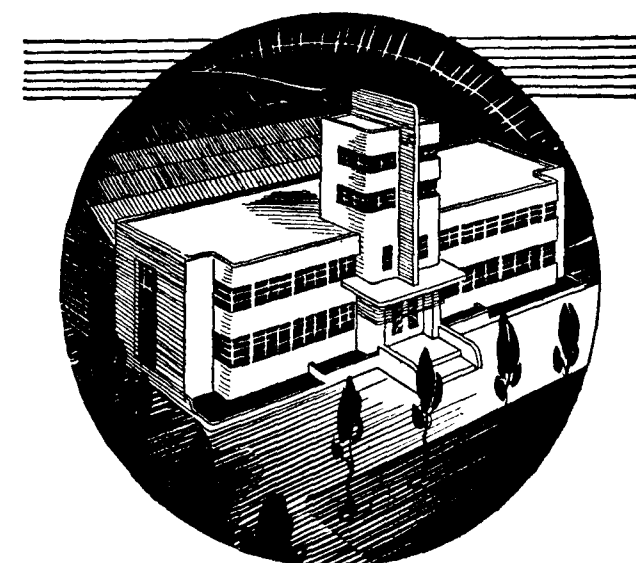
Increase in Beer Production.—For the first nine months of the current year the production of beer in the United Kingdom showed an increase of 2.1 per cent. over that in the corresponding period of 1937. The latest figures, relating to the month of October, indicate that production remains slightly above last year's level. Output in October

BEER PRODUCTION IN THE UNITED KINGDOM				
	(000 standard barrels)			
Month	1935	1936	1937	1938
January	1,185	1,115	1,163	1,177
February	1,006	1,045	1,131	1,231
March	1,195	1,360	1,473	1,561
April	1,455	1,356	1,534	1,533
May	1,526	1,469	1,511	1,587
June	1,247	1,462	1,608	1,593
July	1,692	1,726	1,772	1,701
August	1,550	1,445	1,636	1,721
September	1,301	1,498	1,539	1,550
October	1,366	1,379	1,436	1,445
November	1,294	1,324	1,455	...
December	1,447	1,560	1,596	...
	16,254	16,739	17,854	15,104

amounted to 1,445,000 standard barrels, an increase of 0.6 per cent. over production in October, 1937; the decline of 6.8 per cent. compared with the previous month represents a normal seasonal decline. The amount retained for home consumption in October amounted to 1,417,000 barrels, compared with 1,521,000 barrels in September.

* * *

Collapse of Barley Prices.—In spite of the increase in beer output, the price of malting barley has fallen very considerably compared with that obtained last year. As this fall has coincided with a sharp fall in sheep prices, the East Anglian farms which concentrate on sheep and barley have been doubly hit this year, and they have taken steps to inform the Government of their plight. The fall in



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barley prices is, in fact, not due to any decline in the brewers' purchases of malting barley, but to the coincidence of a high yield with an increased acreage. Compared with 1937 (which was an exceptionally poor year for barley), the acreage under barley in England and Wales increased by 7.6 per cent., the yield by about 21 per cent. and total production by about 30 per cent. Consequently, while the best samples of malting barley fetch about 40s. per quarter, lots of poor quality can at present hardly find any market at all. Unless the barley growers are prepared to set up a Marketing Board to control, like the Potato Marketing Board, the marketing of a bumper crop, it is difficult to see what remedy can be found for the occasional year of fine weather and high yields.

* * *

Rise in Quicksilver Prices.—During the past fortnight the London price of quicksilver has been increased twice. The total increase, amounting to 14s. per flask, raised the price of quicksilver to £15 4s. per flask of 76 lbs., compared with £12 10s. per flask last spring. There was no obvious reason for the rise in the quicksilver price. As the Spanish insurgents' attacks on the Almaden mines were frustrated, they are still in the hands of the legitimate Government. Exports of quicksilver from Spain continue without undue delay and Italy is also shipping quite freely. The retained quicksilver imports of the United Kingdom amounted to 1,508,136 lbs. in the first ten months of this year, against 1,919,235 lbs. in the corresponding period of last year. Despite the decline, imports this year were still comparatively high. Moreover, as substantial stocks must have been accumulated in this country last year, there is no shortage of supplies, in spite of the large armament requirements. The latest increase in prices indicates that the breakdown of the Italo-Spanish quicksilver cartel at the beginning of last year has not been followed by a complete cessation of co-operation, and that the London agents of the Spanish and Italian producers are still at one in striving for higher prices.

INDUSTRIAL REPORTS

THE industries which experienced a spurt in demand for re-stocking purposes during October have suffered a temporary decline in new business. These trades include coal and cotton textiles, for example. Nevertheless, activity in the coal trade is well maintained, and the output of cotton goods remains at a higher level than at the beginning of October. The consumption of iron and steel shows a tendency to expand, though, owing to the uncertainty concerning prices next year, the improvement is as yet scarcely reflected in heavier forward purchases. The upward trend of activity in the tinplate industry has not been maintained, and the proportion of the industry's capacity in operation has fallen from 54.5 per cent. to 49.5 per cent. during the past month. The jute industry remains active, but the accumulation of heavy stocks of materials in Calcutta is preventing an improvement in prices.

Coal

Sheffield.—With the improvement in the steel trade there is a better demand for industrial coal, and prices are firm. Small coal is plentiful and a weak market, though good deliveries under contract are being taken by electricity undertakings. Gas coal shows improvement, but household requirements are less than usual during this season. Coke is a quiet market owing to the poor level of demand for blast furnace qualities. Local works, however, are taking fair quantities of large

selected patent oven coke, and more business is passing in graded qualities for central heating.

In the export trade all classes of large screened coal are fairly well taken up over the next month, but new business is largely in abeyance pending the fixing of prices under the co-ordination proposals. There is little business in bunker coal, and transactions in coke are disappointing.

*

Newcastle-on-Tyne.—The North-East coal market remains quietly steady, and foreign inquiry is limited to small quantities for delivery over the early part of next year. Northumberland steam collieries are working regularly, and, except in the case of smalls, are well stemmed. Durham manufacturing coal is now offered more freely, and in the gas coal section a number of collieries have difficulty in finding an outlet owing to the mild autumn. Patent oven coke is plentiful, but the lack of export quota prohibits operations abroad.

*

Glasgow.—The Scottish coal market remains dull. While the household trade is expanding, demand from the utility undertakings is below normal, due apparently to the heavy purchases made previously; so far as London is concerned, the trade from Scotland has been affected by the larger business done with other districts. Industrial demand is also disappointing on the whole. The export trade presents no

Retail Trade in October.—The latest figures of the course of retail trade show a continuation of the trends of the earlier months of the year. In the country as a whole, according to the latest issue of the *Board of Trade Journal*, the average daily value of retail sales in October was 2 per cent. higher than in October, 1937. The increase was most marked in Scotland and in the South of England; sales in Central and West London declined by 8.9 per cent. compared with a year ago. Sales of food increased in all districts except Central and West London, where the decline in the turnover of these departments amounted to 8.2 per cent. For the ten months of the current year, the daily value of sales was 2.4 per cent. higher than in the corresponding period of 1937; this average covers geographical variations from an increase of 4.6 per cent. in Scotland to a fall of 7.3 per cent. in Central and West London.

* * *

Czechoslovakia's Coal Losses.—The cession to Germany and Poland of parts of the former Czechoslovakia has seriously diminished the coal production of that country. In 1936 Czechoslovakia raised 12 million metric tons of coal and 16 million tons of lignite, and she had a net export of 2 million tons of mineral fuel. Lignite production was concentrated in Northern Bohemia, and it is estimated by German official sources that production in the transferred areas of the Sudeten district amounted in 1936 to 15 million tons of lignite and 1½ million tons of coal. In addition, mines producing about 8 million tons of coal have been transferred to Poland. Consequently, the new Czechoslovakia will be a net importer of mineral fuel, while Germany and Poland, who were also net exporters, will have an increased output in the future. Owing to political sentiment, customs restrictions and exchange controls, these shifts in international boundaries may involve a considerable shift in markets. An attempt is being made in Czechoslovakia to arrange a barter exchange of British coal for certain Czechoslovakian exports, and it is probable that the Anglo-Polish agreement on exports of coal will have to be adapted to the changed circumstances.

new feature. Contract business is moving steadily, but new business is proving difficult to arrange. Tenders were lodged during the week for the Norwegian railways' contract for 85,000 tons of locomotive coal. This order, however, has usually gone to the North-East Coast in the past.

*

Cardiff.—There is very little current inquiry; the volume of contract business affecting 1939 deliveries is disappointing, and shipments in the foreign and coastwise trades last week totalled only 318,900 tons, compared with 350,100 tons the previous week and 422,417 tons in the corresponding week last year. The recent contraction, however, in the volume of traffic may be due largely to the gales, which have considerably impeded the movements of shipping, and the state of colliery stems justifies the expectation of more active loading when weather conditions become more favourable. There has been no further alteration in official prices, and the task of co-ordinating the minimum schedules of the various districts of the country, recently directed by the Central Council, is now in progress. There has been a slight expansion in the inland trade both for household and industrial coals.

Iron and Steel

London.—Most sections of the iron and steel markets have developed some activity, although current busi-

ness consists largely of consumers' purchases of supplementary parcels to carry them over the remainder of this year, says the official report of the London Iron and Steel Exchange. Although most of the steelworks are operating well below capacity, outputs appear to have increased of late, and the tone of the market has become stronger. An expansion in the volume of business early in the New Year is generally anticipated, and for this reason the announcement of the new prices is awaited with some impatience.

The demand for pig iron is restricted to small parcels for quick delivery. Most consumers seem to have allowed their reserves to dwindle in the expectation that prices will be reduced at the end of the year.

Business in semi-finished steel seems to be gradually expanding. The rigid control of imports and the reduction in consumers' stocks have resulted in a better flow of orders to the British works, and this section of the industry has more business in hand than for some time past.

Business in finished steel has expanded somewhat of late, but it is still spread irregularly over the market. Demand is limited to small parcels, but in the aggregate it amounts to a respectable tonnage. Buying on export account is restricted, but there is a fair volume of inquiry on the market.

*

Sheffield.—Quiet conditions prevail in the iron and steel market, and are likely to continue until a decision regarding prices in the coming year has been announced. Forward business is being held up, and buying relates only to limited lots for immediate delivery.

So far as pig iron is concerned, it is becoming clear that stocks in users' hands are dwindling, for heavier deliveries under existing contracts are being specified. This, however, is not causing a drain on producers' supplies sufficient to warrant any increase of production at present.

Transactions in basic steel billets are fewer, buyers being disinclined to enter into commitments pending price decisions. There is a steady call for small bars, stainless steel sheets, and structural steel.

The iron and steel scrap market is quietly steady, with a better demand for heavy basic steel for melting up to 67s. 6d. per ton.

*

Middlesbrough.—Pending an official announcement regarding prices in 1939, the local market is marking time. Small transactions in foundry pig iron continue for early delivery. East Coast hematite deliveries continue to be made under existing contracts. It is understood that the price of basic iron is under revision. The announcement that the price of ferro-manganese will be reduced by £2 per ton from January 1, 1939, is welcomed.

It is expected that large orders for rails will be placed, and whilst shipbuilding orders continue to come in slowly, any reduction in the price of shipbuilding steel would materially affect the position. Better requests are being made for semi-steel by re-rollers, whilst black sheets are in increased demand.

There is no change in the price of heavy steel scrap, although works are

taking rather larger deliveries, under contract, from merchants.

*

Glasgow.—As is usual at this time of the year there is some slackening in the demand for steel. This is largely due to the fact that in the west of Scotland many firms have their stock-taking at the end of December and are consequently buying only to meet immediate requirements. The uncertainty as regards prices in 1939 also tends to restrict buying. There has been no material reduction in the amount of plant in operation. At the shipyards there is still much need for additional work. It was announced this week that Messrs John Brown and Company, Limited, of Clydebank, are to be entrusted with the building of a destroyer depot ship for the Admiralty. Clyde machinery makers have secured further contracts and practically all the machinery makers in this district have well-filled order books.

*

Cardiff.—The trend of business in the tinplate trade is not as favourable as it was a few weeks ago. Under the pooling scheme the percentage of output capacity has receded to 49.54, compared with 54.47 a month ago. Shipments at Swansea last week showed an improvement on those of the previous week and compared favourably with those for the corresponding week last year, but current consignments are mainly under contracts and new business is very limited both for the home market and the export trade. There is a fairly good inquiry for steel sheets and other semi-finished materials for inland consumption, but the export market for galvanised sheets is featureless. Prices are unchanged.

Textiles

Cotton (Manchester).—Spinners and manufacturers have met with a fair amount of inquiry, but only a miscellaneous business has been done. Buyers have continued a policy of extreme caution, and there is a disposition to restrict commitments as much as possible, pending a more favourable political outlook.

sible, pending a more favourable political outlook.

The raw cotton situation has shown no change. Owing to the relatively high prices prevailing in the United States, the importation of American cotton to the United Kingdom is very difficult. Washington officials are undoubtedly disturbed, and it is probable that further efforts will be made for the freer movement of supplies to the mills. There have been rumours that the loan terms for next season will be revised. In the circumstances there has been a persistent demand for South American and Indian cottons, with very little activity in American qualities.

Demand for cloth for export has been limited. Manufacturers' order lists are running down rather rapidly. The reported contracts under the re-armament plan will be placed with a small number of firms. Home trade clearances are on a better scale, and demand has been encouraging. There has been no improvement in the turnover in American and Egyptian yarns. Curtailment of production remains on a large scale.

*

Jute (Dundee).—There are few complaints heard in the jute market. Both spinners and manufacturers are still busy, with more inquiries for forward delivery. Producers of yarns and cloth are able to maintain their prices and offers of business at less are being turned down. The price of common 8-lb. cops is firm at 2s. 2d. and hessians are not obtainable at under 2½d. for 10-oz. 40-in. and 2½d. for 8-oz. Prices of Calcutta goods have wavered slightly, with little change over the past fortnight. If anything, prices are a little lower, in spite of the fact that seven mills have been idle in the Titaghur area owing to strikes. One mill has now resumed work. The Indian Jute Mills' Association has not yet succeeded in obtaining unanimous agreement on working arrangements. Two mills are refusing to sign the agreement as drawn up by the Association.

Although the production of the Indian jute mills was reduced by 64 million yards of hessians between September and October as a result of the

(Continued on page 512)

THE BANKER

Contents of the DECEMBER Issue include :—
SOME THEORETICAL ASPECTS OF CLEARINGS
By H. C. F. Holgate

REARMAMENT FINANCE :
THE FUTURE BUDGETARY PROBLEM
By "Economist"

REARMAMENT AND ITS FINANCE TO DATE
By L. G. Newton

REARMAMENT AND THE BALANCE OF PAYMENTS
REARMAMENT FINANCE OVERSEAS
By W. G. J. Knop

THE INSURANCE OUTLOOK
By Leo. T. Little

A.R.P. : SOME NOTES ON EQUIPMENT
By P. J. Calvert

THE RISE AND DECLINE OF DR. SCHACHT
By Paul Einzig

SOME RECENT NATIONAL PROVINCIAL BANKS
By Professor C. H. Reilly

The price of THE BANKER, which can be obtained from any good-class newsagent, is 2s. 6d., or will be sent on application (2s. 9d. post free). The Subscription rates, post free to any part of the world, are £1 5s. 6d. for twelve months or 12s. 6d. for six months

The Publisher, 20 Bishopsgate, London, E.C.2.

BRITISH WHOLESALE PRICES

Nov. 23, Nov. 30, 1938 1938				Nov. 23, Nov. 30, 1938 1938				Nov. 23, Nov. 30, 1938 1938							
CEREALS AND MEAT								MISCELLANEOUS							
GRAIN, etc.—								GOLD, per fine ounce— 149 2 149 1							
Wheat—								SILVER (per ounce)—							
No. 2, N. Man, 496 lb. 27 6 27 0								Cash 1 8 1/2 1 8 1/2							
Eng. Gaz. av., per cwt. 4 5 4 3															
Liv. Dec., per cental 4 5 4 6															
Flour, per 280 lb.—															
Straights, d/d London 22 6 22 6															
Manitoba, ex store 24 0 24 0															
Early, Eng. Gaz., av. per cwt. 7 9 7 5															
Oats, 6 1 5 11															
Maize, La Plata, landed, 480 lb. 25 9 26 6															
Rice, No. 2 Burma, per cwt. 7 1 1/2 7 1 1/2															
MEAT—															
Beef, per 8 lbs.—															
English long sides 4 0															
Argentine chilled hinds 4 5 4 4															
Mutton, per 8 lb.—															
English wethers 5 0 4 0															
N.Z. frozen wethers 2 10 2 10															
Lamb, per 8 lb.—															
N.Z. frozen 4 8 4 8															
Pork, English, per 8 lb. 7 4 7 2															
BACON (per cwt.)—															
English 88 0 89 0															
Danish 86 0 87 0															
Dutch 83 0 84 0															
Irish 80 0 82 0															
HAMS (per cwt.)—															
Canadian 94 0 92 0															
United States 89 0 88 0															
OTHER FOODS															
BUTTER (per cwt.)—															
Australian 100 0 103 0															
New Zealand 103 0 105 0															
Danish 142 0 144 0															
Dutch 143 0 145 0															
CHEESE (per cwt.)—															
Canadian 71 0 70 0															
New Zealand 68 0 68 0															
English Cheddars 86 0 86 0															
Dutch 63 6 65 0															
COCOA (per cwt.)—															
Accra, g.f. 22 6 22 0															
Trinidad 35 0 35 0															
Grenada 45 0 45 0															
COFFEE (per cwt.)—															
Santos sup. c. & f. 34 0 34 0															
Costa Rica, medium to good 78 0 78 0															
Kenya, medium 78 0 78 0															
EGGS (per 120)—															
English (15-15 1/2 lb.) 20 0 20 0															
Danish (15 1/2 lb.) 14 0 15 6															
FRUIT—															
Oranges, S. African boxes 11 0 12 0															
" Brazilian Rio Piro boxes 7 0 7 0															
Lemons, Naples boxes 14 6 10 6															
" Sicilian boxes 25 0 16 3															
Apples, Amer. (var.) barrels 26 0 26 0															
" Canadian: Nova Scotian (var.) barrels 23 0 23 0															
Grapes, Almeria barrels 23 0 23 6															
Grapefruit, S. African 9 0 9 0															
" Jamaica, Seeded 15 3 15 3															
" Jaffa, Seedless 6 0 6 0															
" Cyprus, seedless 11 6 10 6															
LARD (per cwt.)—															
Irish, finest bladders 50 0 50 0															
U.S. 46 0 45 0															
PEPPER (per lb.)—															
Black Lampong (in Bond) 0 21 1/8 0 25 3/8															
" (Duty paid) 0 3 3/8 0 3 1/8															
White Muntok (in Bond) 0 3 1/2 0 3 1/4															
" (Duty paid) 0 3 3/4 0 3 1/2															
POTATOES, (per cwt.)—															
English, King Edward, Siltland 5 0 5 0															
SUGAR (per cwt.)—															
Centrifugals, 96, prpt. shpm. 5 10 1/2 5 9															
c.i.f. U.K., Cont. 5 10 1/2 5 9															
REFINED London—															
Yellow Crystals 19 3 19 3															
Cubes 23 6 23 4 1/2															
* Weeks ended Nov. 17th and 24th.															
† These prices are for fuel oil for inland consumption—other than for use in Diesel-engined road vehicles—and do not include the Government tax.															

COMMODITY STATISTICS

COAL OUTPUT ('000 tons)				
District	Week ended		Jan.-October	
	Nov. 12, 1938	Nov. 19, 1938	1937	1938
Northumberland	299.2	291.6	11,867.3	11,084.4
Durham	667.3	647.9	27,644.6	26,231.4
Yorkshire	895.9	863.5	37,364.4	35,241.2
Lancs, Cheshire and N. Wales	346.8	349.9	14,637.2	14,115.2
Derby, Notts & Leicester	645.3	613.6	27,789.5	26,447.8
Staffs, Worcs, Salop & Warwick	397.6	381.5	16,666.6	16,201.0
South Wales & Monmouth	776.4	740.4	31,685.7	30,166.8
Other English districts*	121.6	118.1	4,578.8	4,547.5
Scotland	628.6	617.5	26,606.2	25,056.6
Total	4,778.7	4,624.0	198,840.3	18,091.9
* Including Cumberland, Gloucester, Somerset, and Kent.				

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended		Total Deliveries	
	Nov. 18, 1938	Nov. 25, 1938	Aug. 1, 1937-1938	Aug. 1, 1937-25, Nov. 25, 1938
American	21.8	19.5	437	342
Brazilian	4.2	5.3	121	72
Peruvian, etc.	2.3	2.9	50	29
Egyptian	4.6	2.4	107	84
Sudan Sakei	2.8	4.2	60	60
East Indian	4.2	6.6	99	131
Other countries	2.0	2.6	72	45
Total	41.9	43.1	917	763

Metals				
SALES ON LONDON METAL EXCHANGE				
	Week ending		From Jan. 1 to Nov. 30, 1938	
	Nov. 23, 1938	Nov. 30, 1938		
Copper	11,200	10,200	442,025	
Tin	2,475	2,000	84,865	
Lead	6,800	11,600	354,550	
Spelter	3,200	5,375	274,425	

U.K. STOCKS			
	Nov. 19, 1938	Nov. 26, 1938	
Copper (Br. official w/houses):	Tons 3,858	Tons 4,985	
Refined	24,952	23,500	
Rough	9,745	9,835	
Tin (London and Liverpool)			

Tinplate Industry				
Production—per cent. of capacity	Week ended			
	Nov. 20, 1937	Nov. 12, 1938	Nov. 19, 1938	Nov. 26, 1938
	73.84	50.50	49.54	
Shipments	Week ended			
	Nov. 25, 1937	Nov. 17, 1938	Nov. 24, 1938	
	1,937	1,938	1,938	
	Tons 4,766	Tons 2,085	Tons 4,638	
Stocks (warehouse and in vans)	7,386 6,318 9,549			
	Forty-seven Weeks ended/ Nov. 25, 1937 Nov. 24, 1938			
	Tons Tons			
Shipments	377,517 223,831			

Foods				
WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)				
From	Week ended		Season to	
	Nov. 19, 1938	Nov. 26, 1938	Nov. 27, 1937	Nov. 26, 1938
N. America	789	789	7,895	11,177
Argentina and Uruguay	89	85	1,482	2,114
Australia	73	192	2,623	3,232
Russia	28	52	3,298	3,971
Danube and dist.	264	369	3,321	2,990
India	51	63	738	424
Other Countries			329	297
Total	1,494	1,550	19,686	24,205
To—				
U.K.	394	523	5,699	5,432
"Orders"	332	388	3,236	6,095
France	21	71	234	555
Belgium	65	22	2,282	2,027
Holland	101	54	1,349	1,499
Italy	47	14	354	577
Greece	29	13	422	429
Scandinavia	52	...	559	712
Other European Countries	217	207	1,786	2,619
Ex-European Countries	236	258	3,765	4,260
Total	1,494	1,550	19,686	24,205

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL ('000 quarters)				
From	Week ended		From Apr. 1 to	
	Nov. 19, 1938	Nov. 26, 1938	Nov. 27, 1937	Nov. 26, 1938
Argentina	263	372	29,080	9,985
Atlantic America	49	69	66	11,396
Danube Region	18	46	2,494	2,387
S. & E. Africa	19	9	4,410	1,065
Indo-China, etc.	48	35	1,226	1,359
Total	397	531	37,276	26,192

OTHER FOODS				
	Week ended			
	Nov. 19, 1938	Nov. 20, 1938		
BACON:				
Arrivals in London (bales):				
Danish	13,925	14,077		
Canadian	7,721	8,193		
Dutch	1,859	1,884		
Lithuanian	1,679	1,676		
Polish	3,050	2,844		
COCOA:				
Movements in Lond. (bags):				
Landed	601	3,068		
D/d for home consumption	4,980	4,776		
Exports	599	1,247		
Stocks, end of week	165,116	162,161		

COFFEE:				
Movements in Lond. (cwt.)				
Brazilian—Landed	161	17		
" D/d for home consn.	159	167		
" Exports	119			
" Stocks, end of week..	3,343	3,193		
Central and S. American:				
Landed	2,065	1,391		
D/d for home consumption	663	671		
Exports	69,999	67,937		
Stocks, end of week..	2,445	5,001		
Other kinds—Landed	2,701	3,017		
" D/d for home consn.	291	124		
" Exports	41,688	43,548		
" Stocks end of week.				
MEAT:				
Supplies at Smithfield (tons):				
Total	9,113	9,507		
Beef and veal	4,567	4,706		
Mutton and lamb	2,796	2,937		
Pork and bacon	914	1,005		
Poultry, etc.	836	859		
SUGAR:				
Movements, London and Liverpool (tons)				
Imports	18,096	1,058		
Deliveries	13,517	12,630		
Stocks, end of week	240,441	228,869		
TEA:				
Sales on Garden A/c. (pkgs.):				
N. India	47,215	44,988		
S. India	6,439	4,758		
Ceylon	21,133	18,998		
Java	1,346	2,905		
Sumatra	444	544		
Africa	667	1,007		
Total	77,244	73,000		

Miscellaneous Commodities				
MOVEMENTS OF RUBBER IN LONDON AND LIVERPOOL				
	Week ended			
	Nov. 19, 1938	Nov. 26, 1938		
Landed	703	1,700		
Delivered	2,155	2,297		
Stocks, end of week	90,200	89,603		

WORLD SHIPMENTS OF LINSEED ('000 tons)				
	Week ended		From Jan. 1 to	
	Nov. 19, 1938	Nov. 26, 1938	Nov. 27, 1937	Nov. 26, 1938
Argentina to—				
U.K. and Orders	4.5	2.0	445.2	255.9
Continent	7.1	5.2	536.8	576.1
U.S.A. and Canada	2.1	6.4	727.6	327.3
Australia, Brazil, etc.	1.1	1	21.4	19.7
Calcutta to—				
U.K. and Orders	...	1	119.5	92.8
Continent	...	...	2	9
Bombay to—				
U.K. and Orders	...	...	70.9	142.2
Continent	1.2	...	12.7	12.0
Madras to U.K.	...	...	...	...
India to—				
Australia, etc.	5	...	25.0	18.1
U.S.A.	...	...	...	...
Sundries	...	...	1.4	...
Total	16.5	13.8	1960.7	1445.0

AMERICAN WHOLESALE PRICES				
GRAINS (per bushel)—	Nov. 23, 1938	Nov. 30, 1938	Nov. 23, 1938	Nov. 30, 1938
	Cents	Cents		Cents
Wheat, Chicago, Dec.	62½	61¾		
Winnipeg, Dec.	58½	58¾		
Maize, Chicago, Dec.	25½	25½		
Oats, Chicago, Dec.	40½	39¾		
Rye, Chicago, Dec.	35¾	36¾		
Barley, Winnipeg, Dec.				
METALS (per lb.)—				
Copper, N.Y., Domestic spot...	10.45	10.15		
Producers' export	10.72½	10.42½		
METALS (per lb.)—cont.				
Tin, N.Y., Straits spot	46.10	46.25		
Lead, N.Y., spot	5.10	5.00		
Spelter, East St. Louis, spot	4.75	4.50		
MISCELLANEOUS (per lb.)—				
Cocoa, N.Y., Accra, Dec.	4.75	4.42		
Coffee, N.Y., cash—				
Rio, No. 7	5¾	5¾		
Santos, No. 4	8½	8½		
Cotton, N.Y., Am. mid., spot...	9.06	8.96		
MISCELLANEOUS (per lb.)—cont.				
Cotton, Am. Mid., Dec.	8.66	8.68		
Lard, Chicago, Dec.	6.92½	6.75		
Petroleum, Mid-cont. crude				
33 deg. to 33.90, at well,	96	96		
per barrel	15½½	15½½		
Rubber, N.Y., smk'd sheet spot	15½½	15½½		
Do. do. Dec.	15½½	15½½		
Sugar, N.Y., Cuban Cent.,				
96 deg., spot	3.00	3.00		

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

SATISFACTORY RESULTS—DIVIDEND MAINTAINED

CONDITIONS OF TRADE AND INDUSTRY IN SCOTLAND

DUKE OF BUCCLEUCH'S ADDRESS

The Annual General Court of Proprietors of The Royal Bank of Scotland was held at Edinburgh, on the 30th ultimo, his Grace the Duke of Buccleuch and Queensberry, G.C.V.O., Governor of the Bank, presiding.

His Grace said: Before presenting the directors' report and passing to the general affairs of the bank, I must refer to the great loss the bank sustained by the death of Sir Thomas Dunlop, Bt., G.B.E., on January 29th of this year. Sir Thomas had been a director for twenty-one years, and during that period rendered important services to the bank. His sound judgment was of great value to his colleagues, who miss his cheery and kindly personality.

To fill the vacancy on the board Sir Iain Colquhoun of Luss, Bt., K.T., D.S.O., who is well known throughout Scotland, was elected.

Sir Iain holds office until this Court, when he comes up for re-election.

In moving the adoption of the report, His Grace said: I assume it will be your pleasure that the annual report and balance sheet, with auditors' report, will be taken as read.

The directors are pleased again to submit to you a statement which they consider is very satisfactory.

DEPOSITS

As you are aware, the date of our annual balance took place within a few days of the termination of the recent European crisis. In common with all banks who do a wide business, withdrawals of deposits were experienced during the anxious days of September. In spite of withdrawals, we have not only maintained the high figure of our deposits, but show an increase of £247,000 under that heading, bringing the total up to the record figure of £69,921,933.

We are again glad to record an increase in notes in circulation—an indication, doubtless, not only of the popularity of the Scottish bank note, but also that employment conditions in Scotland have been fairly well maintained.

There is a small decrease of £110,000 under the heading of acceptances and indorsements of foreign bills, and other obligations. That calls for no special comment.

LIQUID ASSETS AND INVESTMENTS

Turning to the assets side of the balance sheet, you will see plenty of evidence of the bank's usual liquid position. Cash in hand and with the Bank of England and other London bankers, and money in London at call and short notice, amount to the substantial figure of approximately £15½ millions.

That sum represents 21.5 per cent. of our liability for deposits and notes issued.

We have to record a decrease of £525,000 in our holding of British Government securities. This is due to the larger demands of our clients for accommodation—a movement which we welcome.

We can again say that a large proportion of our Government securities is in short- and medium-dated stocks, and that all our investments are valued at or under the market prices ruling on the date of our balance.

ADVANCES

The expansion of over £1 million under the heading "Advances" is well spread and reflects an activity in industry in the areas we serve, and the steadily increasing business of our bank.

BILLS DISCOUNTED

The total of our bills discounted is some £300,000 lower than we showed in our last year's statement—the decrease being mainly

accounted for by a reduction in our commercial bill portfolio. Considering the general shrinkage in the amount of bills available nowadays, we consider the decline in our bill holding as very moderate.

PROFITS

The net profit for the year at £613,257 is £23,162 less than the amount declared last year. This is after providing for all taxation, including, for the first time, a National Defence Contribution for a full year, while charges of management show a growth over the figures of a year ago. I might here mention that, for the second half of our year we were operating under the increased income tax imposed by the last Budget.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year, payable at Christmas, at the same rate as formerly—17 per cent. per annum—be declared, and that the same appropriations as last year be made to bank buildings and heritable property and pension reserve fund.

After these appropriations there remains the sum of £87,348 13s. 5d., which it is proposed to carry to rest or reserve, bringing it up to £4,125,965 5s. 10d.

BUSINESS OF THE BANK

It is gratifying to record that the general business of the bank continues to expand, and also that our associate bank—Williams Deacon's Bank Limited—reports a similar condition in their business, despite a dullness in some of the bigger industries in the areas in which they operate.

SCOTTISH TRADE AND INDUSTRY

While Scotland has not escaped the trade recession, which has, perhaps, been more pronounced in the South, I think it can be claimed that on the whole Scottish trade and industry have had a fair year. It is, however, apparent that the heavy industries in the West of Scotland have been saved from depression mainly by the Government re-armament and defence programme.

Shipbuilders are receiving very few orders for new merchant tonnage, with the result that, on the completion of ships already in hand, building slips are remaining empty. Fortunately, orders from the Admiralty are keeping some yards busy. An improvement in the international situation would benefit trade and stimulate a demand for new tonnage for some of the big shipowners who are undoubtedly in need of new ships.

Exports in coal have shown a serious fall in the past few months, partly owing to trade restrictions and to severe competition from Germany and Poland. In both these countries the coal export trade has the benefit of a subsidy which enables them to undercut our prices. Conditions in the home market are at the moment quiet, and consumption has been affected by the mild unseasonable weather.

It is not surprising that the iron and steel industry should be quieter than last year, when the steel industry was working under heavy pressure for deliveries. These demands have been satisfied, and there is now a tendency to delay buying until the announcement regarding future prices of steel which is expected shortly. Deliveries to shipbuilding yards for admiralty work are still substantial, and, on the whole, prospects seem brighter for the immediate future.

The year 1938 has been an anxious and difficult one for agriculture. Owing to weather conditions the harvest has been the worst for at least 20 years. The collapse in sheep and wool prices has caused serious losses in those districts where sheep-farming is the

BRISTOL AEROPLANE COMPANY, LIMITED

INCREASE OF CAPITAL APPROVED

An extraordinary general meeting of the Bristol Aeroplane Company, Limited, was held, on the 29th ultimo, at Filton House, Filton, Bristol.

Mr W. G. Verdon Smith, C.B.E. (the chairman of the company), said: You are being asked to-day to pass resolutions providing for (1) the increase of the ordinary capital and (2) the capitalisation and appropriation of that portion of the reserve fund derived from premiums received in 1936 on the ordinary shares issued at that date. The reasons which have led your directors to recommend this increase of capital have been explained in the circular letter issued to the ordinary shareholders with the notice of this meeting.

The necessity for a substantial enlargement of the company's capital will not come as a surprise. National requirements have placed heavy demands on the aircraft industry, and your company is making an invaluable contribution to the rapid building up of the country's air defences.

ADDITIONAL FACTORIES AND EXTENSIONS

With this object additional factories and additions to the existing factories have had to be erected and equipped with the necessary plant and machinery; indeed, the whole organisation has had to be replanned on a greatly enlarged basis.

Some of the new buildings and equipment are being provided by the Government inasmuch as the Government has required for a Royal Air Force expansion programme a scale of production which cannot be regarded as likely to continue beyond a limited period. A large proportion of the additions, however, will represent assets of a permanent character which there are good grounds for anticipating will remain productive of reasonable profits even after a return to more normal conditions.

Naturally the proceeds of the new shares subscribed for cash will be utilised in the first place in repayment of present indebtedness. Outlays on stocks and work in progress, however, are likely to be so heavy in amount for some time to come that there will undoubtedly be further cash requirements, and these it is intended to meet by temporary bank advances from time to time.

In the prevailing circumstances the proposals with regard to capital now submitted are recommended by your directors as sound policy and in the best interests of the company.

The resolutions as set out in the notice convening the meeting were then submitted and carried unanimously.

CENTRAL URUGUAY RAILWAY COMPANY OF MONTE VIDEO, LIMITED

The sixty-second ordinary general meeting of this company was held, on the 29th ultimo, in London.

Mr G. H. Harrison, C.M.G., M.Inst.C.E. (the chairman), said that it was pleasing to be able to lay before the stockholders figures showing an increase in the net receipts of about £33,000. Though the results could not be looked upon as satisfactory remuneration for the capital employed or for the services rendered to the people of Uruguay, it was a small step in the right direction.

The profit for the year had enabled them to meet the interest on their first debenture stock and to set aside £114,726 to renewals, carrying forward £13,304. The most significant increase in receipts arose from passenger traffic, which had given excellent returns. Greater use had been made of the light petrol-driven motor coaches, which enabled them to give a rapid and economical service, and that was increasing in popularity with the public. Those vehicles were owned by the State Railways and leased to the company on the basis of an agreed figure per coach mile.

In the near future further additions of that type of service would be available by the introduction into traffic of a number of Diesel cars which had arrived in Uruguay and had undergone preliminary trials. In addition, increasing numbers were carried by the special Phono-electric excursion trains, which continued to be a popular feature.

To summarise, there were three matters of vital importance—an improvement in the rate of exchange, or at least the maintenance of the rates at present applied to their remittances; the co-ordination of transport and the settlement of their outstanding claim against the Government in respect of the rate of exchange for the payment of past guarantees.

The report was unanimously adopted.

main industry. Prices for fat stock and oats are also below an economic level. The Government have indicated that they are aware of the seriousness of the situation, and their proposals are eagerly awaited. A considerable benefit in certain directions from marketing schemes and other Government measures has been helpful. Proposals have been put forward in connection with pigs, poultry, and quite recently with the milk industry. Other questions, such as the volume of imports of foodstuffs and the fluctuation of world prices, have also to be taken into account. The outlook for the agricultural industry is not therefore at the moment very bright.

There is no improvement in the fishing industry, which is still depressed, but there are hopes that the new Herring Board may find a solution of the problem and bring back to the industry some measure of prosperity which would be reflected in increased purchasing power in the fishing centres in the East and North of Scotland.

Jute is also experiencing a continued depression, and there seems no prospect of this industry returning to normal so long as Calcutta is allowed to dump its manufactured jute surplus—which has increased enormously in recent years—into this country free of duty.

The Anglo-American Trade Agreement is a factor of real political and economic value, and its effect is expected to be beneficial to some of the basic Scottish industries.

OVERSEAS TRADE

When addressing you at this time last year, I expressed certain apprehensions regarding our foreign trade situation, which demands more than ever our earnest attention. Faced again with a large adverse trade balance for the year 1938, a warning signal has been given by the unfavourable movement in sterling exchange.

The internal depression of the last twelve months has shown that the national effort is not so completely occupied with the re-armament and defence programme as to leave no margin for the production of additional exports to reduce the deficit in our overseas trade balance. This is a matter to which far too little attention is paid, and especially in these days when trade is being driven into bilateral channels through barter arrangements, blocked currencies, and certain kinds of trade agreements.

There is a strong case for comprehensive enquiry into the whole subject of overseas trade with a view to the organisation of effort by manufacturers and exporters on national lines. In Scotland the Economic Committee of the Scottish National Development Council is doing good work. Much more use, however, might advantageously be made of the facilities offered by the Department of Overseas Trade through the Exports Credits Guarantee Department. In the present condition of the commercial world it is essential that our export trade should be more forcefully directed if it is to compete successfully against the opposition that has reduced it to a mere fraction of its former size.

Many of our former troubles at present can be ascribed to a very considerable and natural lack of confidence caused by anxieties in connection with the European situation. A return of confidence is most necessary for real recovery in all our industries, and for this reason it is most important to have the better understanding in our international relationships which our Government are now actively seeking.

THANKS TO OFFICIALS AND STAFF

I know it will be your wish that I should convey to the general manager, assistant general manager, the officials and staff at head office, London, Glasgow and Dundee offices and the branches, our sincere appreciation of their valuable services throughout the year. We have an efficient and loyal staff, and I am sure that at no time has the relationship between staff and management been happier than it is to-day. I am confident that Mr Whyte, our general manager, to whom our sincere thanks are due for his devoted service to the bank, would be the first to say that the excellent results which have been placed before you to-day could only have been obtained by loyal co-operation.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance sheet, be approved, and that out of the profits of the year a dividend at the rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved, and the governor, deputy-governor, extra-ordinary directors, and the retiring ordinary directors were re-elected, and auditors were re-appointed for the ensuing year.

BANK OF NEW SOUTH WALES

CONTINUED GROWTH

TRADE POSITION AND OUTLOOK

MR ROBERT GILLESPIE'S REVIEW

The ordinary general meeting of the Bank of New South Wales was held at Sydney on November 25th.

Mr Robert W. Gillespie (President of the Bank), in the course of his speech, said: We are to-day commemorating the one hundred and twenty-first year of the existence of the bank and the first occasion in its history when the total deposits at the annual balance have exceeded the sum of £100,000,000. This is a record of which we can all feel proud.

The balance of the year's profits at £547,835 shows an increase of £4,593. Your directors recommend a payment for the fourth and final quarter's dividend at the rate of 6s. per share in Australian currency.

THE WORLD SITUATION

You were reminded last year that the international situation was causing some concern. Unfortunately that is still so; there has, indeed, been a substantial deterioration in the position during the past year. On the whole, the outlook is not very promising. There are, however, features that would lead us to believe that the set-back we are experiencing will be neither as severe nor as prolonged as the last depression. The chief currencies of the world are now on a firmer basis, and there is more effective co-operation between national monetary authorities. It is almost certain that there will have to be further readjustments as, for instance, between sterling and the dollar, but the facilities for adjustments are better than formerly. There has also been a certain adjustment of debts, which will not now be so great an obstacle to recovery. Most important of all, the stocks of principal raw materials are not as great as they were in the last depression. The relatively high prices of last year were in fact due to a belief that there would be a shortage, which induced speculators to enter the market. Stocks have risen slightly, but are not necessarily excessive. That does not perhaps apply to some commodities, including wheat, in which trade has been so reduced that even much smaller stocks than hitherto may prove an embarrassment, but over the whole range of commodities entering world trade it is roughly true.

Taking only economic circumstances into account, we may therefore reasonably expect a recession much milder than that of 1929-32. But there is, on the other hand, such a disturbed political situation both in Europe and the Far East that any prediction would be futile. If we are to cling precariously to peace we may expect a general reduction of activity despite the increase in armaments expenditure; if a general war breaks out no one can foretell its economic repercussions.

CONDITIONS IN AUSTRALIA

When my predecessor addressed you last year Australia had progressed beyond the stage of economic recovery and had reached a stage of general prosperity. The warning then given that the existing level of prosperity had some uncertain foundations has unfortunately been justified in the record of the past year. Certain danger spots have shown themselves in what was otherwise a successful time for producers and consumers alike.

During the past twelve months primary producers have borne the double burden of steadily falling overseas prices and droughts widespread throughout the pastoral areas of the country. The bank's index of export prices fell from 138 in the first quarter of 1937 to 107 in the first quarter and 100 in the third quarter of 1938. This handicap was offset last season by increased shipments, but drought conditions have lowered both the quantity and quality of the wool clip in the present season and damaged the wheat crop. We must, on present prices, expect a much lower increase from our exports in 1938-39.

Activity in secondary industry has been high, the index of employment in factories having remained fairly steady in recent months slightly above the 1936-37 level. During the last twelve months investment in factory construction, plant and machinery has been strong at a time when employment has been high, efficient labour scarce and money wages rising. The danger in this position is that at the same time as buoyant spending-power encourages entrepreneurs to take rosy views of the future, unit costs rise; these drive prices upward and a state of instability is reached in which the inevitable slackening of the rise in prices not only causes immediate losses as costs overtake prices, but also necessitates a drastic purge of capital resources misdirected because of anticipations of profitability that are not fulfilled. It is difficult to estimate how far this tendency has

gone in Australia, but there seems little cause for uneasiness about most kinds of development.

As to the steps which we must take to set Australia's house in order and eliminate instability, one cannot exaggerate the importance for primary industry of efficient methods, pasture improvement, fodder conservation, soil protection and careful tillage in increasing output per unit cost and so bringing within range profitability at present prices. The other economic fact to which we must give due importance is that an upward movement of costs and prices in secondary industry will not only produce the risk of uneconomic expansion, but also will severely prejudice primary producers whose prices are determined in world markets.

There is no cause for pessimism. Australia's constitution is sound and her reserves of strength are adequate. Moreover, in the monetary sphere she may expect responsible leadership from the Loan Council and the Governments.

PRIMARY AND SECONDARY INDUSTRIES

From the point of view of production, Australian primary industry enjoyed a good year. The wheat crop was the fourth largest on record, the wool clip was about the average size and production in most other primary industries was satisfactory. Unfortunately, prices of wool and wheat showed a considerable decline over the year and, particularly in the case of wheat, seem to have little prospect of any immediate improvement. The dairying industry on the whole had a satisfactory year and prospects for the early part of this season are encouraging.

The many limitations on the potential expansion of our primary industries and the tremendous fluctuations over a period of years in the export income from those sources, together with the agricultural policy of the British Government, have made it imperative that Australia should pay some attention to her secondary industries. The activities of the recent Australian Trade Delegation in London seem destined to have far-reaching effects on the future lines of this development, for it has been determined that the fundamental basis of Empire trade agreements will be defence, and the development of Australia's secondary industries is an important factor in Empire defence.

The announcement of these proposals has come just when the need for increasing and strengthening Australia's defences and her whole defence economy has been brought home forcefully to the Australian people. We have been informed during the past year that the Commonwealth Government has taken steps towards the organisation of secondary industry on a defence basis and it is to be hoped that a comprehensive survey of Australia's needs and potentialities will be made. It should be possible to lay down a plan of development over a period, taking into account Australia's need of encouraging secondary industries and Great Britain's need of maintaining her exports. Further, by giving our trading customers access to our home market in those industries which we consider could not with advantage be established in Australia, we should be performing an important service towards the attainment of a liberal trade policy in the best interests of Australia and the world. Steps have been taken during the past year to establish various new industries.

On the whole, the activity of Australian secondary industry has remained at a high level. The progress of the heavy industries continued during the year. The State budgets for 1938-39 all anticipate higher revenue. Stock Exchanges have reflected the disturbed conditions of the past twelve months and, in general, have been depressed.

NEW ZEALAND

During the past year the economic position of New Zealand has shown some deterioration. With the prospect of a lower export income and rising internal prices, it seems that the Government, returned to office at the recent elections, may have difficulty in carrying out its policy, which entails heavy spending. I would strongly emphasise the danger of inflationary methods of finance which keep the national income at a nominally high level but reduce the purchasing power of money, with inevitable dislocation in the economy through rising costs and prices.

The report and accounts were adopted.

The foregoing is an abstract from Mr R. W. Gillespie's speech, full copies of which may be obtained on application to the London Office of the Bank of New South Wales, 29 Threadneedle Street, E.C.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

A DIFFICULT YEAR

The ordinary general meeting of the Consolidated Gold Fields of South Africa, Limited, was held, on the 1st instant, at 20 Aldermanbury, London.

Mr John A. Agnew (the chairman) said that he was sure that the position presented, showing, as it did, a considerable falling off in the profits earned from a year ago, would have occasioned the shareholders no surprise. The year had been one of extreme difficulty. In the early part the slump caused by the so-called "gold scare" had continued, to be followed by doubt and uncertainty due to the depression on the other side of the Atlantic and, more recently and coming nearer home, the European situation, creating as it did, and as it continued to do, intense unrest and anxiety. All these factors had contributed to the hesitancy on the part of the investing public, which had had its effect on every section of the market. In the circumstances they could regard it as satisfactory that they had still been able to show a position more or less comparable with that of the year ended June 30, 1936. The results to June, 1937, had been, of course, of an exceptional character, the profits achieved, largely owing to very active markets, constituting a record for the company.

The profits of New Consolidated Gold Fields, Limited, amounted to £1,221,439, against £2,214,610 for last year, a decrease of £993,171. The available balance was £762,127, out of which a dividend had been declared of 2s. 9d. per share (13½ per cent.) making a total distribution for the year of 4s. per share, which enabled the Consolidated Gold Fields of South Africa, Limited, to pay a similar amount, carrying forward £35,425, against £30,933.

Dealing with the company's South African interests in considerable detail, the chairman described the satisfactory position at Robinson Deep, Simmer and Jack, Luipaards Vlei, Sub Nigel, Vlakfontein and Vogelstruisbult, which latter company would probably pay a modest dividend in June of next year.

On the Spaarwater property, now that two connections had been established, a more rapid rate of development could be expected, while on West Vlakfontein Gold Mining Company good progress was being made with operations there.

THE WEST WITS LINE

Encouraging borehole disclosures were made during the year ended June 30th last on what had come to be popularly known as the "West Wits Line." An outstanding feature of the year had been the extremely gratifying results of development obtained at Venterspost, results which augured even better for the future of the property than the disclosures made in boreholes put down from the surface. Although the area in which development had so far been carried out was extremely small, relative to the whole Venterspost mining area, and almost negligible relative to the total area of the "West Wits Line," the development results at Venterspost, in that they more than confirmed the results obtained by drilling, must be regarded as enhancing the prospects of the line as a whole.

The Minister of Mines had just approved of a mining lease covering an area comprising 4,769 claims situated on the eastern portion of the farm Blyvooruitzicht No. 71 and on the farm Driefontein No. 118, and Witwatersrand Areas, Limited, was taking the necessary steps to form a company to acquire this lease. The new company, West Driefontein Gold Mining Company, Limited, would be the second company to operate in the western section.

Last year he had been able to state that Witwatersrand Areas had entered upon a new stage in its career, and great progress had since been made. In the eastern section the first subsidiary, Venterspost, had shown such highly successful development results that it had been decided to proceed to production, which, it was expected, would commence in less than a year's time. On the second subsidiary, Libanon, one shaft was within striking distance of the Main Reef horizon, and a second shaft was in process of sinking, while, in the western section, the third subsidiary, the West Driefontein Company, was selecting the site for its first shaft; in addition, good progress was being made with the sinking of two shafts on the Blyvooruitzicht property. All that was rather a far cry from the conditions obtaining on the "West Wits Line" eight years ago. Where at that time was bare veldt, to-day there could be seen the headgears, surface works and dwellings of three mines in the making, the first of which was fast approaching production, while a fourth mining company was now commencing operations.

The report and accounts were unanimously adopted.

KWAHU MINING COMPANY (1925) LIMITED

IMPORTANT INTERESTS

The ordinary general meeting of the Kwahu Mining Company (1925), Limited, was held, on the 1st instant, in London.

Lieut.-Col. Frank Johnson, D.S.O. (the chairman), said that the areas, etc., owned by or under option to the company consisted of 11 separate properties. On only 6 of them prospecting work had been carried on during the year ending June last. In all, it comprised no less than 148½ miles of lines cut and traversed, 26,844 cubic feet of trenching with nearly 9,000 feet of pitting or shafts. That work, while resulting in no discoveries of commercial value, had disclosed gold occurrences in the majority of cases.

They had a very large shareholding in the Gold Coast Main Reef, on which they placed the highest possible value, and the time had arrived when an extensive reduction plant was more than justified and would be erected at once. How the Kwahu Mining Company was to retain its proportionate interest in the mine by taking up its share in the new capital required for that purpose had been the subject of anxious concern to the board; £76,500 was needed for that purpose, to raise which they had had to face two alternatives, either to increase the capital of the Kwahu Mining Company or to sell a portion of their holding in Marlu. In the circumstances they had had no hesitation in sacrificing what they held to be a smaller sum in immediate Marlu dividends in order to secure in two years' time, and for a great number of succeeding years, larger dividends from their increased Gold Coast Main Reef holdings. They still held a very substantial interest in Marlu. Their other shareholding was in the London and African Mining Trust, into which their holdings in Gold Coast Associated, Obuom, Tarkwa Banket West and Tarkwa Gold Mines had been exchanged. In view of the consolidated interests and large cash resources of the company, he looked forward to its ultimately becoming a source of substantial revenue to the company. Last year he had stated that the Siwum area and mine had been handed over on option to Morkwa, Limited, for development. Within the last few days satisfactory arrangements had been made whereby the property immediately came back to the Kwahu company.

The report was unanimously adopted.

TREPÇA MINES, LIMITED

SATISFACTORY DEVELOPMENTS

The eleventh annual general meeting of Trepça Mines, Limited, was held, on the 1st instant, at 20 Aldermanbury, London.

Mr A. Chester Beatty (the chairman) said that the decline in profits from the record figure of the previous year was due entirely to the fall in metal prices, the average price of lead during the year having been £15 11s. 2d., as against £24 11s. 3d. in 1936-7, and of zinc £14 9s. 2d., against £22 5s. 2d. Since the summer there had been some improvement in the level of metal prices, and he hoped that the agreement recently reached between some of the principal lead producers would help to maintain the price at a figure fair and reasonable to producer and consumer alike.

Ore treated for their own account amounted to the record figure of 655,892 tons, from which were produced 72,989 tons of lead concentrates and 70,120 tons of zinc concentrates, practically all of which was exported and sold under running contracts. Operating costs for the year rose from 19s. 3d. to 19s. 10d. per ton of ore treated, an increase of 7d. per ton.

With regard to the development of the Stantrg Mine, results had been highly satisfactory. Additional bodies of ore had been opened up on the 485-metre level, and the total area at this horizon now amounted to 8,939 square metres averaging 8.12 per cent. lead, 3.49 per cent. zinc, 0.17 per cent. copper, and 4.27 ounces of silver per ton.

The isolated ore bodies which he stated last year they had found on the 485- and 545-metre levels had since been proved to extend upwards to the 610 metres level, and further bodies had been discovered. The effect of this had been an addition to the tonnage above the 485-metre level, sufficient not only to compensate for the 650,000 tons treated during the year, but also to raise the ore reserve figure by some 200,000 tons. The ore reserves at Stantrg now amounted to 4,100,000 tons of an average assay value of 9.2 per cent. lead, 5.6 per cent. zinc, and 3.8 ounces of silver per ton, and since the acquisition of the properties of the Kopaonik and Zletovo companies they had available for immediate exploitation an additional tonnage of partly-proved and indicated ore on those properties amounting to about 1,700,000 tons.

The report was unanimously adopted.

RATANUI RUBBER, LIMITED

ECONOMY AND EFFICIENCY

The fourth annual general meeting of Ratanui Rubber, Limited, was held on the 1st instant at 7 Martin's Lane, London.

Mr W. Arthur Addinsell, chairman of the company, moved the adoption of the report and accounts and the declaration of a dividend of 5 per cent., less income tax. He said: The result of the year's working as compared with the previous year was a decline in net profits of approximately one-half. The resolution adopted at our last annual meeting provided for a dividend of 10 per cent., so that the recommendation now before you is a percentage reduction at about the same rate as the decline in profits.

In all the unfavourable circumstances attendant upon the last year, which embraced a lower average export quota and a fall in the price realised by over 2½d. per lb., it is almost a matter for congratulation that we have done so well. A total of £1,750 is

apportioned to reserves and depreciation, and the net carry forward will approximate £1,844 as against £1,548 brought in.

During that period of the current financial year which has so far elapsed, an export quota at the rate of 45 per cent. of standard assessments has operated. This low rate was fixed as a consequence of the downward trend of the price of rubber which occurred in the first half of the year—the price fell to 5½d. per lb. in April. There has since been some recovery and recently the Control Committee fixed the quota at 50 per cent. for January-March, 1939. That action has been criticised in some quarters, but such criticism is premature. Many factors outside the domestic affairs of the rubber industry come into play in affecting the trend of the market price, but recent indications of an increase in consumption in the United States, and the fall in stocks arising from the severe cut in the quota rate, surely justify moderate optimism.

So far as the affairs of this company are concerned, economy and efficiency are being maintained, as the past year's results prove, but in existing uncertainties you will not expect me to be more than hopeful that at our next meeting we shall be able to regard the year's working as satisfactory.

The report and accounts were unanimously adopted.

(Continued from page 505)

reduction in working hours from 54 to 45 hours per week, the stocks of hessians in Calcutta fell by only 24,500,000 yards; at the end of October they stood at 441,409,137 yards, while stocks on spot in the United States were 207 million yards, and those afloat between Calcutta and that country 118 million yards. While these large stocks exist there is little hope of an improvement in the prices of jute goods. There are hopes in Calcutta that the Bengal Government will further reduce the working hours to 40 per week.

Raw jute has tended to decline in price, and £18 5s. per ton has been quoted for the full group of Daisee-2/3, December/January shipment.

THE COMMODITY MARKETS

The movements of the prices of primary products in this country and in the United States were influenced by variations in the pound-dollar exchange rate. In the United States, prices continued to sag until Tuesday, when the pound showed a recovery. Despite the recovery on Tuesday and Wednesday, Moody's index of the prices of staple commodities fell during the week ended last Wednesday, from 142.1 (December 31, 1931 = 100) to 141.2.

In this country, prices showed a slightly firmer tendency towards the end of last week, but the improvement was not fully maintained this week, when the pound tended to appreciate. On balance, the principal commodities subject to international arbitrage are scarcely changed on the week. Wheat, raw sugar and American raw cotton stood at almost the same price on Wednesday as a week earlier, while rubber and the principal non-ferrous metals were slightly cheaper.

Metals

Copper.—Although well above the low level of the week, the closing price of standard cash copper, at £43 13s. 9d. per ton, showed a loss of £1 5s. on the week. At times liquidations were large, due chiefly to the unsatisfactory tone on Wall Street and to reports that the United States domestic copper price may be cut. While offerings were thus substantial, consumers were marking time; seasonal influences will reduce

consumption next month, and the further outlook appears less secured than had been anticipated.

★

Tin.—Tin fluctuated widely in price, but closed only 10s. down at £215 5s. per ton. This market also was adversely affected by the political outlook and the poorer reports from the United States, but was supported by the low level of supplies. Even if the other metal markets should continue to show an uncertain and nervous tendency, tin prices are likely to remain firm and during the next four months they should even experience a further substantial improvement.

According to Messrs A. Strauss and Company, the total visible supply of tin declined in November by 826 tons to 29,371 tons. New supplies at 7,055 tons were 1,282 tons lower on the month, but deliveries also declined by 730 tons to 7,428. The feature of the November statistics was the low level of Straits shipments and of American deliveries. Both were about 1,000 tons lower than had been expected, but as the falls compensated each other, the decline in stocks was in conformity with market expectations.

★

Lead and Spelter.—The prices of both metals were affected, as other markets, by less optimistic reports from America. Consequently lead closed 7s. 6d. down at £15 18s. 9d. per ton, while spelter lost 3s. 9d. to close at £13 18s. 9d. per ton. There is a possibility that the new decline will induce producers of the two metals to hasten their cartel negotiations. So far, however, no progress in the discussions has been recorded. As the new lead and spelter consuming season will not start until early next year, the absence of optimistic cartel news and the prevalence of very substantial supplies may keep the two markets under pressure during the next few weeks.

Grains

The wheat market was steadier during the last week. Demand for Manitoba grades improved and prices are a little higher; quotations for European wheat also tended to rise. Estimates of the Australian wheat crop continue to vary substantially, but a considerable market for Australian wheat has developed in India, where continued drought has affected the native crop. During the week, the absence of selling pressure

improved prices on the maize market, and Plate rose to a slight premium above American varieties, which it is likely to hold for the remainder of the season, as supplies in the Argentine are not large. In sympathy with other grains, the barley market improved during the week; shipment from the St. Lawrence is nearly ended and European supplies are believed to be on the small side.

Other Foods

Provisions.—Markets for both bacon and butter were firm, and prices were higher on the week. The demand for meat remains poor, veal being most in demand. Prices of English eggs show little change, but the best grades of imported were dearer on the week.

★

Colonial Produce.—The raw sugar market has been quiet, and prices for refined were reduced by 1½d. per cwt. early in the week. The demand for tea improved steadily and prices on Wednesday were higher for most varieties. The cocoa and coffee markets have been steady.

★

Fruit and Vegetables.—The continued mild weather has affected trade in all departments, but improvement is expected shortly from Christmas buying. Growers' prices for good quality potatoes have improved, but prices on wholesale markets show little change as yet. The trade in apples has slackened off and prices are lower.

Miscellaneous Commodities

Oils and Oilseeds.—After the improvement noted last week, these markets have been quiet, with only a moderate volume of business. Linseed prices are steady at a level below the best recorded last week; Egyptian cotton seed continues to advance in price. There has been little forward business in linseed oil, whose price has tended to fall. Demand for oilcakes continues below normal.

★

Rubber.—Business on the market has been small and fluctuations in prices narrow. On the week, prices showed a fall of ¼d. per lb., the price of standard sheet closing on Wednesday at 7½d. per lb.

CURRENT STATISTICS

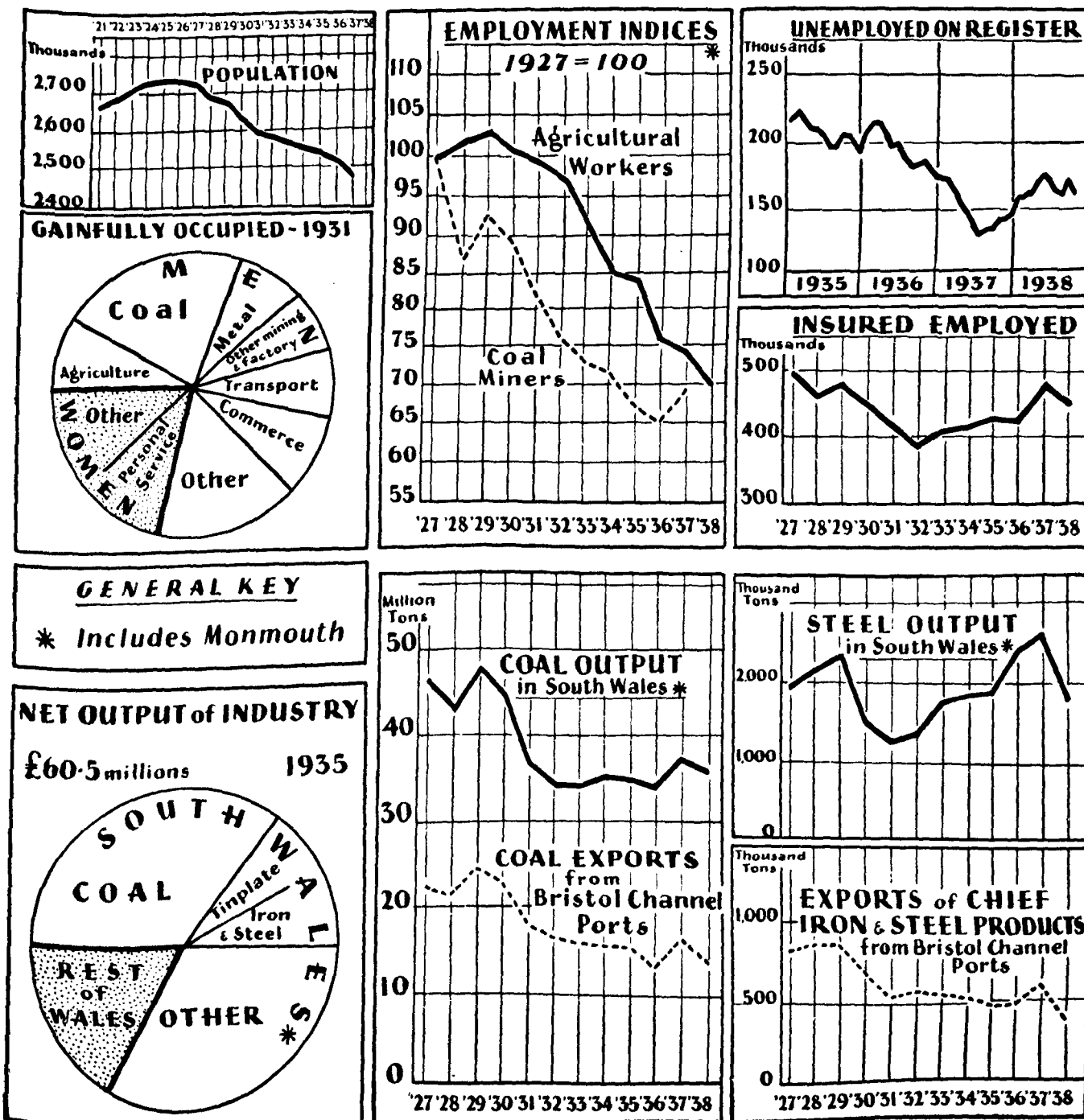
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Industry in Wales

We present below a number of charts, showing recent trends in Welsh industry. The figures of population, agricultural workers and insured persons in employment relate to mid-years; those of coal miners are annual averages. Estimates of coal output and exports, output of steel ingots and castings and exports of the principal iron and steel products have been made for 1938 on the basis of returns for nine or ten months.



Finance

GOVERNMENT RETURNS

For the week ended November 26, 1938, total ordinary revenue was £9,352,000, against ordinary expenditure of £11,942,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £198,418,000, against a deficit of £121,706,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	Nov. 1937	Nov. 1938	Nov. 1937	Nov. 1938
ORDINARY REVENUE					
Income Tax	£341,150	81,930	90,862	623	1,493
Sur-tax	62,000	8,380	10,250	290	280
Estate, etc.	88,000	59,740	49,590	2,080	1,260
Duties	24,000	13,650	12,580	710	450
N.D.C.	20,000	5	10,920	3	540
Other In.					
Rev. Duties	1,250	340	750	40	10
Total I. Rev.	536,400	164,045	174,952	3,746	4,033
Customs	227,950	148,477	149,414	4,617	4,446
Excise	116,150	76,925	76,866	1,225	1,066
Total Cust. and Excise	344,100	225,402	226,280	5,842	5,512
Motor Duties P.O. (Net Receipt)	8,670	10,530	9,930	Dr 750	Dr 850
P.O. Fund.	2,400	25	960	90	100
Crown Lands Rec. from Sun. Loans	5,250	4,055	4,547	422	408
Misc. Rec.	10,500	9,895	7,774	1,187	149
Total Ordinary Revenue	944,650	426,194	435,652	10,537	9,352
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	46,770	48,120	2,300	2,600
Total...	1,025,092	472,964	483,772	12,837	11,952
Issues out of the Exchequer to meet payments (£ thousands)					
26 Nov. 1937	50.0	62.3	50.0	15.0	2.22
26 Dec. 1937	50.0	80.5	50.0	10.0	11.59
26 Aug. 1938	30.0	76.8	30.0	10.0	1.50
26 Sep. 1938	35.0	82.2	35.0	10.0	1.51
26 Oct. 1938	40.0	87.6	40.0	10.0	1.53
26 Nov. 1938	45.0	74.6	45.0	10.0	5.97
26 Dec. 1938	45.0	63.1	42.0	11.0	11.02
26 Jan. 1939	40.0	55.8	37.0	18.0	10.75
26 Feb. 1939	35.0	58.2	40.0	19.0	7.07
26 Mar. 1939	30.0	68.8	45.0	25.0	1.42
26 Apr. 1939	25.0	71.6	50.0	14.0	3.44
26 May 1939	20.0	72.6	45.0	15.0	5.57
26 Jun. 1939	15.0	72.5	38.0	13.0	8.91
26 Jul. 1939	10.0	67.9	35.0	10.0	9.78
26 Aug. 1939	11.0	62.7	35.0	10.0	6.16
26 Sep. 1939	18.0	62.6	35.0	14.0	11.37
26 Oct. 1939	25.0	69.6	35.0	17.0	7.80

Expenditure	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	Nov. 1937	Nov. 1938	Nov. 1937	Nov. 1938
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	146,510	147,583	371	376
Payments to N. Ireland	8,900	4,634	4,897	361	277
Other Cons. Fund Serv.	5,239	1,981	1,722	12	...
Total...	244,139	153,125	154,202	744	653
Supply Serv.	170,249	394,776	479,867	9,457	11,289
Total Ord. Expend.	394,648	547,901	634,069	10,201	11,942
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	46,770	48,120	2,300	2,600
Total...	1,026,990	594,671	682,189	12,501	14,542

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Fire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £70,962 to £2,494,983, the other operations for the week (as shown below), but excluding £1,000,000 issued under the Defence Loans Act, raised the gross National Debt by £3,662,000 to about £8,345 millions.

WEEK'S CHANGES IN DEBT

Sales in		Number		Purchase Price	
45 weeks to —					
Nov. 13, 1937	27,798,743	20,849,057			
Nov. 12, 1938	27,927,027	20,945,271			
Week to —					
Nov. 13, 1937	609,502	457,126			
Nov. 5, 1938	702,722	527,042			
Nov. 12, 1938	613,269	459,952			

N.B.—At the end of September, 1938, the balance due to Post Office and to Trustee Savings Bank depositors was £735,043,000, and the value of National Savings Certificates holdings was £517,100,000.

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to November 26, 1938, are shown below:—

£ thousands		£ thousands	
Ordinary Exp.	634,070	Ordinary Rev.	435,652
Increase in bal.	131	Eire receipts	10,000
Fire issues	3,758	Gross bor. 199,523	
Defence Loan issues	1,000	Less	
		Sink. Fds.	6,216
		Net borrowing	193,307
	638,959		638,959

FLOATING DEBT

Date	Treasury Bills				Ways and Means Advances	Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England			
1937							
Nov. 27	612.0	287.4	36.3	—	935.7	323.7	—
Dec. 31	889.7	39.4	—	—	929.1	—	—
1938							
Aug. 13	555.0	303.4	44.1	—	902.5	347.5	—
" 20	555.0	296.2	41.9	—	893.1	338.1	—
" 27	555.0	294.0	45.7	—	894.7	339.7	—
Sept. 3	550.0	316.9	44.1	—	911.0	361.0	—
" 10	545.0	324.2	46.0	—	915.1	370.2	—
" 17	537.0	334.5	48.2	—	919.7	382.7	—
" 24	526.0	345.5	49.8	—	921.3	395.3	—
" 30	883.4	40.2	—	—	923.6	—	—
Oct. 8	521.0	379.1	49.3	4.0	951.4	428.4	—
" 15	526.0	383.6	45.8	—	955.4	429.0	—
" 22	526.0	379.3	41.4	—	946.7	420.7	—
" 29	522.0	386.1	44.0	—	952.1	430.1	—
Nov. 5	517.0	405.3	46.1	3.0	971.3	451.4	—
" 12	517.0	407.2	45.4	—	969.7	452.6	—
" 19	522.0	403.7	41.7	—	967.4	445.4	—
" 26	522.0	404.1	45.4	—	971.5	449.0	—

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

TREASURY BILLS

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Nov. 26	50.0	62.3	50.0	15.0	2.22
Dec. 31	50.0	80.5	50.0	10.0	11.59
1938					
Aug. 12	30.0	76.8	30.0	10.0	1.50
" 19	35.0	82.2	35.0	10.0	1.51
" 26	40.0	87.6	40.0	10.0	1.53
Sept. 2	45.0	74.6	45.0	10.0	5.97
" 9	45.0	63.1	42.0	11.0	11.02
" 16	40.0	55.8	37.0	18.0	10.75
" 23	35.0	58.2	40.0	19.0	7.07
" 30	30.0	68.8	45.0	25.0	1.42
Oct. 7	25.0	71.6	50.0	14.0	3.44
" 14	20.0	72.6	45.0	15.0	5.57
" 21	15.0	72.5	38.0	13.0	8.91
" 28	10.0	67.9	35.0	10.0	9.78
Nov. 4	11.0	62.7	35.0	10.0	6.16
" 11	18.0	62.6	35.0	14.0	11.37
" 18	25.0	69.6	35.0	17.0	7.80

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On November 25th applications at £99 15s. 7d. per cent. for bills to be paid for on any day except Monday and Tuesday of the following week were accepted as to about 32 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Monday at £99 16s. 6d. per cent. and above and on Tuesday at £99 15s. 7d. and above were allotted in full. £35.6 millions of Treasury bills are being offered on December 2nd.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
45 weeks to —					
Nov. 13, 1937	27,798,743	20,849,057			
Nov. 12, 1938	27,927,027	20,945,271			
Week to —					
Nov. 13, 1937	609,502	457,126			
Nov. 5, 1938	702,722	527,042			
Nov. 12, 1938	613,269	459,952			

N.B.—At the end of September, 1938, the balance due to Post Office and to Trustee Savings Bank depositors was £735,043,000, and the value of National Savings Certificates holdings was £517,100,000.

BANK OF ENGLAND RETURNS

NOVEMBER 30, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In circula. 480,808,676		Other Govt. Securities...	188,197,895
In Bkkg. Department...	45,606,155	Other Secs.	628,424
		Silver Coin...	158,581
		Amt. of Fid. Gold Coin & Bullion	200,000,000
			326,414,831
			526,414,831

BANKING DEPARTMENT

£		£	
Props. Capital 14,553,000		Govt. Secs.	90,166,164
Rest 23,106 — 8,625 + 11,121		Other Secs.	17,556,234
Public Depts. 23,105,502		Discs, etc.	20,635,235
Other Depts. 97,081,550		Securities...	38,191,469
Bankers ... 37,189,880		Notes...	45,606,155
Other ... 134,271,430		Gold & Silver Coin...	1,238,648
			175,202,436
			175,202,436

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

THE WEEK'S CHANGES

£ thousands		Compared with	
		Last Week	Last Year
Both Departments			
Nov. 30, 1938			
Dec. 1, 1938			
COMBINED LIABILITIES			
Note circulation	480,809 + 4,751 - 4,868		
Deposits: Public	23,106 + 8,625 + 11,121		
Bankers	97,082 + 4,833 - 8,591		
Others	37,190 + 2,220 + 624		
Total outside liabilities	638,186 + 3,178 - 1,714		
Capital and rest	17,826 + 38 - 25		
COMBINED ASSETS			
Govt. debt and securities	289,379 + 1,633 - 8,783		
Discounts and advances	21,264 + 5,372 + 7,034		
Other securities	21,264 + 519 - 93		
Silver coin in issue dept.	159 + 25 + 14		
Gold coin and bullion	327,653 - 27 - 46		
RESERVES			
Res. of notes & coin in banking department	46,845 - 4,779 - 15,176		
Proportion of reserve to outside liabilities—			
(a) Bank, dept. only ("proportion")	29.7% - 2.7% - 10.5%		
(b) Gold stocks to deposits and notes ("reserve ratio")	51.3% - 0.3% + 0.1%		

COMPARATIVE ANALYSIS

COMPARATIVE STATEMENT					
	(£ millions)				
	1937	1938			
	Dec. 1	Nov. 9	Nov. 16	Nov. 23	Nov. 30*
Issue Dept. :					
Notes in circ.	485.7	482.7	478.6	476.1	480.8
Notes in bank- ing dept.	60.7	43.7	47.8	50.4	45.6
Govt. debt and securities ...	219.3	199.8	199.8	199.2	199.2
Other secas. ...	0.6	0.1	0.1	0.7	0.6
Gold	326.4	326.4	326.4	326.4	326.4
Deposits					
Public	12.0	15.9	35.0	31.7	23.1
Bankers	105.7	109.5	89.5	92.2	97.1
Others	36.5	35.5	35.0	35.0	37.2
Total	154.2	160.9	159.5	158.9	157.4
Bkg. Dept. Secs. :					
Government ...	78.8	101.6	95.2	91.8	90.2
Discounts, etc.	10.5	11.1	12.4	12.2	12.6
Other	20.7	21.0	20.6	21.1	20.7
Total	110.0	133.7	128.2	125.1	123.5
Banking dept. reserve.....	62.0	45.0	49.1	51.6	46.0
%	%	%	%	%	%
"Proportion" Reserve ratio†	40.2	27.9	30.7	32.4	29.0
	51.2	50.9	51.3	51.6	51.1

BANK CLEARINGS

LONDON

(£ thousands)

	Month of November		Change	Week ended Wednesday		Aggregate from January 1 to	
	1937	1938		Dec. 1, 1937	Nov. 30, 1938	Dec. 1, 1937	Nov. 30, 1938
Number of wkg. days:	26	26	%	6	6	281	282
Town	2,979,818	2,712,718	- 9.0	666,950	667,965	33,972,115	30,883,736
Metropolitan	177,102	172,239	- 2.7	39,280	36,760	1,988,705	1,904,811
Country	323,994	369,653	+ 4.4	64,867	61,471	3,503,242	3,373,066
Total	3,481,914	3,194,610	- 8.2	771,097	766,196	39,464,062	36,161,613

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of October		Change	Week ended Saturday		Aggregate from January 1 to	
	1937	1938		Nov. 27, 1937	Nov. 26, 1938	Nov. 27, 1937	Nov. 26, 1938
No. of working days:	26	26	%	6	6	279	280
BIRMINGHAM	11,132	9,699	- 12.8	2,396	2,316	122,466	108,836
BRADFORD	4,061	3,735	- 8.0	783	47,837	36,917	36,917
BRISTOL	5,883	5,448	- 7.4	1,318	783	47,837	36,917
HULL	4,137	3,781	- 8.6	791	1,201	60,988	59,422
LEEDS	4,549	4,380	- 3.7	920	936	47,208	44,770
LIVERPOOL	3,266	3,108	- 4.8	630	627	35,481	32,782
MANCHESTER	29,987	21,574	- 28.0	5,472	4,765	325,404	243,423
NEWCASTLE	48,708	41,871	- 14.0	9,460	7,719	517,527	430,802
NOTTINGHAM	7,106	6,809	- 4.1	1,499	1,371	70,466	70,814
SHEFFIELD	2,252	2,255	+ 0.1	357	340	24,163	23,098
Total: 11 Towns	125,713	107,425	- 14.4	24,753	21,439	1,345,724	1,140,285
DUBLIN	...	...	...	5,159	5,644	274,120†	297,709†

† Based on average working day.

‡ 48 calendar weeks.

MONEY RATES

LONDON

	Nov. 24, 1938	Nov. 25, 1938	Nov. 26, 1938	Nov. 28, 1938	Nov. 29, 1938	Nov. 30, 1938	Dec. 1, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount:							
60 days' b'krs. drafts	3½	7½-15½	7½-15½	7½-15½	7½-15½	7½-15½	7½-15½
3 months' do.	3½	7½	7½	7½	7½	7½	7½-15½
4 months' do.	3½	7½	7½	7½	7½	7½	7½-15½
6 months' do.	3½-7½	7½	7½	7½	7½	7½	7½-15½
Discount Treasury Bills:							
2 months'	15½-7½	7½	7½	7½	7½	7½	7½-15½
3 months'	15½-7½	7½	7½	7½	7½	7½	7½-15½
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwces.: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	3½	3½	3½	3½	3½	3½	3½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938						
Nov. 3 ...	12-1	12-1	12-1	12-1	12-1	12-1
" 10 ...	12-1	12-1	12-1	12-1	12-1	12-1
" 17 ...	12-1	12-1	12-1	12-1	12-1	12-1
Dec. 1 ...	12-1	12-1	12-1	12-1	12-1	12-1

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:						
	Dec. 1, 1937	Nov. 2, 1938	Nov. 9, 1938	Nov. 16, 1938	Nov. 23, 1938	Nov. 30, 1938
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	114	114	114	114	114	114
Bank acceptances:						
Members—eligible, 90 days	12	12	12	12	12	12
Non-mem.—eligible, 90 days	12	12	12	12	12	12
Commercial accept., 90 days	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Nov. 25, 1938	Nov. 26, 1938	Nov. 28, 1938	Nov. 29, 1938	Nov. 30, 1938	Dec. 1, 1938
New York, \$...	4.86½	4.63½	4.62½	4.62½	4.64½	4.65½	4.67½-69½
Montreal, \$...	4.86½	4.66-68	4.65½	4.64½	4.67-69	4.68	4.70-72
Paris, Fr.	124.21	178½	178½	178½	178½	178½	178½-8
Brussels, Bel.	35.00a	27.39-51	27.34-42	27.30-52	27.45-56	27.52-73	27.64-78
Milan, L.	92.46	88-88½	87½-88½	87½-88½	88½-89	88½-89	88½-89
Zurich, Fr.	25.22½	20.34-46	20.37-42	20.35-50	20.45-53	20.48-62	20.56-64
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.52-56	8.50-53	8.49	8.53½	8.54½	8.58½-63
Berlin, Mk.	20.43	11.57-63	11.53-63	11.53-61	11.57-65	11.60-70	11.63-70
Registered Marks	(c)	52-57	52½-57½	52-57	52-57	51-56	50½-55½
Br. India Rup.	†18d.	172½	172½	172½	172½	172½	172½
Hong Kong, \$...	† ...	14½	14½	14½	14½	14½	14½
Rio, Mil.	†5.899d.	31½	31½	31½	31½	31½	31½
B. Aires, \$...	11.45	17.13½	17.13½	17.13½	17.13½	17.13½	17.13½
Valparaiso, \$...	†51d.	18½	18½	18½	18½	18½	18½
Montevideo, \$...	17.38	22-23½	22-23½	22-23½	22-23½	22-23½	22-23½
Mexico, Pes.	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes.	†25.66d.	25¼	25¼	25¼	25¼	25¼	25¼
Moscow, Rbls.	...	24.58½	24.57½	24.55½	24.67½	24.71½	24.82½

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

(b) Other Exchanges

London on	Par of Exch. per £	Nov. 25, 1938	Nov. 30, 1938	Dec. 1, 1938
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200 (l)	100-200 (l)	100-200 (l)
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Budapest, Pen.	27.82	23½-24½	23½-24½	23½-24½
Prague, Kc.	161½	135-136	135-136	135-137
Danzig, Gul.	25.00	24½-25	24½-25½	24½-25½
Warsaw, Zl.	48.38	24½-25	24½-25½	24½-25½
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei.	813.8	645-665	645-665	645-665
Constantinople, Pst.	110	578*	578*	578*
Belgrade, Din.	276.32	204-214	204-214	204-214
Kovno, Lit.	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	673.66	370-400	370-400	370-400
Tallinn, L. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$...	†28d.	27½-28½	27½-28½	27½-28½
Batavia, Fl.	12.11	8.50½-51½	8.57-61	8.57½-60½
Bangkok, Baht.	†21.82d.	22½-516	22½-516	22½-516

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par 197-10½ since dollar devaluation on February 17, 1934. Rate for payments to the Bank of England: (j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Nov. 25, 1938	Nov. 26, 1938	Nov. 28, 1938	Nov. 29, 1938	Nov. 30, 1938	Dec. 1, 1938
New York, cent. {						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	(p)	(p)	(p)	(p)	(p)	(p)
3 "	(p)	(p)	(p)	(p)	(p)	(p)
Paris, francs {						
1 Month	(d)	(d)	(d)	(d)	(d)	(d)
2 "	(d)	(d)	(d)	(d)	(d)	(d)
3 "	(d)	(d)	(d)	(d)	(d)	(d)
Amsterdam, cent. {						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	(p)	(p)	(p)	(p)	(p)	(p)
3 "	(p)	(p)	(p)	(p)	(p)	(p)
Brussels, cent. {						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	(p)	(p)	(p)	(p)	(p)	(p)
3 "	(p)	(p)	(p)	(p)	(p)	(p)
Geneva, cent. {						
1 Month	(p)	(p)	(p)	(p)	(p)	(p)
2 "	(p)	(p)	(p)	(p)	(p)	(p)
3 "	(p)	(p)	(p)	(p)	(p)	(p)

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Nov. 24, 1938	Nov. 25, 1938	Nov. 26, 1938	Nov. 28, 1938	Nov. 29, 1938	Nov. 30, 1938
London:—						
60 days	Cents	462½	461½	461½	461½	461½
Cables	Cents	463½	462½	462½	462½	462½
Demand	Cents	463½	462½	462½	462½	462½
Paris, Fr.	16.92	16.92	16.92	16.92	16.92	16.92
Brussels, Bel.	22.77	22.77	22.77	22.77	22.77	22.77
Switzerland, Fr.	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Italy, Lira.	40.05	40.05	40.05	40.05	40.05	40.05
Berlin, Mark	54.43	54.43	54.43	54.43	54.43	54.43
Amsterdam, Guilder	20.70	20.70	20.70	20.70	20.70	20.70
Copenhagen, Kr.	23.90	23.90	23.90	23.90	23.90	23.90
Oslo, Kr.	23.90	23.90	23.90	23.90	23.90	23.90
Stockholm, Kr.	23.90	23.90	23.90	23.90	23.90	23.90
Athens, Dr.	0.85½	0.85	0.85	0.85	0.85	0.85
Montreal, Can. \$	99.375	99.375	99.375	99.375	99.375	99.375
Yokohama, Yen	27.07	27.07	27.07	27.07	27.07	27.07
Shanghai, \$...	16.15	15.95	15.90	16.00	16.10	16.10
B. Aires, Peso	28.77	28.70	28.70	28.86	29.07	29.07
Rio, Milreis†	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T.

† Official.

EXCHANGE RATES (Monthly Tables)

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

	T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—					
Rhodesia	£ s. d.	100 10 3	100 11 0	101 6 9	101 15 0
S. Africa	£ s. d.	100 17 6	101 2 9	101 19 3	102 7 6

(SELLING RATES PER £100 STERLING)

	Sight	Telegraphic
London on:—		
Rhodesia	£ s. d.	100 15 0
S. Africa	£ s. d.	100 2 6

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*					Australia and New Zealand on London*				
Buying			Selling		Buying			Selling	
Australia	New Zealand		Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any Mail)	New Zealand	
T.T.	...	...	125	124½	125 Air Mail	124½ Ord. Mail	124½	125½	125
Sight	126½	125½	125½	124½	124½	124½	123½	125½	124½
30 days	126½	126½	...	...	124½	124½	123½	125½	124½
60 days	127½	126½	...	...	124½	124½	123½	125½	124½
90 days	127½	127½	...	...	124	123½	123½	125½	124½

Investment

TRANSPORT RECEIPTS
BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Nov. 27 (£'000)					Aggregate Gross Receipts 47 weeks (£'000)				
	Passenger	Merchandise	Coal & Coke	Other	Total	Passenger	Merchandise	Coal & Coke	Other	Total
L.M. & S.—										
1937	403	525	314	839	1,242	24,489	23,470	12,037	35,557	60,046
1938	395	427	269	696	1,091	24,487	21,138	11,741	32,879	57,366
L. & N.E. (a)—										
1937	265	380	282	662	927	15,956	16,157	11,728	27,885	43,841
1938	262	330	248	578	840	15,864	14,873	11,115	25,988	41,852
Great Western—										
1937	170	211	131	342	512	10,377	9,477	5,294	14,771	25,148
1938	168	182	109	291	459	10,305	8,749	5,050	13,799	24,104
Southern—										
1937	253	66	40	109	359	15,381	3,001	1,439	4,443	19,824
1938	258	60	32	92	350	15,361	2,866	1,428	4,294	19,655
Total—										
1937	1,091	1,182	767	1,949	3,040	66,293	52,108	30,548	82,656	148,859
1938	1,083	999	658	1,657	2,740	66,017	47,626	29,334	76,960	142,977

(a) Week ended Nov. 26.

CUMULATIVE AND WEEKLY COMPARISONS
(000's omitted)

	L.M.S.	L.N.E.R.	Great Western	Southern
Cumulative Figures				
Gross increase, second half 1937, over second half 1936	+ 1,443	+ 1,099	+ 647	+ 372
Gross decrease, first half 1938, over first half 1937	- 780	- 638	- 318	- 105
Gross decrease, second half 1938, over second half 1937	- 1,900	- 1,351	- 726	- 64
21 weeks to Nov. 27, 1938	- 1,900	- 1,351	- 726	- 64
Weekly Figures				
Av. weekly decrease, 2nd half 1938	-90.47	-64.33	-34.57	-3.04
Latest week compared with 1937	- 151	- 87	- 53	- 9
Latest week compared with average 1927-30	- 218	- 166	- 67	- 14

IRISH RAILWAY TRAFFICS

Company	Gross Receipts, week ended Nov. 25 (£'000)			Aggregate Gross Receipts 47 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1937	1.6	0.5	2.1	120.9	23.0	143.9
1938	1.6	0.5	2.1	117.1	20.6	137.7
Great Northern—						
1937	7.6	9.4	17.0	524.0	448.6	972.6
1938	8.4	11.1	19.5	521.5	434.8	956.3
Great Southern—						
1937	25.5	56.8	82.3	1,723.1	2,006.9	3,730.0
1938	26.0	54.7	80.7	1,727.5	1,949.2	3,676.7

SUEZ CANAL RECEIPTS

(For headings see Overseas Traffic Table.)

Transit Receipts	1938	1937	1936	1935	1934	1933	1932	1931	1930
	46	Nov. 20	241,700	+ 5,900	8,616,900	- 1,048,800			

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
BANKS					Briton Ferry Steel	21/2*	...	...	5*	Ohlsson's Cape Brew.	(a) 5*	...	...	5*
Barclays (D.C.O.)	3 1/2	6 1/2	...	...	Brit. Indust. Plasters	...	...	...	8	Palestine Electric	21/2*	...	...	21/2*
Bk. of Lond. & S. Am.	3 1/2	...	...	...	British Benzol	...	...	...	12 1/2	Reed (Albert E.)	1 1/2*	...	...	3*
Bk. of Nova Scotia	5*	12	Jan. 3	12	Brookhouse (J.)	7 1/2	15	...	25	Revo. Electric	5*	...	...	5*
Standard of S. Africa	5*	...	Jan. 27	5*	Brooklands (Weybridge)	...	...	...	3	Reneo, Ltd.	...	...	...	Nil
TEA & RUBBER					Broom and Wade	15 1/2	22 1/2	...	22 1/2	Scottish Motor	...	...	...	10
Brahmapootra Tea	5*	...	Dec. 17	7 1/2*	Brown (John) and Co.	4 1/2	...	...	4 1/2	Shell Union Oil	35c†	70c	...	81 p.a.
Brit. Darjeeling Tea	2*	...	Dec. 9	3*	Cad. Clothing, etc.	10†	12 1/2	...	10	Simonds (H. & G.)	14†	18	Dec. 20	18
Sunday's Rubber	6	...	Dec. 14	10	Cheapside Land, etc.	3†	5	...	5 1/2	Tob. Secura. 1st ord.	11†	16	...	4-5714
MINING					Chesters Brewery	7 1/2*	...	...	7 1/2*	Trust Union	3*	...	Jan. 2	4*
Malayan Tin	10†	65	Dec. 19	92 1/2	Clover Paint	2 1/2*	...	...	2 1/2*	Unkd. Automobile	49(a)	Dec. 13	48	48
Shn. Malayan Tin	2 1/2†	38 1/4	Dec. 19	57 1/2	Cope Brothers	3*	...	...	3*	U. Kingdom Tobacco	4*	...	...	21 1/2
Zinc Corporation	15*	...	Jan. 2	40*	Cory (Wm.) and Co.	5*	...	...	5*	United Molasses	15†	22 1/2	...	10
OTHER					Court Line	...	...	...	...	Usher's Wills. Brewy.	7 1/2†	10	...	10
Aerated Bread	...	5	...	5	Crompton Parkinson	(a) 35c†	...	...	35c†	Waterlow & Sons	...	7 1/2	Dec. 9	614
Albion Drop Forgings	7 1/2†	15	...	17 1/2	Griffiths-Hughes	21 1/2†	30	...	12 1/2	Wenlock Brewery	11 1/4†	16 1/4	...	17 1/2
Allied Ironfounders	4*	...	Jan. 2	4*	Heinemann Holdings	5†	...	...	5†	White (J. Samuel)	...	5	...	Nil
Avery (W. and T.)	5*	...	Jan. 2	5*	Hepworth & Grandage	(b) 10	...	...	10					
Avon Electricity	5*	...	Jan. 2	5*	Humber (Def.)	...	...	...	...					
Avon India Rubber	...	8	...	7	Imp. Tobacco (Can.)	10c*	...	...	10c*					
Bentley's Yorks. Brws.	6†	10	...	12	Intnl. Tea Stores	5*	...	...	5*					
Brickwood and Co.	10†	15	...	15	Marks and Spencer	15*	...	...	15*					

LONDON TRANSPORT BOARD

	Receipts	Compared with prev. Year
Week ending Nov. 26, 1938, before pooling	562,600	+ 25,600
Total, 22 weeks to date	12,167,100	+ 119,600
L.P.T.B. receipts, 52 weeks to June 25, 1938	29,388,200	+ 657,100
L.P.T.B. receipts, 52 weeks to June 26, 1937	28,732,000	+ 255,000
L.P.T.B. receipts, year to June, 1938, after pooling	30,923,828	+ 676,450
London Transport Pool receipts, year to June 30, 1938	42,120,179	+ 742,250

OVERSEAS WEEKLY TRAFFIC RECEIPTS
INDIAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1938	+ or -	1938	+ or -
			Rs.	Rs.	Rs.	Rs.
Bengal & N. Western	5	1938 Nov. 10	11,77,645	+ 1,88,670	39,15,221	+ 1,39,884
Bengal-Nagpur	32	10	25,48,000	+ 1,87,796	5,51,49,895	+ 7,30,971
Bombay, Bar. & C.I.	33	20	31,53,000	+ 1,96,000	7,24,60,000	+ 10,07,377
Madras & S. Mah	32	10	19,76,000	+ 3,40,555	4,44,05,452	+ 2,30,05,376
S. Indian	32	10	11,29,244	+ 32,967	3,37,77,125	+ 3,34,803
₹ 10 days.						

† 10 days.

CANADIAN

	1938	1937	1936	1935	1934	1933	1932	1931	1930
Canadian National	46	Nov. 21	3,810,813	+ 53,550	161,946,449	- 2,583,000			
Canadian Pacific	46	Nov. 21	2,785,000	- 112,000	126,274,000	- 2,583,000			

SOUTH & CENTRAL AMERICAN

	1938	1937	1936	1935	1934	1933	1932	1931	1930
Antofagasta	47	Nov. 27	£13,910	- 8,950	706,140	- 93,040			
Argentine N.E.	21	26	£126,000	- 11,500	3,690,700	+ 241,700			
B.A. and Pacific	21	26	£7,816	- 714	228,951	+ 14,991			
B.A. Central	20	12	£1,317,000	+ 37,000	25,092,000	- 2,630,000			
B.A. Gt. Southern	21	26	£1,000,700	+ 400	1,556,579	- 163,149			
B.A. Western	21	26	£12,083,000	- 159,000	42,638,000	- 502,000			
Central Argentine	21	26	£129,218	- 9,864	2,645,037	- 31,142			
Central Uruguayan	21	26	£823,000	+ 50,000	13,933,000	- 2,186,000			
Leopoldina	47	26	£51,055	- 3,102	864,330	- 135,609			
Mexican Railway	46	21	£1,671,700	- 125,950	35,529,350	- 9,320,300			
Nitrate	45	15	£103,703	- 7,814	2,204,054	- 578,182			
United of Havana	21	26	£22,102	+ 17,718	3,072,947	+ 23,443			
			£203,700	+ 80,000	87,450,000	+ 726,000			
			£24,529	+ 1,453	1,011,818	- 93,896			
			£240,800	+ 21,900	5,383,900	- 614,900			
			£4,622	+ 4,693	126,914	- 8,748			
			£12,446	- 1,827	342,314	- 18,811			

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

MONTHLY TRANSPORT & POWER RETURNS

Company	Months	Ending	Receipts for Month		Aggregate Receipts	
			1938	+ or -	1938	+ or -
Canadian Nat.	10	Oct. 31	Gross Net	\$19,935,153 + 606,796	150,272,587	- 15,131,069
Canadian Pac.	10	Oct. 31	Gross Net	\$4,650,861 + 1,219,285	2,195,607	- 11,763,830
Int. Rlys. Cen. Amer.....	10	Oct. 31	Gross Net	\$16,935,000 + 2,206,000	117,281,000	- 2,550,000
				\$6,046,000 + 1,767,000	13,377,000	- 3,976,000
				\$390,826 - 49,094	4,580,780	- 200,153
				Rd. \$535 - 42,842	782,273	- 233,746

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Balance Forward	Corresponding Period Last Year	
					Pref. Amount	Dividend		Carried to Reserve, Depreciation, etc.	Net Profit		Dividend	
						Amount	Rate					
		£	£	£	£	£	%	£	£	£	%	
Banks												
Bank of Lon. & S. America	Sept. 30	169,000	466,476	635,476	...	202,000	5	260,000	173,476	402,075	5	
Bank of New South Wales...	Sept. 30	145,942	547,835	693,777	...	526,800	6	...	166,977	543,242	6	
Barclays (D. C. & O.)	Sept. 30	134,320	439,245	573,565	103,994	149,976	6 1/2	175,000	144,595	431,209	6	
Commercial Bk. of Scotland	Oct. 31	68,394	381,155	449,549	...	239,250	16 & 10	140,000	70,299	395,664	16 & 10	
Breweries												
Birkenhead Brewery	Sept. 30	17,062	58,205	75,267	...	37,709	11	20,000	17,558	68,907	11	
Cheltenham Original	Sept. 30	35,725	92,017	127,742	26,242	31,500	14	33,522	36,478	91,866	14	
Deuchar (Robert)	Sept. 30	23,635	81,709	105,344	13,750	15,000	20†	53,890	22,704	71,306	20†	
Wolverhampton & Dudley	Sept. 30	145,082	251,463	396,545	5,250	160,000	16	100,000	131,295	259,051	16	
Yate's Castle Brewery	Sept. 30	15,438	40,148	55,586	7,500	26,250	17 1/2	6,000	15,836	41,185	17 1/2	
Younger (Robert)	Sept. 30	20,226	17,545	37,771	5,000	10,000	12 1/2†	2,000	20,771	20,304	15†	
Financial Land, etc.												
Mercantile Credit Co.	Sept. 30	32,685	54,936	87,621	7,860	24,077	15	21,511	34,173	50,843	15	
Metropolitan Ground Rents	Sept. 30	1,694	7,556	9,250	...	2,266	1 1/2	5,826	1,158	6,888	1	
Tobacco Securities Trust	Oct. 31	149,909	577,152	727,061	...	575,166	16(b)	...	151,895	575,884	16(b)	
Hotel, Restaurants, etc.												
Queen Anne's Mansions	Sept. 30	38,929	21,433	60,362	8,750	10,125	9	1,500	39,987	41,100	15	
Iron, Coal and Steel												
Atlas Steel Foundry	Sept. 30	2,017	45,815	47,832	...	19,687	35	22,600	5,545	33,347	30	
Dorman, Long and Co.	Sept. 30	152,130	1,038,988	1,191,118	238,803	250,485	10 & 18	547,118	154,712	1,013,455	10 & 18	
Instone (S.) and Co.	June 30	...	40,329	40,329	...	...	...	3,412	36,917	31,675	Nil	
Redpath Brown & Co.	July 31	172,244	223,396	395,640	7,612	215,784	(g)†	...	172,244	207,804	20†	
Tube Investments	Oct. 31	128,220	867,257	995,477	42,044	643,843	23 1/2	177,458	132,132	825,090	23 1/2	
Werdale Steel, etc.	Sept. 30	28,402	114,901	143,303	55,000	38,500	17 1/2	20,000	29,803	99,566	12 1/2	
Motor, Cycle & Aviation												
Associated Equipment	Sept. 30	260,000	380,617	640,617	...	112,500	7 1/2†	266,117	262,000	441,868	7 1/2†	
Dennis Brothers	Sept. 30	133,326	99,303	232,629	...	75,124	100	1,000	156,505	98,175	116 1/2	
Elswick-Hopper Cycle, etc.	July 31	9,378	5,063	14,441	2,685	...	...	6,158	5,598	23,535	15	
Halford Cycle	Oct. 1	37,737	34,558	72,295	...	24,609	15	4,500	43,186	36,848	15	
Humber, Ltd.	July 31	149,880	222,699	372,579	42,776	46,659	15 & 10	129,228	153,916	328,319	15(d)	
Short Brothers (Rochester), etc.												
Stanley Motors	Aug. 31	44,017	168,013	212,030	...	79,718	42 1/2	92,587	39,725	98,026	40	
	June 30	952	30,855	31,807	15,125	...	...	1,816	14,836	(a)	(a)	
Oil												
Kern Oil	May 31	17,593	54,984	72,577	...	39,422	7 1/2	14,583	18,572	49,574	7 1/2	
Rubber												
Ratanui	June 30	1,549	5,220	6,769	...	3,000	5	1,750	2,019	8,825	10	
Sembilan	July 31	2,009	13,369	15,378	2,830	10,752	10	...	1,826	22,241	12 1/2	
Serom	Sept. 30	253	6,166	6,419	1,953	2,163	3	2,000	303	8,082	4	
Shipping												
British India Steam	Sept. 30	49,996	1,244,640	1,294,636	145,000	57,432	6	1,034,487	57,717	1,203,326	5	
P. & O. Steam Navigation...	Sept. 30	143,200	1,457,904	1,601,104	152,000	368,795	8	910,000	170,309	1,361,808	8	
Shops and Stores												
Jones (A.) & Sons	Sept. 30	880	4,156	5,036	4,063	...	...	...	973	5,853	5	
O.K. Bazaars	June 30	129,713	219,220	348,933	14,400	180,000	50	...	154,533	241,560	55	
Telegraphs & Telephones												
Amazon Telegraph	June 30	7,757	Dr. 3,778	3,979	...	...	...	...	3,979	21,335	2 1/2	
Textiles												
British Celanese	July 2	295,536	437,317	732,853	65,625	...	...	407,536	259,692	658,220	Nil	
Illingworth, Morris and Co.	Sept. 30	72,478	4,788	77,266	15,675	...	...	...	61,591	54,294	Nil	
Trusts												
Dundee and London Invest.	Oct. 31	13,982	18,895	32,877	11,250	5,250	3 1/2	5,000	11,377	23,100	3 1/2	
Kelvin Investment Trust	Sept. 30	1,879	4,381	6,260	...	3,625	2 1/2	...	2,635	3,977	2 1/2	
Second Anglo-Celtic	Nov. 1	14,606	16,384	30,990	11,123	3,682	2 1/2	...	16,185	19,259	2 1/2	
Stockholders Investment	Oct. 31	13,057	29,106	42,163	30,750	...	...	...	11,413	39,850	Nil	
Third Edinburgh Investmt.	Nov. 5	76,878	38,380	115,258	16,594	11,062	6	...	87,602	40,712	6	
Trans-Oceanic Trust	Oct. 31	16,399	32,657	49,056	22,094	5,867	2	10,000	11,095	37,755	2 1/2	
Other Companies												
Antigua Sugar Factory	Sept. 30	41,050	7,909	48,959	...	9,687	5	...	39,272	14,288	6	
Blackpool Tower	Oct. 31	56,288	101,001	157,289	1,740	59,812	20	40,000	50,737	98,402	22 1/2	
Blackpool Winter Gardens	Oct. 31	7,898	33,150	41,048	...	...	...	32,500	8,548	(a)	(a)	
British Electric Transformer	Sept. 30	1,750	79,681	81,431	9,531	70,000	70†	...	1,900	79,599	70†	
British Syphon Co.	Sept. 30	6,045	14,470	20,515	7,000	7,000	7	1,000	5,515	16,041	7	
British Tyre and Rubber	Sept. 30	39,134	162,293	201,427	16,594	65,250	10	67,840	51,743	167,858	10	
Crittall Manufacturing	Aug. 31	24,199	266,721	290,920	76,250	78,125	25	95,682	40,863	249,745	25	
Crompton Parkinson	Sept. 30	70,546	427,046	497,592	43,658	245,889	30	136,419	71,626	428,864	12 1/2	
Gascoignes (Reading)	Oct. 31	4,373	12,981	17,354	...	4,531	12 1/2	5,414	7,409	7,186	7 1/2	
Ingall, Parsons, Clive & Co.	Sept. 30	12,994	8,231	21,225	4,155	3,461	10	...	13,609	17,378	15	
Irish Times	Sept. 30	1,081	18,107	19,188	17,011	...	...	1,415	762	18,686	Nil	
Levers Optical	Aug. 31	3,116	5,762	8,878	878	2,175	6	2,500	3,325	3,698	6	
Lloyd's Packing Warehouses	Sept. 30	63,878	10,028	73,906	11,980	12,526	2 1/2	...	49,400	54,470	5	
Moss Gear Co.	Aug. 31	23,451	75,470	98,921	9,000	25,000	12 1/2	34,494	30,427	69,819	10	
Selmer (Henri)	Aug. 31	457	8,801	9,258	...	4,350	10	3,890	1,018	4,207	6 1/2	
Smith (D.) & Sons	Aug. 31	1,376	3,082	4,458	...	...	...	1,610	2,848	Dr. 3,866	Nil	
Sound City (Films)	May 31	4,892	3,130	8,022	...	...	...	21,000	Dr 12,978	25,969	Nil	
Tate and Lyle	Oct. 1	46,227	1,260,590	1,306,817	71,500	883,027	18 1/2	300,000	52,290	1,227,553	18 1/2	
United Molasses	Sept. 30	49,635	830,713	880,348	55,312	318,828	22 1/2	453,700	52,508	896,140	21 1/2	
Wrights' Ropes	Sept. 30	17,649	37,355	55,004	3,750	17,500	8 1/2	18,000	15,754	40,553	8 1/2	
Total Profits, 1938, in £'000's:												
To November 26	No. of Cos. 2,167	80,694	272,558	353,252	44,492	142,141	...	78,502	88,117	250,996	...	
To December 31	2,225	83,618	283,918	367,536	45,777	147,038	...	83,582	91,139	262,677	...	

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Economic Weapons

EVER since the annexation of Austria last spring unlocked the door of the Danube valley for Germany's commercial penetration, there has been a growing volume both of thought and of discussion in this country on the probability that British export trade will soon be faced with competition from Germany of a kind it has never known before. These apprehensions have naturally been on the increase since the events of September added to Germany's economic sinews the export industries of the Sudetenland and a far more than Sudeten access of prestige. The prospect of an economic conflict is now officially accepted and publicly discussed.

To anyone who based his judgment solely on the published figures of past trade, the excitement thus generated might seem exaggerated. It is true that the value of British exports in the course of 1938 has been well below the figures of 1937. But it would be very difficult to establish that more than an insignificant fraction of this decline is due to German competition, and that part of the world where Germany's successes have been proportionately largest, South-Eastern Europe, is not by any stretch of calculation a vital area for our commerce. The apprehensions, however, are not so much quantitative as qualitative;

they arise from knowledge of what Germany's unorthodox methods might achieve rather than from experience of what they have actually achieved to date. Herr Funk's far-flung tours, in which, by his own admission, politics and economics are inseparable, show only too clearly that German penetration in the Balkans is to be intensified. The promised exchange of official visits between Germany and Iran and certain attentions paid to Egypt indicate that the Near East—pre-eminently an area of interest to Great Britain—is to be the next field of German operations. Moreover, it is common knowledge that after a period of comparative ease through the summer of this year while the foreign exchange obtained with Austria was drawn upon, Germany's exchange problem has again become extremely severe. A supreme effort is to be made in 1939 to secure a very considerable expansion of Germany's exports, and the methods adopted in the past and present leave no room for doubt that this increase, if it is secured, will be at the expense of other countries exporting goods similar to Germany's. As a measure of the seriousness with which the development of exports is regarded in Berlin—and, by the same token, of the seriousness with which it must be regarded in London—it may be mentioned

that production for export to countries with unrestricted currencies has recently, according to report, been given priority even over military requirements.

With such a big push in prospect, what weapons are available to repel it—or, more accurately, to ensure that such increase in her exports as Germany can achieve shall be a genuine increase in international trade and not merely a diversion of trade from other channels? It is almost a self-evident truth that the old technique of commercial treaties and tariff adjustments is unavailing against the ingenuity of the German devices. New methods are required. In his speech last week the new method upon which Mr Hudson laid greatest stress was the organisation of British industries for the purpose of bargaining as units. The proposal appears to be that each industry should equip itself with a fighting fund which could be used to intervene in those markets where assistance is most needed. It may be agreed that if private industry can solve the problem without more assistance from the Government than encouragement to organise itself, that would be the ideal solution. But if this suggestion were to stand alone as the Government's policy, it would be open to serious objections. It cannot be supposed, for example, that these "fighting funds" will be provided by the owners of the industries in question. The proposal amounts, in fact, to one that industry should subsidise its exports out of its sales in the home market. This is, indeed, to cast out the devil of German dumping by a legion of British Beelzebubs. Moreover, most industries would stipulate that funds raised equitably from their members shall not be used discriminately. But discrimination is of the essence of the problem. It is likely that, if export subsidisation out of private funds were practised on a large scale, the result would be either to provoke endless jealousies or to waste large sums in the effort to be impartial.

If this suggestion stood alone, it would provoke the belief that the Government were more anxious to pass off their responsibility to private industry than to seek a satisfactory solution. Fortunately, however, the introduction of the Exports Credits Bill into the House of Commons this week shows that the Government are not relying upon a one-stringed bow. The first purpose of the Bill is to allow the Export Credits Guarantee Department to expand both the

scale and the variety of its operations. The Department has assisted, since 1926, in the financing of no less than £180 millions of British exports, and nearly a quarter of this sum has fallen within the latest completed year. The Bill raises the total of the Department's guarantees to be outstanding at any one time from £50 to £75 millions, and enables it to insure re-exports as well as the sale of home-produced goods. Its work has been done throughout without any loss to the taxpayer, and this eminently successful result has been largely due to the fact that no piece of business has ever been approved by the Department on any but strictly commercial grounds. It has been very wisely decided to adhere to this resolve, and the extension of the Department's sphere of usefulness is not alloyed with any departure from the purest commercial principles.

The Bill, however, has a second part and a second purpose. A separate fund of £10 millions is to be set up and placed at the disposal of the Board of Trade for the assistance of export trade. Of the total, £8 millions is specifically allocated for the export of home-produced goods, the remaining £2 millions being left for other purposes; but the whole sum represents, in effect, a national fighting fund. Ten million pounds is not very much with which to fight the millions of Herren Schacht and Funk. But the potency of this new departure must not be measured by the sum named in the first instance.

There is a very direct parallel between measures of this nature and the more familiar forms of re-armament. It is strictly true that every pound spent on guns or shells or battleships or bombers is a pound wasted, which a sane world would save. Similarly, the creation of fighting funds for subsidising exports is a practice which, on any reading of economic principles, must be deplored. But in the one case as in the other, Great Britain can justly claim that she has acted only in self-defence against the ominous accumulation of weapons in the hands of others. In the one case as in the other, we can hope that the possession of these weapons will lead to a mutual agreement not to use them rather than to that competition in impoverishment for which they are designed. And, finally, in the one case as in the other, having entered upon re-armament, we must be clear that the one way of ensuring that the effort is wasted is to pursue it half-heartedly.

Peace and the Axis

THE joint Franco-German declaration, which has been on the stocks since the meeting of the Big Four at Munich, was duly signed in Paris by Herr von Ribbentrop and M. Bonnet on Tuesday afternoon. The signature would no doubt have taken place a week earlier if Herr von Ribbentrop's visit had not been postponed owing to the French strikes. As it was, the German Minister for Foreign Affairs arrived—with an almost obtrusive unobtrusiveness—at the Gare des Invalides a few hours before the ceremony of signature was carried out. Elaborate precautions against all possibility of "incidents" were taken by the French authorities, but the public mood in Paris was not excitable. The German visitor was received by the Parisians in silence—as though they were stupefied by the inexplicable contrast between the foreboding of a European catastrophe and the text of a political declaration which, if it is to be taken *au pied de la lettre*, puts an end to the millennial Franco-German feud that, during the last few hundred years, has been the deadliest of all the political wounds in the body social of Europe.

But how is the text to be read? In this brief document the first of the three articles puts on record the common conviction of the two signatory Governments that peaceful and neighbourly relations between France and Ger-

many constitute one of the essential elements for the consolidation of the situation in Europe and the maintenance of general peace, and this is followed by a declaration that the two Governments "will use all their efforts to ensure the development in this direction of the relations between their two countries." It will be noticed that this formula goes much less far than the Kellogg-Briand Pact. There is no explicit renunciation of war between France and Germany, much less any positive pledge to refrain from settling their disputes by any but peaceful means. Conciliation, arbitration, collective security—all these methods of peaceful settlement are conspicuous by their absence from the text. The second article declares that between the two countries there is no territorial question outstanding, and that they solemnly recognise as final the frontiers as they now exist. Apparently this undertaking only covers the Franco-German frontier in Europe between Switzerland and Luxembourg. At the moment there are no African frontiers in existence between the two Powers; and, in spite of the plain meaning of the statement that "there is no territorial question outstanding," it appears that, at any rate in the German view, this does not mean that Germany renounces colonial claims against France. The third and last article provides that—"due account being

taken of their relations with other Powers"—the two Governments are to remain in contact over questions of mutual interest, and are to consult together if any of these questions should later threaten to give rise to difficulties.

When this last of the three provisions was foreshadowed, it was assumed that it was a French proviso for reserving France's treaty obligations towards her East European allies, and particularly towards Russia. It now, however, seems to be turning into a German proviso in favour of the Axis and the Triangle. On the morrow of the signature of the declaration no time was lost in Germany in emphatically reaffirming that the Axis and the Anti-Comintern Pact still remain the bases of Germany's foreign policy. There has been no corresponding declaration in France in regard to the Franco-Russian Pact; and the "particular relation" with another Power which has become a burning question—not on the morrow but already on the eve of Herr von Ribbentrop's visit to Paris—is not that of German designs against the integrity of the Soviet Union, but that of Italian territorial demands on France herself.

The Italian demands were sprung upon France with a studied air of spontaneity at a meeting of the Fascist Chamber in Rome on November 30th. The proceedings began with an official statement by Count Ciano of the military measures that the Italian Government alleges that it took in September in support of Germany's claim to the Sudetenland. And then—at what seemed like a pre-arranged cue in the Minister's speech—shouts of "Nice," "Corsica," "Tunisia" were raised not only on the floor but also in the galleries of the House. In reply to prompt and energetic French and British diplomatic protests, Count Ciano afterwards professed that these demonstrations were "spontaneous" and that they must therefore not be taken to represent the policy of the Italian Government. It is a strange doctrine that "spontaneity" may be offered as a valid excuse in a Fascist representative assembly when the spontaneous acts and words of Messrs Eden, Churchill, Duff Cooper and Greenwood in the House of Commons may not. This is, perhaps, no more than a debating point, since it is really obvious that, in a totalitarian State, political spontaneity is non-existent. Count Ciano's speech and his audience's ejaculations must be regarded as two parts of a single political manoeuvre; and the meaning of it is transparent. On the eve of Herr von Ribbentrop's visit to Paris, the Italian Government decided to say to the German Government: "We consider that Italy did yeoman service for Germany in September; but we, as well as you, have our *terra irredenta*, and we expect you not to enter into any arrangement with France that might debar you from helping us, on some future occasion, as we helped you last autumn."

What is Germany's relation and attitude towards this latest Italian manoeuvre? Was it sprung on her, as well as on France, as a surprise? Or was it prearranged with the Wilhelmstrasse, as well as with the "spontaneous" Italian demonstrators? And if it was "a put-up job" between Italy and Germany, how far does Germany mean to go, in this matter, in support of her ally?

There are several strong reasons for supposing that Germany does not mean to go very far. To begin with, it seems to be her immediate policy not to involve herself in a major war with other Great Powers—at any rate, not in the West—and whereas the realisation of Germany's own ambitions in Austria and the Sudetenland could be, and actually was, achieved without any war at all, Italy's present claims against France could not conceivably be vindicated without a major war in which Italy and any allies of hers would find themselves in conflict with France. And not only with France. Lord Perth was instructed to make it clear in Rome that the British Government would regard any Italian designs on French territory as a breach

of the newly-ratified Anglo-Italian Agreement, in which Italy pledged herself not to disturb the *status quo* in the Mediterranean. Indeed, it is obvious that the domination of both banks of the Mediterranean narrows by Italy would be dangerous to vital British interests within their narrowest latter-day definition—even if the integrity of France were not, in itself, regarded as a British interest. If the object is to split Britain and France, claims to Mediterranean territory are the worst possible means.

Any attempt to secure Tunis, Corsica or Nice by arms would thus involve a general war—far more certainly than Germany's designs on Czecho-Slovakia. It is hard to believe that Germany seriously intends to involve herself in a general war for Italy's sake. It seems more likely that she will support Italy's claims against France to the extent, not of attempting to secure their realisation by force of arms, but merely of keeping France on the defensive and thereby making doubly sure that Germany shall have a free hand, as far as France is concerned, for her own designs in the East. That Germany's next offensive will be in an easterly direction is suggested by a number of symptoms: the road-building across Czecho-Slovakia (with which we deal elsewhere); the Press campaign against King Carol of Roumania following the shooting of the leaders of the Roumanian "Iron Guard"; the sudden militancy of the Ukrainian national movement in Poland. Germany, surely, will not allow herself to be diverted from these East European operations by the new Italian claims against France; she will rather seek to profit by these claims to facilitate her own designs in the opposite quarter.

It is not impossible, however, that if and when Germany has achieved her own next aims in Eastern Europe, she may then support the Italian claims in the Mediterranean in good earnest, and that some German assurance in this sense accounts for Signor Mussolini's otherwise apparently rash action in staking his prestige on demands that cannot be realised without a general European war. There is, after all, one important way in which these Italian claims might be made to serve German ambitions—this time not in Eastern Europe but in Tropical Africa. Germany's prospect of obtaining colonies through an agreement with the Western Powers has receded almost to vanishing point as a result of the recent pogroms in the Reich; and the German navy cannot just go and seize the colonies, owing to the naval preponderance of Great Britain and France. There is, however, a back door from Central Europe into Africa across the Mediterranean; and, on this strategic route, Italy, Sicily and Tunisia are the three stepping-stones. At the moment, all this may be rather remote; yet, in Germany's view, it would be all to the good to have up her sleeve a second string to her colonial bow.

On the whole, we shall be prudent to take the Germans at their word when they tell us that, in spite of the Franco-German declaration signed in Paris this week, the Rome-Berlin Axis still remains the foundation of German foreign policy. And another forecast which can safely be made on the basis of past experience is that Signor Mussolini can be relied upon to make the maximum possible amount of trouble. That such impudent claims can be made is a sign of the post-Munich discredit of the democratic Powers. The greater probability is that they have been put forward only so that their temporary abandonment can be offered as a *quid pro quo* for the grant of belligerent rights to General Franco or for concessions in the Red Sea. But unless the resistance, both by France herself and by Great Britain, is immediate and unyielding, Signor Mussolini may take the further step of engaging his own prestige inextricably in the demand for Tunis. Mr Neville Chamberlain has refused to postpone his visit to Rome next month. He will be able to make it clear that demands such as have been formulated this week will, if persisted in, smash the slender hopes of appeasement in Europe.

Inquest on the Highlands

MORE than two years ago the semi-official Scottish Economic Committee set up a sub-committee on the problems of the Highlands and Islands. The long-awaited report of this sub-committee has now been issued.* It is an open secret that, although stopping short of hereditary blood feuds, the Committee unfortunately maintained the old Highland traditions in certain respects. The report must therefore be judged rather as a useful pile of salvage to find on the battlefield after the smoke has cleared and the clansmen have departed than as a solidly built structure of thought and information erected by a homogeneous team of workers. The most valuable sections are probably the descriptive and statistical appendices: of the rest, the many smaller practical recommendations are far better worked out than the larger proposals.

The Report covers the seven counties of Argyll, Inverness, Ross and Cromarty, Sutherland, Caithness, Orkney and Zetland. The Highlands thus defined cover nearly nine million acres (about 47 per cent. of Scotland), two-thirds of the surface being rough grazing. There are great variations in land use, Orkney having well over 40 per cent. of its area under crops and grass, while Sutherland has less than 3 per cent. The whole cultivated extent of the Highlands is less than that of Essex or Shropshire, while livestock are also relatively unimportant, even sheep amounting to only 27.5 per cent. of the Scottish total.

This substantial area, roughly the size of Holland, contained in 1936 only 292,000 persons. In 1755 the population was ascertained to be 257,000. By 1801 it exceeded the present figure, the peak of 396,000 being reached as long ago as 1841. Emigration, by which the Highlands contributed to the Empire their leading product, man-power, has given to other areas since 1860 some 300,000 persons, or more than the present total Highland population. Since 1931, however, the outward balance of migration has virtually ceased, and the population fall has been nearly arrested for the time being, although there is now only one baby born in the region for every four born fifty years ago.

Highland economics are simple if depressing. Public expenditure, central and local, in 1934-35 amounted in the region to £4,300,000, of which £1,700,000 was distributed directly to individuals in the form of benefits, chiefly pensions (about £1,000,000), poor relief (£188,000), unemployment payments (£300,000), and National Health benefit (£200,000). These cash disbursements represent an average of £5 17s. 6d. per man, woman and child, or about £23 10s. per family, but as a substantial number of families do not participate, the average per family among recipients is probably over £25, and the maximum is, of course, much higher. It is a commentary on current ideas of sound public finance that, with the exception of a few thousand pounds, "much of this expenditure of £4,300,000 was of a character scarcely calculated to bring about redevelopment of the area, and producing comparatively few assets to show for itself if it were curtailed or brought to an end." While it is impossible to estimate exactly the annual net subsidy being paid to the Highlands from national public funds, there is reason to believe that it must approach £2,000,000, much of which must be regarded as simply poured down the drain through sheer lack of constructive policy. If it is agreed that the Highland contribution to the nation of healthy and educated man-power is one which should be preserved, there is a case for expect-

ing other regions to subscribe towards its cost. The remoteness of the region, its sparsity of population, and the difficulties of communication make for high service costs per head. The Highland population is roughly equal to that of the administrative county of East Sussex, but it is spread over an area eighteen times as large, and total Highland county council expenditure exceeds the East Sussex total by about a million pounds, or over 60 per cent., which is apparently accounted for almost wholly by extra government grants. The most striking difference in individual services is for education, which costs well over £2 per head of population in the Highlands, or nearly double as much as in East Sussex. While the State meets a large share of this burden the Highlands still have to raise apparently something like 15s. a head. The Report unfortunately leaves the reader to work out analyses and comparisons of this sort. It does, however, show the very large gain accruing to the Highlands from the 1937 revision of block grants, the gain being worth as much as a rate of 2s. in the £ in Inverness and 3s. 5d. in Zetland.

It is questionable whether the ordinary framework of local government can be expected to work in Highland conditions, with a rateable value only equivalent to that of Harrow or Willesden available for servicing something like one-fifth of Great Britain. The Report is very timid on this point. It asks for more delegation of powers, and for a special review of general legislation before its provisions are applied to the Highlands. But it refuses to face any serious modification even of the local government of the Outer Hebrides, although these are administered from small mainland towns which may be as remote in distance as Swanage is from London, and more remote in time.

The main constructive proposals of the Report are for a Highland Development Commissioner and a Central Marketing Agency. The Commissioner, to be appointed experimentally for five years, is intended to carry out investigations and surveys, to consider methods of reducing burdens and promoting development and to exercise a number of administrative functions which cannot be effectively discharged by existing authorities.

The Central Marketing Agency would be established with local branches "with assistance from public funds, to encourage the use of co-operative methods, and, in particular, to organise arrangements for the packing and marketing of all classes of produce and for making suitable transport arrangements." Appointed by the Secretary of State for Scotland, it would be representative of the interests of the Highlands, and the Development Commissioner would be represented on it. The Report somewhat optimistically envisages that the Agency would eventually become self-supporting, but assumes that an unspecified amount of financial assistance will be needed during its "initial period." It is intended to handle "all types of agricultural, fishing and other industrial produce" with, if necessary, separate schemes for such special products as eggs. It would therefore be unlike all statutory marketing schemes, which deal with specific products, and would in some cases apparently cut across them, for instance, in the case of fish, pigs and potatoes. The nearest parallel, not mentioned in the Report, is probably the central sales department of the Land Settlement Association. The general principles suggested in the Report are:—

(1) The conditions of life in which work will be carried out in the Highlands must be made to approximate so far as possible to conditions obtainable elsewhere.

(2) Inequalities due to distance from centres of consumption must be minimised by attention to Communications and Freight Charges.

* "The Highlands and Islands of Scotland." A Review of Economic Conditions with Recommendations for Improvement. Scottish Economic Committee, 19 Blythswood Square, Glasgow, 1938. 2s.

(3) The application of modern methods, and the utilisation of scientific discovery must be energetically pursued and demonstrated in the interests of Agriculture, Fishing and Forestry.

(4) Industries appropriate to the area, and in harmony with the Highland temperament must be established, and the great part which Water Power can take in this development must be examined to the full.

The remaining proposals, although practical and in the aggregate important, are of too detailed a nature for description here. They include improvement of roads, especially the neglected minor roads and approach roads, to piers and harbours, building of a number of new roads, the taking over and maintenance by the counties of all ferries on classified roads, reduction of sea freight rates through greater traffic development and State subsidies, bulking of consignments, improved transport services and the creation of land and sea training centres for instruction in appropriate occupations. For all local expenditure involving a rate of over 3s. 6d. in the £, Exchequer grants are suggested. Other proposals include firm action against the "squatter," unemployment relief works to assist develop-

ment of the region, a number of adjustments affecting the crofter, improvement of livestock and of veterinary services, redevelopment of local fishing industries, intensified afforestation and further development of local industries, water-power resources and tourist traffic.

Such is the impetus of our machinery of government that the Highlands have had to wait for fifty-four years since their pressing and relatively straightforward problems were reviewed even on this very modest scale. Moreover, unlike the Napier Report of 1884, these present proposals are not even entirely official and may easily be shelved if public opinion permits it. Perhaps what the Highlands most urgently need is leadership, energy, and a more dour determination to make life rather less pleasant for the politicians and officials who think and act in these easy-going terms. The Report, so far as it goes, is mainly on the right lines, but it has only scratched the surface of some of the fundamental issues, and we must therefore endorse its plea that a Highland Commissioner should be appointed without delay and that he should have much more thorough survey work done while the simpler reforms which are most clearly needed are being carried through on his initiative.

The French Air Force

(By a Correspondent)

JUST as Britain, surrounded by the seas, has always relied chiefly on her navy against attack, France's geographical position has prompted her Governments to seek protection behind a powerful army. All the ingenuity of France's military thinkers has traditionally been concentrated on the perfection of the army, which, by common consent, is still the most powerful and efficient in the world. Both countries were slow to appreciate the potentialities of the air arm as a means of attack upon their vitals. The crisis over Czechoslovakia found them in a position of inferiority compared with Germany, both in the attack and in defence against air raids. The controversy over the importance of the air arm was settled at Munich, once and for all, and both countries are now making strenuous efforts to repair their deficiencies in the air.

But if France's air force is much inferior to those of Germany and Italy, it is also considerably weaker than Britain's. Indeed, the French Air Force is in an unsatisfactory state, not because of a lack of pilots and officers, but owing to the paucity of machines and their comparatively low standard of efficiency.

When Colonel Fonck, the famous war pilot, was recently asked what should be done to remedy France's weakness in the air, he replied cynically that it was first necessary to establish an Air Ministry. The Air Ministry has, in fact, been in existence for ten years, but it has always been hard put to it to defend its independence against the War Ministry, some of whose officials were loth to surrender the control over what they regarded as one of their own weapons. This official attitude towards the air arm also found reflection in the allocation of credits. M. Pierre Cot, when criticised for the lack of progress of the Air Force, pointed out that France allocated only 20 per cent. of her defence expenditure to the Air Force, compared with Germany's 30 per cent. Moreover, political conditions have not favoured the rapid progress of the new arm, for since 1928 France has had no less than 26 Governments and the head of the Air Ministry has changed ten times.

The weakness of the French Air Force was revealed for the first time in 1935, when the extent of Germany's air armament gradually became known. France had done very little to increase the efficiency and size of her air arm, concentrating mainly on civil aviation. As a result of private

initiative, a number of modern designs and prototypes were at the disposal of the Air Ministry, but nothing had been done to equip the Air Force with modern machines. Indeed, its machines were largely obsolete or obsolescent; the main fighters were *Nieuport* 29 and 62, with a speed of 125-145 m.p.h., and the chief bomber the even less speedy *Loire* 20. General Denain, who succeeded M. Pierre Cot as Air Minister in 1935, prepared a programme for remedying the deficiency; this provided for the construction of 1,060 first line machines by the middle of 1936. But this programme was not finally completed until August, 1937, and France, instead of gaining ground on Germany, had fallen further behind.

In June, 1936, M. Léon Blum formed his first Government, and M. Pierre Cot was again put in charge of the Air Ministry. General Denain's programme had fallen into arrears, while Germany's Air Force had made rapid headway. Against the *Dewoitine* of France, whose speed did not exceed 212 miles per hour, Germany was able to set pursuit planes reaching 280 miles per hour. M. Cot therefore enlarged General Denain's programme by providing for a first line strength of 1,500 machines, including, as fighters, the advanced *Morane* 405.

M. Blum's labour reforms, however, hardly favoured the rapid execution of M. Cot's plan. The establishment of the 40-hour week with paid holidays and the wage increases did not have the expected favourable results, so far, at least, as the aircraft industry was concerned. The reduction in hours of work did little to reduce the total unemployment; and the expansion of output in the industry was seriously retarded by the alarming shortage of skilled labour. Moreover, production was interrupted by repeated strikes, while the cost of production was raised appreciably by the sudden increase in wages.

The organisation of the French aircraft industry, moreover, was considerably modified under M. Blum, by a partial nationalisation of the production of aircraft, prompted by the Socialist Government's natural desire to eliminate the element of profits in armament manufacture. There was also a need for decentralisation in the industry, which was concentrated in the Paris region, and was therefore vulnerable to air raids. As a consequence of this reorganisation, the industry was divided into six companies

on a regional basis. Each of these companies is managed by a board of directors, including representatives of the Ministry of France, of the Air Ministry and of the Confédération Générale du Travail. The Government acquired 66 per cent. of the share capital of these companies; but their executives were selected from existing managers, in order to assist in the smooth transition from private to public control. The new arrangement is shown below:—

GEOGRAPHICAL DISTRIBUTION OF THE FRENCH AIRCRAFT INDUSTRY.		
	Constituent Companies	Location of Plant
1. Société nationale de constructions aéronautiques de l'Ouest.	Louis Bréguet Loire Nieuport	Nantes St. Nazaire Issy-les-Moulineaux
2. S.N.C.A. du Sud-Ouest.	Marcel Bloch Blériot Lioré Olivier	Courbevoie Suresnes Rocheport
3. S.N.C.A. du Nord	Potez C.A.M.S. Potez Amiot Les Mureaux	Meaulte Sartrouville Caudebec-en-Caux Mureaux
4. S.N.C.A. du Centre	Hanriot Farman	Bourges Billancourt
5. S.N.C.A. du Sud-Est.	Lioré Olivier Potez Romano Sté. provençale de C. Aér.	Argenteuil Berre and Vitrolle Cannes La Ciotat Marseille
6. S.N.C.A. du Midi...	Dewoitine	Toulouse

The initial capital of the six new companies was fixed at 100,000 francs, equivalent at the time to just less than £1,000. The private concerns were taken over by amicable arrangement or by expropriation. The credits granted for the purpose of compensating the previous owners initially amounted to only 250 million francs (about £2.4 millions), but they were subsequently raised to 600 million francs by further advances totalling 350 million francs (about £3.3 millions). Actually nationalisation was only partial. A certain number of concerns, especially those engaged in the production of civil aircraft—e.g. Latécoère, Morane-Saulnier, Caudron, Renault, Levasseur, and Gourdou-Lesseurre—were excluded. Again, in the case of other concerns, only part of their plant was included in the six new companies controlled by the Government. Thus, the works of Louis Bréguet at Villacoublay and of Félix Amiot at Courbevoie escaped nationalisation. All the firms not taken over by the Government were permitted to continue the construction of civil aircraft, and they were given financial assistance in research for military aircraft. Subsequently, however, all these firms were asked to assist the nationalised concerns in the production of military aircraft.

The manufacture of engines, as distinct from the production of airframes, was left in private hands. The Government only acquired one concern (Lorraine) and part of the shares in Hispano and Gnome.

The expenditure of the State on the Air Force has been substantially increased in recent years, as the next table shows:—

BUDGET OF THE AIR MINISTRY				
	Total (excl. civil aviation and naval air arm)	Military Air frames and engines	Research	Naval Air Arm
	(In millions of francs)			
1934	1,800	520	77	210
1935	2,200	750	73	255
1936	2,800	1,050	93	288
1937	4,200	1,320	150	295
1938	8,200	3,140	340	420
	(Equivalent in millions of £'s)			
1934 (£=frs. 75)	24.0	6.9	1.02	2.8
1935 (£=frs. 75)	29.3	10.0	0.97	3.4
1936 (£=frs. 105)	26.7	10.0	0.88	2.7
1937 (£=frs. 140)	30.0	9.4	1.07	2.1
1938 (£=frs. 178)	46.0	17.6	1.91	2.4

Between 1934 and 1938 the credits voted for airframes and engines were increased sixfold. The increase looks less formidable when translated into British currency. But costs of production have probably not risen in proportion to the depreciation of the franc.

Yet, in spite of the reorganisation of the aircraft industry and the increase in expenditure, all too little headway has been made with the provision of an adequate Air Force. Early in 1938, when M. Pierre Cor relinquished his control of the Air Ministry, France's relative weakness was as marked as ever. Fighter squadrons were still equipped with *Dewoitine 500* and *510*, *Loire* and *Spad*, whose speed did not exceed 190 miles per hour; the bomber squadrons consisted mainly of the comparatively slow *Bloch 200* and *210*. The nature of the chaos existing in the industry can be judged from the fact that, although the *Morane 405*, a well-designed machine, was available as a prototype in 1936, only three or four machines had been manufactured two years later. Moreover, a number of serious accidents focused attention on defects of quality.

It is difficult to apportion the blame for this sorry state of affairs. The temporary dislocation, caused by the partial nationalisation of the manufacture of aircraft, appears not to have been a serious factor in the lack of progress. The labour legislation of M. Blum's Governments, on the other hand, must bear much of the blame. But those in charge of the Air Ministry must also have a share of responsibility.

M. Pierre Cor's successor, M. Guy la Chambre, who took office early this year, resolved to repair the deficiencies by a more vigorous effort. He decided that the number of first-line machines should be increased to 2,617 and that all of them should be modern types. An order for a hundred Curtiss machines, placed in the United States, helped to render the public conscious of the serious shortage of modern aircraft. General Vuillemin, who had proved his capacity during the last war, was called in as chief of staff.

But reorganisation at the Air Ministry was not enough, and the chief problem was, and still is, how to secure a speedy increase in production. The capacity of the aircraft factories was increased, and more than 1,000 million francs has been spent on plant and tools. Moreover, much has been done to render possible an acceleration of production by better co-ordination between the Ministry and the factories and by the simplification of processes.

None of these measures, however, is sufficient to bring about the desired result without a relaxation of the labour regulations made by M. Blum's Governments. The number of workers in the aircraft industry increased from 36,000 to 49,000 in two years, but the output of aircraft has been kept down to 40-60 per month, and only 240 of the 2,617 modern machines for which the new plan provides had been completed at the end of last September. Everything is being done to speed up output by the mechanisation of processes, and the number of man-hours required per aircraft is said to have been reduced to 10,000 for certain types, compared with the figure of 20,000 to 80,000 recently quoted by Sir Kingsley Wood for the British industry. But it is highly doubtful whether the industry's output could reach the 200 per month envisaged for 1939 by the present programme without the far-reaching modification of the existing labour regulations envisaged by M. Paul Reynaud's decree-laws. Much is expected from M. Caquot, a well-known engineer and industrialist, who has recently been put in charge of the six new aircraft manufacturing concerns. But time is pressing, and it is clear that nothing but a co-ordinated and vigorous effort on the part of the Air Ministry, the industrialists and the trade unions will now enable France to regain even part of the ground lost to Germany and Italy.

Topics of the Week

No Colonial Concessions?—The British Government have at last added their official voice to the colonial chorus which, lately swollen in volume by Italian claims upon France, is setting the world's nerves on edge. Mr Malcolm MacDonald won the applause of all parts of the House of Commons on Wednesday when he declared that he did not believe any section of opinion in this country was disposed to hand over colonies or mandates to any other Power. "We are not discussing this matter. We are not considering it. It is not now an issue in practical politics." The implications of the Dominions Secretary's "now" ought perhaps to be read in the light of a speech made by Lord De La Warr on December 4th and later defended by the Prime Minister himself in the Commons: "There is a deep and growing feeling that there is nothing we can do that can satisfy them [the Germans], that friendly words and friendly actions are mistaken for cowardice, and that only armaments can speak effectively" was the view then expressed by the President of the Board of Education. After Munich, colonial concessions seemed the inevitable next step in the policy of appeasement; the Fuehrer spoke of colonies when the Anglo-German declaration of amity was made, and expressed the view that Germany's claims could be met without conflict; and in the last few weeks Mr Pirow, South African Minister of Defence, has stumped over Europe as the Empire's colonial bagman. But the scene has changed since early October; the Jewish pogroms have not added lustre to Nazi Germany's scarcely shining reputation as a ruler of alien minorities; and the cynical interpolation of Italy's outcry for Tunis, Corsica and Nice has shown up the sort of peace that is purchased by concessions to the dictators.

The Issues at Stake.—Yet the colonial question has not been altered in substance by recent events. Germany's colonies were wrested from her by force of arms; and insult was added to injury when the conquest was excused by false and trumped-up proofs that pre-war Germany was unfit to govern colonial possessions. Since the advent of Herr Hitler, patriotic irredentism in Nazi propaganda has been peculiarly associated with the colonial guilt lie; and the return of the Reich's former territories overseas has been claimed unconditionally as a matter of right. The economic grounds for the German claims are less substantial than those of prestige or politics. The possession of, say, the Reich's old African territories would admittedly provide some very slight relief to her exchange difficulties by providing certain materials which are at present bought elsewhere and so releasing foreign exchange to purchase more essential commodities, such as iron, copper, bauxite, cotton and wool, from other places. And in the case of oils, sisal and phosphates the former colonies, including those in the Pacific, could be directly helpful to the Four Year Plan. But the exports of these territories amount in total value to less than 4 per cent. of the value of Germany's imports, and to increase their contribution appreciably would entail an amount of investment which the Reich at present could ill afford. Nevertheless, it is scarcely in order for the possessors of colonies to base their refusal to surrender a part of their property on demonstrations that the Imperial game is not economically worth the candle. Nor are Britons with their colour-bar, or the remote Americans with their negro problem, on very secure ground when they base their denial of Germany's demands on German racial doctrines. It does not follow, as night the day, that Jew-baiters will oppress natives. If moral issues were decisive, the unconditional surrender of colonies to Germany would be wrong because broad considerations of justice require, as Mr Noel Baker argued on Wednesday, not unilateral concessions, but the application of the principle of trusteeship to all colonies whatever their ownership, the abatement of sovereign interests and the world-wide recognition of the open door

in colonial commerce. The mandatory principle itself imposes respect for these considerations. As it is, questions of expediency and power politics probably prevail: and it is not practicable to transfer colonies, simply because it would be strategically unsafe to do so and nothing would be gained. If, on the other hand, an effective *quid pro quo* could be gained, if some guarantee of lasting peace could be assured, then some sort of deal might reasonably be done.

National Service.—The extent to which Sir John Anderson's plans for a voluntary register of citizens willing and able to serve their country in time of need are likely to meet the nation's urgent requirements remains to be seen. For the voluntary method, it is argued that the determination of a democratic people to defend themselves can best be shown by free enlistment; and, as Tuesday's debate in the Commons demonstrated, the Labour Opposition are afraid of military conscription and interference with trade union rules and regulations. For compulsion, and here the Government's own back-bench followers were most critical on Tuesday, it is contended that, only by compelling every citizen to register and to train for his or her appointed rôle in the structure of defence, can the country be rendered speedily secure; that to wait until the need for defence actually arises is to court disaster and, in the interim, hopelessly to weaken our power in diplomatic negotiations. Some concessions to the view that guaranteed training is as important as the compilation of a roster of man-power is made in the Government's proposal to place volunteers under some contractual obligation, as yet unspecified, to pursue a course of preparation; and a rush of recruits may yet falsify the critics' opinion that a voluntary roll will be incomplete in many particulars.

The problem is far wider than the provision of adequate trained strength for the civil defences. The last war showed how obdurate a problem was the speedy segregation of men and occupations essential at home in war-time; it showed how haphazard the mobilisation of brains for war-time administration and industry must be without previous preparation. The first item to be decided is the required size of the fighting services in war-time, including the strength of the overseas expeditionary force which, despite denials, would inevitably be needed. The second requirement is the full manning of munitions and export trades; the third, and one of the most immediately urgent in view of the important influence of feared surprises in diplomatic manœuvring, is to bring our civil defenders to their complete complement. If a voluntary register, with some sort of contractual training for air raid precautions, anti-aircraft work and the like, will provide all the necessary information for this prior planning, as well as ensuring the fullest state of preparation before the emergency arises, well and good. If not, we in this country who will the end of national safety, must will the means. If the efficient and economic allocation of Britain's resources requires a compulsory register, we must accept it as no more burdensome than compulsory censuses or returns of income. If the provision with some speed of trained personnel for national purposes requires compulsory training, we must meet the need willingly, with the reflection that compulsion based on common consent is scarcely tyranny, and remembering that in many countries conscription itself has been proved not incompatible with democracy. It may very cogently be argued that the present Government's policy is not best calculated to win common consent from all quarters. But the trade unions themselves, who have now agreed to confer with Sir John, would agree that contracting-out is a more fruitful method of recruitment than contracting-in; and this is no time for either shibboleths or sectional interests to be permitted to put the nation in peril.

M. Daladier and the Chamber.—There is nothing triumphal about the reassembly of the French Parliament after a holiday of nearly half a year, broken only by the perfunctory 24-hour session which approved the Munich agreement and gave M. Daladier power of decree at the beginning of October. The Front Populaire and France's post-war foreign policy have both fallen into ruins during this vacation. M. Daladier, after a resounding victory over the trade unions whom he accepted as allies three and a half years ago, must look for his majority to the parties of the Right which hounded him into the wilderness in February, 1934. The catastrophe which has overtaken the C.G.T. and the collapse of the Front Populaire itself are largely due to the irresponsibility of the new recruits who joined the trade unions during the strikes of 1936, increasing the C.G.T. membership from 1,200,000 to 5,000,000. These new recruits, of whom a million and a half had already lapsed before the general strike, transferred the leadership of many important unions from experienced veterans to Communists mainly inspired by political motives. They were still strong enough to force the C.G.T. into the general strike against the better judgment of the veteran trade unionists; it was the unions with old membership which struck, those without trade union traditions which were cowed. Still more of the 1936 recruits are now expected to lapse, and the C.G.T., at enormous cost to French labour and to the cause of democracy in Europe, is at last back at a position from which it may be possible to build up sound trade unionism in France.

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—And Reactions to M. Reynaud.—The strike's collapse has not made the Reynaud decrees more popular, and M. Daladier is not finding it easy or painless to transfer himself and his Government from one horse to another in midstream. He is, however, reasonably sure of a not very impressive majority after the debate on general policy, and probably also for the Budget, even though he refuses the demand of the Right that the promised Bill for introducing proportional representation should be given priority. The importance of this Bill lies in the fact that it is hoped, by destroying the single-member constituencies, to do away with the electoral alliances which have so often linked Radicals and Socialists at the polls, and, therefore, to a great extent also in the Chamber. At present the members of the Left wing of M. Daladier's own party, the Radicals, and of the U.S.R. (Republican Socialist Union) are keenly aware that their electors sent them to Paris to form part of a Left majority and did not expect them to impose direct taxation at a flat rate on all wage earners. Defections from M. Daladier's majority are to be expected in these quarters. The principal representative of the U.S.R. in the Cabinet, M. de Monzie, was at pains to dissociate himself from M. Reynaud's policy when warning the railwaymen of the consequences of striking. The representatives of the Centre and moderate Right in the Cabinet, notably M. Paul Reynaud himself, were chosen last April because of their sympathy in questions of foreign policy with the non-Pacifist Left, and are therefore amongst the opponents of the Munich policy. For this reason they are now the members of the Government who come in for most criticism from the Nationalist pro-Munich Press. M. Reynaud's enemies on the Right do not scruple to exploit against him the unpopularity of his decrees with the working class, while simultaneously accusing him of intriguing with the "Marxists." Thus on foreign policy the Left wing of the Cabinet sympathises with the Right opposition, and the Right wing with the Left opposition. As in England, views on foreign policy now override all party distinctions, but the unpopularity of M. Reynaud's measures has had the effect of giving much greater cohesion to the pro-Munich camp which extends from the environment of M. Flandin to M. de Monzie, who is a close political friend of M. Bonnet. It is evident that, whatever else Munich and the General Strike may between them have achieved, they have not lessened the confusions of the French political scene.

German Justice for the Jews.—A number of decrees which further exclude Jews in Germany from economic and social life have appeared since the week-end. Jews may no longer drive motor cars, because "the cowardly deed of the Jew Grynspan, which was directed at the whole German people, shows Jews to be untrustworthy and unsuited to own or drive motor vehicles." According to a message from the German official news agency, this new restriction complies with "the healthy sense of justice of the German people"; but it can hardly be said to comply with any people's healthy sense of relevance or logic. Indeed, it is reminiscent of the doubtless apocryphal story of one of Herr Hitler's public meetings before he attained power. "All Germany's woes," said the future Fuehrer, "are due to the Jews." "And the cyclists," added a voice at the back of the hall. "The cyclists?" said the Fuehrer. "Why the cyclists?" "Well, come to that," said the voice, "why the Jews?" Similarly, we may now ask, "Why on earth motor-cars?" The Minister of Economics has carried justice several steps further by ordering that all Jewish property shall be placed in the hands, if not theoretically in the possession, of the authorities, without whose permission no Jew may henceforth sell estate or other property, stocks or shares or any securities. It is to be marked that this order applies also to foreign Jews with property in Germany. The immediate reason for the order seems to be a fear that Jewish selling in preparation for paying the fine of a milliard Reichsmarks, might provide another slump on the Berlin Bourse—the more because even a healthy sense of justice has failed to dissuade speculators from taking their profits. Jewellery and precious metals, the last resort of frightened property-owners in totalitarian countries, are the subject of regulations which permit Jews to buy and sell only through special offices established for the purpose. A rider to the first batch of decrees after the pogrom, circulated by the Minister of Finance, states that pensions and similar annuities are not to be capitalised when estimating Jewish resources; the justice of this apparent alleviation would seem to be that otherwise (as many foresaw) the full amount of the fine could not physically be produced. Many Berlin streets are now closed to Jews, who may only pass through them by special permit. It is a very short way from there to the mediaeval Ghetto.

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From the East a worried Poland looks on at this ruthless process and wonders whether the same methods might not better answer her own purpose. The proportion of Jews in Poland is far higher than in Germany; and once the concept of anti-Semitism is allowed international status, and one people is willing to connive or be silent at another's brutality, Poland's case must be admitted to be far stronger than Germany's. For the time being the Polish Government is showing a good deal of restraint in regard to the Jews, but there is no great hope that this restraint will continue. With varying degrees of uncertainty the same feeling of nervousness may be detected in all the small countries of east and south-east Europe, and particularly in Roumania: that in the world-wide protest against the persecution in Germany, their own troubles from the possession of what they judge an excessive number of Jews may be forgotten. The implication is that rather than have that happen, and miss what may be a golden opportunity in more senses than one, they will issue reminders after the German pattern.

* * *

Poland Accepts the Challenge.—The Polish Government were pleased with their elections, and when M. Kwiatkowski, Minister of Finance and deputy Prime Minister, spoke at the opening of the Sejm this week he pursued a vein calculated to soothe and disarm the Opposition parties who were going to read his speech in the next day's papers. For the moment, though nothing is decided on their fate, the Government seem to have set aside thoughts of suppressing these parties, as they had threatened to do before the elections of November 6th. The burden of M. Kwiatkowski's speech was that, however desirable would be a return to liberal economics, lower

tariffs, disarmament, and other millennial ambitions, the Poles must sternly adapt themselves to circumstances: and circumstances called for national unity (i.e. a truce on Government criticism of the President), a drive for industrial self-sufficiency, and large-scale defence preparations. What this means in practice became clear when the Government announced a 15-year plan for economic and social development, or five periods of three years each concerned with one aspect of affairs, respectively national defence, communications and transport, education and agriculture, urban and industrial development, and economic unification. Each period will use three-fifths of its total scheduled investment on the particular task in view. Thus, in the next three years two milliard zlotys (about £80 millions) will be invested in defence works. The modesty of this sum and the rigid limitation of aims are striking proofs of the strain which power politics is placing on the Polish economy. Plans dear to the heart of Government spokesmen: expenditure on the new industrial centre in Galicia, the deepening of the Vistula as far as Sandomir, new canals, social services, agricultural development, all necessary to Poland as a would-be Great Power, must be postponed for at least three years. And three years in these days may mean the Greek Kalends. Meanwhile, the Ukrainians are making the best of the limelight shed on Ruthenia by asking once again for regional autonomy, and they mean to put a Bill to that effect before the Sejm. In Teschen economic problems are further complicated by a number of political demands from the German minority there, but this contrasts with improved relations with Lithuania. But the central fact in Polish foreign policy is that in making an agreement with the U.S.S.R., the Government has refused to conform to German plans. In accepting this challenge to Poland's prestige as a Great Power the Government takes upon itself a responsibility which can be discharged only by long years of economic sacrifice.

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Czechoslovakia and Germany.—Last week we recorded the election of the Slovak jurist Dr Hacha to be President and of the Czech Agrarian statesman M. Beran to be Prime Minister of the new Federal Republic of Czechoslovakia (*sic*, for the double-barrelled name has now officially acquired a hyphen, in deference to Slovak susceptibilities). M. Beran formed his Cabinet on December 1st, with Dr Chvalkovsky still holding the portfolio for Foreign Affairs, Dr Kalfus at the Ministry of Finance, and General Sirovy, the late Prime Minister, now transferred to the Ministry of War. These three Ministries, together with the Prime Minister's office, are the only common organs of the Federal Government. For the rest, each of the three component States of the Federation now has a Ministry of its own; and all three of these were likewise formed on the 1st. The policy of the new regime is close economic collaboration with Germany. On December 2nd the Agrarian newspaper *Venkov*, of Prague, published an article advocating an adaptation of the Czechoslovak economy to fit in with that of the Reich; and indeed, what other policy would now be open to any Government at Prague, whatever its political complexion? Co-operation with the Republic's "greatest neighbour" was the keynote of M. Beran's broadcast statement of policy on the 3rd; and he and his colleague, Dr Chvalkovsky, are shortly to visit Berlin, where they will discuss, among other things, the problems of railways and coal. Forecasts of a German-Czechoslovak customs and monetary union are described at Prague as being premature; and the truth may be that these old-fashioned means of unification are now rather out of date. The same results can perhaps be achieved in other ways. For instance, one of the first acts of the new Government at Prague was to pass a decree declaring that all German citizens working on the new Reichsautobahn from Silesia to Vienna across the waist of Czechoslovakia will be under the jurisdiction of the German public authorities so long as they are on the strip of territory through which the road is to run; and this confirms the fact that this ribbon—cutting Czechoslovakia in half—has virtually been ceded to the Reich. Is this the

first of a number of tentacles which the German octopus intends to shoot out, twisting and turning this way and that, over the body of Central Europe, till the whole region is gripped fast in Germany's clutches? In the Sudetenland, at the gates of Eger, on September 2nd, Herr Hess cut the first sod of another strip of highway which is to run round the newly acquired territory and to lash it fast to the main body of the Reich. "The Reichsautobahn," said the Fuehrer's deputy in his speech on this occasion, "is a great socialistic work. . . . But, if need arises, the military forces of the German nation roll along it, too—our divisions, our guns, our tanks." How far south-eastwards are these new German roads going to open the way for the passage of German troops and arms? Czechoslovakia has had to yield them passage this autumn. Whose turn comes next?

* * *

The Milk Bill and the Community.—Last week the Milk Bill was slain by a vehement and extremely disingenuous campaign of vilification which ended in success because it was largely organised within the ranks of the Government's own supporters. Mr Morrison's measure was not the best one which might have been devised to achieve the object of securing an increased consumption of cheaper and cleaner milk. The reforms it envisaged in the distribution of milk, where the greatest opportunity for an immediate lowering of price lies, were half-hearted; but that did not prevent the meretricious banner of Anti-Socialism from being raised by all sorts and conditions of farmers and Conservatives against the proposed Milk Commission. The powers to be given to local authorities to compel pasteurisation were also rendered in part ineffective because they were only optional; even so, the National Farmers' Union continues to contend that producer-retailers would be driven out of business because the cost of pasteurisation plants is prohibitive. While the public, whose need for more and cheaper milk makes this matter one of urgent national concern, is waiting for a chastened Government to produce a remodelled Bill more acceptable to the intransigent farmers and Milk Marketing Boards, certain sentences included in a letter recently sent to *The Times* by a number of eminent doctors and dieticians might well be pondered by all concerned. The writers approach the matter solely from the viewpoint of public health: they cite recent statistics to show that the total amount of infective disease spread by unpasteurised milk is very large; they add, unexceptionally, that

All authorities are agreed that it is desirable that our people, and especially our children, should drink more milk;

and they conclude that

It is due to the producer-retailer that his claims should

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be considered; but he is not entitled to have them considered without regard to the well-being of other members of the community.

The issue is clear. The interests of a minority seemingly run counter to the interests of the community at large. If health and nutrition were the criteria of policy, the revised Bill which we may expect next year would radically reduce the costs involved in the present wasteful and expensive methods of retailing, and rigorously enforce the sale of only "safe" milk. As it is, the Government have surrendered their authority to legislate in the public interest; and if there is a new Bill it is likely to be more water than milk.

Steel Prices.—As we go to press, the steelmakers are holding another meeting to continue the lengthy discussion on the prices to be fixed for next year, and it is possible that an announcement of the 1939 prices will be made. Great pressure has been brought to bear upon the steel industry from outside to make substantial reductions; and since one of the purposes for which an independent Chairman was appointed to the Iron and Steel Federation was that he might be able to interpret the public interest to the embattled steelmasters, it is to be presumed that Sir Andrew Duncan has been doing his best. If very widespread report is to be believed, his best will turn out to be a reduction, on the heavier varieties, of 15s. a ton, made up of a lowering of the price by 10s. and an increase of 5s. in the rebate. It is worth recalling the interest of the community in the matter; for not only is steel a peculiarly essential raw material, whose price affects all sections of the nation, but the ability of the steelmakers to sit in conclave and fix prices as they choose is itself a gift to them from the community. And having established the public interest, we must go further and say that a reduction of 15s. on a present price of about £10 a ton does not come within gunshot of being adequate.

The arguments in support of this statement were developed in an article in *The Economist* of October 22nd last, and the need for repeating them here is all the less because of the powerful support that has been given to them this week by the speech, at the annual meeting of Tube Investments, Ltd., of Mr Arthur Chamberlain, who is not only an eminently successful industrialist but a far-sighted and shrewd analyst of business conditions. (The speech will be found in our Company Meetings section.) Mr Chamberlain, after recalling that the steel industry has, against all advice or supplication, maintained its prices during the present year ("and English trade is the worse for it") mentioned the rumoured figure of 15s. a ton. "If rumour is correct," he said,

I should designate such a reduction as about one-half of what it ought to be on their present costs, and about one-quarter of what it ought to be had they spent their money wisely and laid themselves out to make steel as cheaply as it could be produced under English conditions.

Mr Chamberlain, as a consumer of steel, might be thought to be a biased witness. But his criticism was founded on grounds far wider than the effect on his own company, which, as he pointed out, could defend itself:

The seriousness of to-day's position is that our foreign competitors are everywhere obtaining their steel more cheaply than we, and are building up their general trade at our expense. Was it for this that the steel trade five years ago were granted protection? I thought that protection was given them on the explicit promise that they would not exploit the home market, but would put their ruined house in order and install plant capable of making steel as cheaply as any of their foreign competitors. Has this been the case? . . . If the price of their steel is any criterion, the answer must undoubtedly be "No." . . . In the old days the steel trade's mistakes hurt themselves only. We could exhort the foreigner if they could not produce the Moods; but now that protection forces us to buy our steel it is home the steel people can, and apparently do, foist the Strike may befall on the rest of the country. Was it for lessened the confusions afforded them?

It is rapidly becoming an urgent matter—urgent alike for the credit of the Government's economic policy and for the soundness of British industry—that questions such as Mr Chamberlain asks should be enquired into by a body whose composition excludes the possibility of whitewash.

The Railways' Square Deal.—A fortnight ago the Minister of Transport invited the railway delegation to amplify its "Square Deal" manifesto. On Thursday the delegation complied, with a second memorandum setting out the nature of the legislative measures which they contemplated and their reasons in support. The Minister subsequently announced that the proposals would be referred to the Transport Advisory Council for an "urgent report." From the memorandum it appears that the railways have in mind a short comprehensive Act repealing Part III of the Railways Act of 1921 (which deals with railway charges) and also various other Acts and Sections of Acts. Passenger fares would not be affected, but would remain under the control of the Railway Rates Tribunal. Nothing less than these changes, in the railways' view, will put them on terms of equality with road transport, and they submit that their record since the amalgamations of 1923 is a sufficient answer to any suggestion that the freedom for which they ask would be abused. They have replied to the concern of Dr Burgin that monopoly powers would, in effect, continue over coal and steel traffics by the counter-suggestion that existing monopoly power in these branches is limited, that diversion would follow any general increase of railway charges on heavy industrial traffics, and that firms in such industries could easily increase their road transport in retaliation for any inequitable railway action. They conclude, accordingly, that special safeguards applicable to the heavy industries are not really necessary. What use would the railways make of equality of charging and carrying powers with the roads? They have, it seems, no scheme for an increase in rates, either in general or for particular industries. Nor do they contemplate making wholesale reductions and plunging into a rate war with other forms of transport. They argue further that a co-ordinated transport industry is the more likely to result from their proposals—in the same way that the railways employed their road powers in 1928 to achieve a striking degree of co-ordination with the road passenger industry. For this purpose of unified control the existing system of railway rates is inapplicable—indeed, it would prevent any possibility of unified control—but equality of conditions between road and rail would foster the observance of a general rates structure. It is clear, indeed, that the railways see no likelihood of getting together with the road industry, while a less responsible part of it enjoys a completely free hand. It now remains to await the report of the Transport Advisory Council, which is expected in a few days' time.

The Canadian-American Trade Treaty.—Canadians have now had time to appraise the pair of complementary trade treaties which were signed at Washington on November 18th, and on the whole their verdict is favourable. Some manufacturers regret their reduced protection, and fruit-growers in the Annapolis, Okanagan, and other regions, feel that the sacrifices imposed upon them in regard to the British market might well have fallen on other shoulders, whilst people in Halifax and St. John fear that the abolition of the wheat preference will divert grain traffic to American ports. The dominant feeling is that, while sectional interests may lose something, the nation as a whole will gain in two ways, by opening up markets to Canada's raw material products, and, more important, by the timely demonstration of co-operation between the three leading Anglo-Saxon democracies. Even protectionist papers are prepared to admit that Canadian sacrifices may prove worth while. In the political field, the Liberals think they now have in their hands a winning card for the Federal elections. Some of them would like to appeal to the country at once, but for various reasons it is improbable that a new mandate will be sought before the autumn of 1939, and perhaps not even then. The Liberals realise

that seats like Halifax and St. John, certain fruit-growing divisions, and industrial divisions in Ontario and Quebec, which they now hold, have been endangered; but against such possible losses they think they have enlisted the goodwill of agriculturists like the dairymen, the cattle raisers, the potato growers, and the producers of maple syrup, whose gratitude for the benefits of the Treaty will enable them to hold a number of rural seat, which they would probably have lost otherwise through the normal swing of the political pendulum. Cuts in the industrial duties should silence the group of radical insurgents from the prairie country; and it is by no means certain that the Ministry's opponents will be able to gain much in the prairie provinces over the abolition of the wheat preference, because there seems to be a sharp division of opinion as to whether the preference had any real value for the Canadian grain grower. The Conservatives were hoping to secure in the Canadian-American treaty a live issue for the revival of their rather enfeebled fortunes, but in the end their leaders are not opposing the treaty outright; and Dr Manion, the new Conservative front-bencher, contented himself with some very moderate criticisms. To those who fear that Germany and Japan will be able to pour in cheap goods by virtue of the most-favoured-nation clause, the Treaty's advocates reply that two safeguards exist: reservation of concessions for goods which come into Canada mainly from the United States, and power to raise the duty if and when the chief benefit of the lowered rate is going elsewhere than to the United States. The trade treaty will, however, complicate the Budget problem, for the special import excise duty of 3 per cent., which is now wiped out, brought in as much as 18 million dollars in one year, and showed an average return of about 15 million dollars.

Belgian Political Difficulties.—The Belgian Prime Minister and Socialist leader, M. Spaak, is in difficulties of a kind that often beset the representatives of parties of the Left, accustomed to living in the wilderness, when at last they find themselves in power. Loaded with the cares of office in an exceptionally grave hour, conscious of the exigencies of state and of the political strength of parties other than his own, and fearing that, in Belgium as elsewhere, Socialism may be broken if it does not bend betimes, M. Spaak has been trying to lead his own party into courses which they detest. On the other side, the rank and file of the Socialist Party seem to see in M. Spaak's present attitude nothing less sinister than a betrayal of Socialism by a Socialist in office. The first shock was the announcement of the Belgian Government's intention to send a diplomatic representative to Burgos and to withdraw from the Non-Intervention Committee. The ground for these contentious new departures in Belgian foreign policy was ill concealed by the plea of commercial considerations (Belgium's trade with Nationalist Spain is very small) and of the present ineffectiveness of the Non-Intervention Committee (for when has it ever been effective?). The real ground, of course, was the pressure of the Catholic wing in the present coalition. The decision has already resulted in a breaking-off of diplomatic relations between Barcelona and Brussels. Meanwhile, on December 1st, M. Spaak's embarrassments were increased by a speech from his Minister for Finance, M. Gérard, which was condemned by the Socialist Ministers as deflationary. The Prime Minister has thrown M. Gérard over in the hope of placating his own party on home affairs while remaining intransigent on the Spanish issue. M. Gérard resigned on the 3rd, and has been succeeded by a banker and professor, M. Janssen. This Monday M. Spaak had to face the music at the Socialist Congress. By a card vote of 372,450 to 187,598, with 7,870 abstentions, the Congress called upon Socialist Ministers to resign if the project of sending a Belgian representative to Burgos was carried out. This was followed by meetings, first of the Socialist Ministers and then of the whole Cabinet, and M. Spaak announced that he would put his fate in the hands of the Chamber. On the 6th he there won a vote of confidence by 111 votes to 49, with 21 abstentions. Of the 70 Socialist deputies some

abstained, while 14 of them voted for the Prime Minister. In opening the debate M. Spaak declared that he was in agreement with his party on all points (e.g. in financial matters) except that of entering into relations with Burgos; and although the general council of the Socialist Party decided that Socialist Ministers ought to resign, the Prime Minister and his colleagues have decided to remain in office, at least until the Budget and defence estimates are through the Chamber. The Government's ultimate fate seems now to depend on M. Spaak's ability in this breathing-space to persuade his party congress that breaking is really their only alternative to bending.

King Carol and the Iron Guard.—The recent troubles in Roumania, resulting in a series of attacks by members of the Iron Guard against Jews and representatives of the authorities on one side and the no less brutal governmental repression on the other, point the distinction that must be drawn between the temporary muzzling of the Iron Guard with its definite suppression. The sudden recrudescence of this revolutionary activity in Roumania is certainly a direct consequence of the progress of Nazi ideas and Nazi power towards the South-East; it may be doubted only whether Berlin gave an order to that end to its Roumanian shock-troops or whether they started an untimely action on their own responsibility. The odds, so far as physical force is concerned, are heavily on the Government. Discipline in the army has been strengthened during the last few months and Iron Guard influence in it has been damped down. This, of course, could not be done without the dismissal of able officers, the most notable of whom was General Antonescu, commander of one of the army corps. Relying on the army and on the rural police, the Government will be able to bring into concentration camps those of the leaders of the Iron Guard who are not yet confined there. But in the general elections just a year ago the Iron Guard obtained 15 per cent. of the votes, and there are no signs that a wholesale conversion of its adherents has taken place since.

The two slogans of the Iron Guard are anti-Semitism and the fight against corruption. While the Government of the Patriarch Miron Christea has included anti-Semitism among its official policies, and while a recent communiqué announces a new legal regulation of the Jewish problem, it is much more difficult to foster the conviction of the masses that the present regime is the right one to outroot corruption, since it is too closely allied to the personalities of previous governments under which corruption flourished. The Government is further embarrassed by the fact that several

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persons in the closest neighbourhood of King Carol are widely supposed to have misused their influence for their own profit. This group, the camarilla, was the stumbling-block between King Carol and M. Maniu, and it is questionable whether the present regime has, in its struggle against anarchy, the unconditional moral support of the leaders of the National Peasant Party, whose influence on the broad masses should not be underrated, even if the leaders are safely muzzled. At present King Carol and his Government, failing to run the Iron Guard down, are endeavouring to take the wind out of its sails. The first consequence will be a recrudescence of anti-Semitism and this may for a time divert the attention of public opinion from the kernel of the problem: governmental corruption and inefficient administration. This breathing spell could be used for improving and simplifying the civil administration, for building a broader base for the national economy and persuading the masses of the population that it is not only among the minor functionaries that corruption is prosecuted. If the Government is able to make progress with this task before the further progress of Germany towards the south-east compels King Carol to come to terms with the totalitarian element in his country, the Iron Guard will be vanquished not only in the streets but also in the mind of the Roumanian people. At present, and for a few years, it will continue to form a potential menace to King Carol and his system of Government.

* * *

Official Secrets.—Monday's debate in the Commons on the Sandys case partook of the nature of a wake celebrated over a long-dead subject. The ploys of the Member for Norwood were never important in themselves; and the manoeuvres of his superiors were merely inept. What was important was the distressing state of London's defences which Mr Sandys's researches threatened to reveal; and, oddly, this seems at the time to have been a secondary consideration in the official mind to the formal maintenance of secrecy. The wider question of Members' status under the present dangerously elastic interpretation of the Official Secrets Act is admittedly important, too; and, oddly again, this was ruled out of order in Monday's discussion because a further motion had been tabled to set up a Select Committee to examine the larger issue. Nor are Members of Parliament alone affected, as Mr Mander told the House on Wednesday. Despite Mr Mander's apprehensions we have as yet no censorship of the Press; but, not least among disquieting devices which limit Press discussion of the conduct of administration, civil as well as military, is the labelling of all sorts of subjects as official secrets. So used, the Official Secrets Acts, originally passed to provide means of combatting espionage and the leakage of important information to alien Powers, are, at the best, irritating, and, at the worst, redolent of the malpractices of eighteenth-century Governments. To imprison one reporter for obtaining advance information about wills from Somerset House, and to fine another for disclosing facts drawn from a police circular, as has been done under the regime of the present Government, is to show how cramping the extraordinary powers given by the Acts can be when employed outside their proper province. No one, in any party, would deny the vital need to keep secret essential facts about our defences and forces. But the Acts require re-definition to ensure that this sole purpose is sought by their use; and—which is perhaps a more difficult nut to crack—a formula needs to be found to ensure that, while secrecy is safeguarded, Members of Parliament are as free as possible to pursue their criticisms into matters concerning the nation's security into which, as elected representatives, they are pledged to inquire. Recent experience suggests that arms and defence cannot simply be left to the unquestioned care of Ministers. On Wednesday the Home Secretary again promised to use the extraordinary powers given by the Act to further the safety and welfare of the State. But the implementation of Sir Samuel's further pledge to consider statutory emendation remains imperative.

Open Country at Last.—The cause of national health promises to score a signal success by the passage into law of a private member's Bill to render all citizens free to walk on uncultivated mountains, heaths, moorland and downs. Fifty years ago the first Access to Mountains Bill was rejected by Parliament; a week ago the Commons gave a second reading to the latest version. Half a century's failures have added fuel to the fiery enthusiasm of the supporters of this reform, for we have become more than ever a nation of town dwellers. New modes of transport bear us from our town boxes into the open country, but great tracts of uncultivated land are closed to our feet. Fitness and healthy recreation are now orders of the day; one-third of Wales, over two-thirds of Scotland and one-eighth of England are heathland, moorland, commons and rough grazing; one-tenth of all Britain would remain outside of cultivation even if the land were thoroughly re-conditioned. Yet, off the roads and lanes, we walk everywhere on sufferance, and in many places (though by no means all) and commonly at holiday seasons we are barred out entirely. In the sixteenth century the sheep devoured the land of England; to-day the deer in Scotland and the grouse in Lancashire, Yorkshire and Derbyshire hold the hills and mountains in fee. The profit of private shootings cannot lightly be set aside, but the ramblers of the industrial North who claim their Pennine lungs have long argued that the walking poor need not ruin the rich man's sport. The Bill which the Commons have passed on to Committee, pending negotiation between walkers' organisations and the alarmed landowners, contains safeguards for vested rights; no dogs or firearms may be taken to the moors; no eggs may be lifted, no fires lit or camps pitched. The townsman abroad is often destructive; but he can scarcely mend his ways until he knows the open country better; nor has he ruined the Lake District where he wanders largely at will. The Bill may be lost or stultified in Committee, which would be scandalous at a time when we are paying loud lip service to public health. More likely, it will pass amended by mutual concessions; and a long-standing public wrong will be righted.

* * *

Food in Spain.—The third winter of the Spanish war has now arrived. General Franco is already intensifying his blockade in the hope of achieving by siege and famine the victory which he has failed to win by force of arms. What chances has he of success? Normally Spain is self-supporting in foodstuffs. But conditions in Government Spain are far from normal, not merely because of military operations and lack of transport, but also because the influx of refugees has enormously increased the number of mouths to be fed. Government Spain to-day covers about a third of the whole country and produces about a third of its wheat, but it has to feed nearly half its population. Only in potatoes are the loyal provinces self-supporting, and even here (as will be seen from the charts on page 573) this is the net result of a surplus in Catalonia and a deficiency in the provinces cut off by the insurgent advance to the sea last summer. The food problem is one of feeding these provinces. So long as she maintains her road and rail communications with France, Catalonia cannot be starved out. But food has to be brought by sea to Valencia and Madrid, whether it comes from Catalonia or from abroad. And in this area there is a shortage of beans and potatoes, as well as of wheat. The diet of the half-million or so inhabitants still in Madrid has been reduced to the point where resistance to disease is dangerously weakened, and the civil death-rate is rising. It consists of beans and potatoes plus an occasional egg and, now that the citrus season has arrived, some oranges. In pre-war days, Spain obtained meat and milk from Galicia and the Asturias. To-day what little is consumed has to be obtained from abroad. Wheat, beans and codfish are also imported, and now seed potatoes are being added to the list. The granting to General Franco of the right to stop ships bringing food to Spain might not crush the well-nigh indomitable spirit of the people of the severed provinces, but it would certainly bring starvation perilously near.

Overseas Correspondence

From Our Special Correspondents

United States

Effects of Motor Car Revival

NEW YORK, November 30.—The index of production for October proved to be a point above earlier estimates, and six points above the figure for September.

	FEDERAL RESERVE BOARD BUSINESS INDICES (1923-5 = 100. Adjusted for Seasonal Variations)		
	October, 1938	September, 1938	October, 1937
	Preliminary		
Industrial production (total)	96	90	102
Manufacture	95	89	101
Minerals	100	97	113
Construction contracts (total)	86	78	52
Residential	57	56	36
All others	110	96	65
Factory employment (total)	87.5	86.9	105.1
Durable goods	78.0	75.8	105.4
Non-durable goods	96.7	97.6	104.7
Factory payrolls (total)	83.7	81.0	104.5
Durable goods	75.0	68.7	108.2
Non-durable goods	83.5	94.9	100.3
Freight car loadings (total)	68	64	76
Miscellaneous	72	69	81
Department store sales	84	86	93
Department store stocks	66	67	76

A new item has been added to the list—miscellaneous wagon loadings. It is believed that this item is more sensitive than the total figure, which includes such bulky staples as coal, grain, etc. Miscellaneous wagon loadings amount to about one-third of the total.

The rise in the index of manufacturing is mostly in durable goods, as would be inferred from the employment figures, and is directly associated with the revival in the motor-car industry.

INDICES OF MANUFACTURING (ADJUSTED)

	June, 1938	September, 1938	October, 1938
Iron and steel	46	76	90
Pig iron	36	59	67
Steel ingots	47	77	93
Automobiles	46	46	84
Locomotives	14	4	...
Cement	69	69	80
Plate glass	80	107	155

The effects of the activity of the motor-car industry are seen in the iron and steel trades and in glass. The cement figures are just beginning to show the effects of the spending programme, and these effects appear spectacularly in "all other" building contracts, which rose from 64 in June to 110 in October. So far it is difficult to trace the precise influence of the spending programme, although presumably every series is influenced by it. Its maximum tangible effect is not expected before the second quarter of next year.

With November virtually over, preliminary estimates for the index of production are slightly above 100; and this again is largely an effect of the rate of motor car production, now in the vicinity of 100,000 cars a week. The data suggest that our production indices are to a great extent dominated by the motor industry, and that they represent the general economy only to the extent that the motor industry is itself representative or symbolic of all industry. Probably it is; but in the weeks immediately following the introduction of the annual models, a large output is required merely to stock the dealers, taking little account of retail sales. This year, however, retail sales seem to be quite satisfactory.

Hesitation and Fall in Sterling

So far as your Correspondent can observe, business in general has risen less speedily since June than the index of production—or perhaps it would be more accurate to say that business sentiment has risen less rapidly than the statis-

tics. This may be attributable to the fact (if it be a fact) that miscellaneous business has not recovered as rapidly as motor car production; or to the possibility that profits are still disappointing. After all, the most impressive figures to the business man are in his profit and loss account, and there is widespread comment that the profit margin is still discouraging. Whatever the reasons may be, sentiment is still cautious, although in view of the meteoric behaviour of the indices, one might have expected it to be buoyant.

One factor making for caution, at least in sentiment, is apprehension arising from the fall in sterling. Remembering the results of September, 1931, when Britain went off gold, business and financial circles have become extremely sensitive to movements of sterling. On a British analogy one might say that those same sentiments which in England attached to the "over-valuation" of the pound after 1925 attach to the dollar whenever sterling is below its historic parity. A decline in sterling below its historic parity may be said to be viewed with the same apprehension as rising money rates would be in London. That is, falling sterling is regarded as a deflationary influence; and is regarded as an excuse for hesitancy. The physical influence may be over-rated; but the psychological influence is a real operative factor.

The October foreign trade figures show increases in both imports and exports. While seasonal factors are undoubtedly considerable, the fact remains that both are following a cyclical pattern upwards, from a low point reached in July.

MERCHANDISE TRADE

	\$000,000	Imports	Exports
October, 1937		224	333
July, 1938		141	228
August		166	231
September		168	246
October		178	278
Ten months, 1937	2,652		2,711
Ten months, 1938	1,613		2,573

Gold and the Export Trade

It is remarkable that the export figures have remained (during the ten-month period) quite stable, while imports have fallen. The consequence is that an almost balanced merchandise trade in 1937 has been converted into a heavy active balance in 1938. One can look at this in one of two ways. Either the change has greatly strengthened the dollar in international markets, and the apparent weakness of foreign currencies actually represents the strength the dollar derives from an active trade balance. Or one can find an

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explanation in gold movements. In the first ten months of 1937 our gold imports amounted to \$1,546 millions; in the first ten months of 1938, net gold imports were almost identical—\$1,555 millions, of which approximately \$1,100 millions came in the two months September and October. It appears that there is some relation between these gold movements and our export trade. In 1937, the gold was exchanged for dollar balances and securities. In 1938, much of it seems to have been used in paying for the excess of American merchandise exports—combined with the so-called outflow of foreign balances.

France

Calm After the Storm

PARIS, December 8.—The fiasco of the general strike has provided witness, if that were necessary, to the confusion which exists in the workers' organisations. Work has been resumed without loss of time because the majority of workers, even if exasperated with Daladier, are much more angry with their own trade union leaders. Genuine trade union interests were completely lost sight of for a time as a result of Communist influence which led the unions into purely political fields. Discipline has now been re-established in the factories at the expense of the trade unions' prestige, and their leader, M. Jouhaux, now says that they are ready to collaborate in securing the increase in production which the national and international situation demands.

The technical measures of M. Reynaud have so far been successful. The franc now stands at 177.60 to the £, compared with 179 on November 25th. That is the highest quotation for six months. There has been an appreciable repatriation of capital and considerable purchases of French stocks and public funds by hot money. It was accordingly possible to lower the rate of interest on short-term bonds further to 1.75 per cent., against 3 per cent. two weeks ago. The rise in the public funds has been steady, as the following table shows:—

	Lowest, 1938	Sept. 28th	Nov. 14th	Dec. 6th
3%	65.30	74.10	81.10	81.85
4% 1918	62.40	64.30	81.00	83.90
4% 1925	104.00	124.00	139.40	146.95
4½% 1932 "A" ..	68.20	75.00	85.00	87.10
4½% 1937	103.75	124.25	140.20	141.00

Finally, by an odd coincidence, the failure of the general strike and the voicing of Italian colonial claims happened on the same day, so that M. Daladier, backed by a general recovery in the nation's confidence, could pronounce a categorical "No," which was refreshing to all parties, on the Right as well as on the Left. The Stock Exchange, shaken for a moment, speedily became firm again. If public opinion could be tested, the Prime Minister, now that the industrial danger has been set aside, the franc made firm, capital attracted home, interest rates lowered and the Anglo-German peace pact accompanied by a resolute answer to Italy, would gain a great majority.

The Course of Production

This atmosphere of confidence will pervade Parliament when the deputies return from the recess on Thursday. An opening debate on the general policy of the Government will probably end with a vote of confidence showing the same majority as after Munich. This first debate and vote on general issues will influence the course of the later discussions: on the reform of the electoral system; on the Budget; and on the decree-laws. They will all be favourable to the views of the Cabinet—especially as M. Daladier is expected to launch a plan to increase industrial production.

Cheaper money and longer hours of work are now facts. But thirty months of social troubles have weakened the taste for initiative and work, so that the future will depend on two

main factors: the achievement of political stability and the support which the Government can give to production.

Meanwhile, the course of production, too, is encouraging. Coal output in October was 4,335,000 tons in 23.6 working days, against 4,043,000 tons in September in 22.8 working days and 4,142,000 in October, 1937, in 23.16 working days. Average daily output was thus 183,869 tons, against 177,406 tons last month and 178,560 tons a year ago. Production of pig iron and steel has moved as follows:—

	(Thousands of tons)		
	Oct., 1937	Oct., 1938	Sept., 1938
Pig iron	701	494	447
Steel	705	512	470
Furnaces in activity.....	107	82	76

Unemployment showed a decline last week, which was quite unexpected at this time of year. The number of persons out of work was 367,106, against 367,947 in the previous week and 332,850 a year ago.

Next Year's Accounts

The ordinary Budget for 1939 forecasts expenditure of 66,317 million francs and receipts of 66,345 millions, a surplus of 28 millions. Expenditure in 1938 was 54,739 millions, so that the estimated increase for next year amounts to 11,578 million francs, of which 3,500 millions is due to the reinclusion in the ordinary Budget of the War Pension Department's outlay; 3,000 millions is for ordinary military expenditure and 1,200 millions for public debt; and 2,280 millions is to cover increased cost of civil administration due to the rise in the cost of living. This increase in expenditure will be wholly covered by taxation. Ordinary fiscal receipts are estimated at 57,500 million francs, against 45,600 millions in 1938; and the extra income is expected from the increase in taxation made by the latest decrees, and from a rise in the yield of direct taxation expected to accrue from the revival of business.

Expenditure on the extraordinary Budget to be covered by loans is estimated at 27,616 millions. Some 26,550 millions is for re-armament, against 11,250 millions this year; 1,425 millions for public works and 640 millions for temporary advances.

Germany

The Economic Role of the State

BERLIN, December 6.—German business now stands at the parting of the ways. It must decide whether future developments shall proceed on normal commercial principles and according to more liberal methods, or whether in the long run national political necessities shall prevail. The more moderate view, to which Dr Schacht, State Secretary Brinckmann, Herr von Schwerin-Krosigk, Herr Funk and Field-Marshal Goering subscribe, a view which is even supported by a part of the National Socialist Press, is that it is now impossible to proceed much further on existing lines and that Germany must go back to a system of greater personal responsibility on the part of individual business men, back to what in liberal business language is called free competition. These circles see with regret that the pursuit of the present foreign policy constantly increases the extent of Government control over finance and production because of the overriding claims of armaments, and seems finally to lead to a species of State-Socialism.

Other circles, no less influential, are of the opinion that the present diplomatic programme must be maintained and that, in view of English, French and even American re-armament, German armament be intensified. An article in the *Kölnische Zeitung*, which was probably authoritatively inspired, forecasts that German re-armament and the attainment of self-sufficiency will involve still more severe claims upon industrial capacity and financial resources. At the same time, exports must be fostered, in order to obtain necessary raw materials, and this can only be done at the expense of internal needs. Steel production in the current year will reach 23 million tons, while the Four-Year Plan itself envisaged an output of 24 million tons for the first time as far hence as 1940. Yet, in spite of the increase in steel production beyond the requirements of the plan, domestic demand cannot be fully met. And the cement industry, which has had to increase its productive capacity to provide materials for fortifications, can scarcely get any iron for new buildings. If the State continues to requisition still more industrial capacity to meet its needs, and internal demand

consequently receives a still smaller allotment, then direction by the State must be vigorously accentuated.

There is the same problem in the money and capital markets. The higher the State screws up its demands, the less capital can private business obtain. Private enterprises must reckon more than hitherto on having to finance themselves. The business situation in Germany resembles a race between the State's requirements of goods and money and the country's manufacturing and financial capacity, a race in which the State's requirements leave capacity ever further behind.

With increasing State requirements new sources of finance must be found. This must mean that taxation will be raised still higher in the future and private consumption will shrink still further. This policy will reach its limit when the standard of living of the general mass of the population can be no further depressed. Dr Schacht recently alluded to this when he said that the State's needs could in the last resort only be financed, not by an expansion of credit or the piling up of debts, but from savings and a reduction in the standard of living.

The Bourse is very weak. In the market for fixed interest bearing securities the ever-increasing demands of the State on the nation's capital is the chief feature. The volume of State issues is constantly growing, and the volume of private issues steadily shrinking. Strong propaganda, based on the political achievements of the regime and on national sentiment, is used to exert moral pressure on investors. Savings banks and insurance institutions must contribute the greater part of their funds to Government loans; and similarly municipalities are forced to give three-quarters of their reserves. Under these conditions industrial debentures, mortgages and other fixed interest bearing securities have ceased to be attractive and the market in them is steadily crumbling away.

Export Policy

German export trade is encountering increasing difficulties not only in the United States of America and in South America, but also in some European countries. For the rising objections to German goods, not only considerations of quality and price, but also, to a great extent, psychological considerations, are responsible. Germany seeks the grounds for these objections not in the Reich's policy, but in the malevolence of foreign countries, especially America and England, who are unwilling to recognise the "necessities of existence for the Reich." Because it is apparently not possible to put pressure on or influence foreign countries the Third Reich seeks to increase its exports by all kinds of expedients.

Reich Minister Funk recently underlined the need for more exports and forecast closer co-operation between the State and exporters. In future German export firms will have to work together in foreign markets to a greater extent than hitherto, and in particular publicity and canvassing will be carried out conjointly. The Government has already taken compulsory measures to force private business into the export trade. Firms which do a specially large export business will be favourably treated in allocation of Government orders.

Germany, England and the United States

The views expressed by Mr Hudson, Secretary of the British Department of Overseas Trade, about German commercial policy in Middle and South-Eastern Europe has caused resentment. The Press expresses astonishment that the Reich is thus attacked, particularly since the German-British trade agreement has so far worked comparatively satisfactorily. Printed reference is made to the Ottawa Agreements; and it is contended that the Western Powers, by their protective policy and currency depreciation, have involved other countries in exchange difficulties. Therefore Germany cannot be blamed if she seeks to stimulate trade with certain countries; German methods of foreign trade have, so it is argued, the great advantage of a stable exchange (or barter) of goods guaranteed for an appreciable period.

Official circles, however, are not very disturbed by Mr Hudson's attack. They point out that price agreements between certain British and German industries have already been discussed; and that negotiations between British and German firms for a working agreement in neutral markets have been suspended while the attempt is made to come to such agreements.

More thought has now been given to the reaction of the Anglo-American Trade Treaty upon Germany's foreign trade. A period of sharp competition with British and American exports is expected. It is not so much English competition which is feared as that of certain other countries with most-favoured-nation concessions in the United States. Whether

this situation can be met by higher export subsidies is uncertain, since industry at home is already carrying as heavy levies as practicable. German exports in the first six months of 1938 were valued at Rm. 178.6 millions to England and Rm. 67.4 millions to the United States. In the English market German goods will now have to compete with American, especially in the case of machinery, iron and steel and electro-technical goods; and England was Germany's best customer for electrical tools in the first half of this year.

Banking in Sudetenland

The Sudetenland is particularly vulnerable under the Treaty, because of the competition from England which its glass, china, wool and leather gloves will meet in the American market. On the other hand, Germans argue that the countries of South-Eastern Europe will now have to abandon their hopes of selling more wheat and tobacco to England. The reorganisation of the banking system throughout Sudetenland has led to an abandonment of the regional principle. All the banks which remain there will now be incorporated in the Reich system, since it is argued that they must be dependent upon Germany for their capital. The various German banks are now negotiating with the Czech institutions for the necessary transfers: the Deutsche Bank with the Boehm. Unionbank, the Dresdner with the Zivnos-tenska, and so on.

Germany's increasing interest in the Danube, since the annexation of Austria and the intensification of the economic drive towards the Balkans, is again evident in the report that the Reich is about to complete the purchase of the Italian share of the Danube Shipping Company in the former Austria, amounting to 49 per cent. of the total of 21,600,000 Austrian schillings. All details have been settled, it is understood, except the rate of exchange at which the purchase is to be made and the method of transfer.

The expropriation of Jewish property continues in the form of decrees which come now from one Department and now from another in a manner which would make any lawyer despair. But the desired effect is being achieved, namely, the almost complete pauperisation of the Jews before they leave for the new homes which it is hoped will be found for them overseas. Jews are now forbidden to buy real estate or mortgages, deprived of the right to dispose of their own property and have to deposit their stocks and bonds in authorised foreign exchange banks. A further clause makes it clear that the bulk of Jewish real estate will come under Aryan trusteeship with Government supervision.

Switzerland

Exports Well Maintained

BERNE, November 30.—Exports which increased in value after the devaluation of the Swiss franc by 46 per cent. have suffered very little from the recent international depression. In the September quarter the value of exports was slightly below the level of 1937, but in October it was 12 per cent. higher than in October last year. The official index of the

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volume of exports (1921-31 = 100) has moved as follows:—

	Metals, machinery, watches	Watches only	Chemicals	Textiles	Total index
1937					
October	132	199	114	39	98.4
1938					
August	115	157	100	40	72.7
September ...	144	188	132	36	91.9
October	160	191	156	39	103.1

In October, 1938, the value of exports was higher than in any month since 1931. This was mainly due to the increased sales of the engineering and chemical industries, though sales of watches fell slightly because of the slump in the United States. Textile exports, on the other hand, are still far below their former level.

Trade and Eastern Europe

Since the Munich agreement several German economic journals, such as the *Deutscher Volkswirt*, have published articles, recommending to Switzerland closer trade relations with the Danubian and Balkan countries, as well as an expansion of capital investments there. The present share of these countries in Swiss trade is as follows:—

	Share of imports		Share of exports	
	1929	1937	1929	1937
	%	%	%	%
Hungary	1.3	2.1	0.6	1.0
Jugoslavia	0.5	0.3	0.6	0.8
Greece	0.2	0.2	0.2	0.3
Bulgaria	0.2	0.4	0.4	0.4
Roumania	0.4	2.5	1.1	1.2
Turkey	0.2	0.5	0.1	0.2
Total	1.8	6.0	3.0	3.9

The comments of the Press show that Switzerland is not much inclined to follow this advice. There is, of course, a desire to increase Swiss exports, but all the countries mentioned are only able to pay with goods, and goods for which they ask generally higher prices than those ruling in the world market. That is why Switzerland increased exports to "free markets" after devaluation much more than to countries with restrictions on payment.

The same obstacles hinder any extension of capital investment in these countries. It is already difficult to secure payment of interest on present investments. Furthermore, the recent increase in exports from the Danubian and Balkan States to Germany are not encouraging to other small States who do not wish to fall into a position of economic dependence upon Germany.

Financial Policy

During the last few years financial policy has been a controversial subject. One group has clamoured for a strictly balanced Budget obtained by economies in expenditure; another has demanded considerable State outlay on public works, etc. After a proposal made by the Government for drastic financial reform had been defeated in Parliament in June, 1938, the parties agreed to a compromise suggestion, including several economies and retaining the new "crisis" taxes introduced since 1933, and improving the Budget position by more than 200 million Swiss francs. On November 27th this proposal was accepted in a popular vote by 508,000 votes against 194,000—though some of the measures taken so far have not in fact been very popular. This big majority is probably a reflection of the serious international situation and it shows that the Swiss people are willing to take all necessary steps to defend their independence.

Czecho-Slovakia

Retrospect

PRAGUE, December 2.—The economic situation of Czecho-Slovakia has been profoundly influenced by the events of the last two months. The system of alliances and Western friendships, which prevented Czecho-Slovakia from seeking better understanding with her immediate neighbours, has proved a

complete failure. If Czecho-Slovakia had not relied implicitly on help from her Western allies she could probably have obtained far better terms by direct negotiations with Germany, Hungary and Poland than she has now had to accept. In the event, the new settlement and revision of frontiers have patently ignored important economic considerations. Lord Runciman's report on the Sudeten question did not show any great understanding of the economic aspects of the problem, while Mr Chamberlain, whose forthright action raised the curtain on the last act of the Czech drama, did not concern himself very much about the economic consequences of the solution proposed at Munich. The Munich agreement contained none of the economic or financial clauses which ought to have been agreed upon before the cession of territory, leaving all these questions to the Ambassadors' Commission.

The result is that Czecho-Slovakia is practically at the mercy of Germany. The Munich agreement decreed the immediate cession of the predominantly German territory. The Commission took as a basis of definition the pre-war census of 1910, based not on nationality but on the language then in current use. This under the Austrian rule of 1910 was German in the minority districts, although a large part of the people concerned was Czech. The same principles were applied in the delimitation of the Polish acquisitions and in the Vienna settlement of territory to be ceded to Hungary—where the pre-war census was even less reliable than in the Austrian districts. On the basis of the most up-to-date census it may be estimated that Czecho-Slovakia has lost 29 per cent. of her territory and over 33 per cent. of her inhabitants—more than 4.8 million people, of whom just about a quarter are Czechs and Slovaks.

The economic needs of Czecho-Slovakia have been entirely neglected. Railway lines and roads are severed in several places by the new frontiers; many towns have been cut off from their hinterland; supplies of coal and electrical power to urban and industrial districts have been rendered difficult; in brief, agricultural, industrial and commercial units have been divided wholesale by the new frontier lines. The final demarcation of the Czech-German frontiers did bring slight rectification at some points, but it also involved still more heavy losses of purely Czech territory for strategic reasons, to help German communications and even to serve the interests of big German landowners or industrialists—though an agreement with Germany was concluded for the mutual protection of minorities. The settlement of the minority question with Hungary and Poland will in all probability be more difficult; and the status of Carpathian Russia has not yet been definitely accepted by these Powers.

An Economy Split Asunder

Politically and economically the new Czecho-Slovakia depends upon the good will of Germany. The new changes have cut very deeply into the body economic. In the old Czecho-Slovakia the economic interdependence of Germans and Czechs was vital: German industry produced for the Czech market and *vice versa*; the network of communications and finance was closely integrated; now these secular links have been broken.

The first consequence of the changes in the territorial configuration must be a new orientation of foreign and commercial policy. Sudeten-German industry now forms part of the great German market. Silesia's great coal mines and iron works have been ceded to Poland. The southern parts of Slovakia and Carpathian Russia with a highly developed agriculture have gone to Hungary.

In the new Czecho-Slovakia the balance between agricultural and industrial occupations will be only slightly changed: 37.6 per cent. will be engaged in agriculture against 32.1 in industry; previously the percentages were 34.6 per cent. and 34.9 per cent., respectively. The important industries in the ceded regions, especially textiles, glass and porcelain, are characteristically cyclical industries which suffered notably during the last depression. Their loss will be somewhat compensated by greater stability. But the basis of Czech foreign trade will become correspondingly narrower. Czech industry will be less dependent on exports, but it will have a sounder footing in the home market.

In agriculture Czecho-Slovakia has lost the fertile regions of Southern Slovakia and Carpathian Russia, about 60 per cent. of her hop area, about two-fifths of the woods of Bohemia and Moravia and the greater part of her wine and tobacco production. In raw materials the heaviest losses are all her graphite and zinc, 97 per cent. of her lignite, 76 per cent. of her china clay, 68 per cent. of her copper and nearly 55 per cent. of her coal.

According to figures published by the Statistical Office the

greatest losses in industrial production are, in percentages of total output, as follows:—

	%		%
Stone industry	53.5	Laces, embroidery	74.5
Fine ceramics	89.9	Cellulose, cardboards ...	60.5
China	98.0	Paper	62.8
Sheet glass	100.0	Bentwood furniture ...	57.1
Hollow and pressed glass	62.5	Wooden articles	53.8
Glass jewellery	69.6	Musical instruments ...	86.2
Heavy chemical industry	39.8	Toys	63.0
Oil, fat, soap and candles	62.7	Fish preserves	66.4
Dyes	50.8	Vegetable preserves ...	57.4
Mineral waters	73.4	Hats	42.6
Yarns	39.2	Leather gloves	51.9
Hosiery	75.4	Artificial flowers,	
Haberdashery, buttons	86.7	feathers	92.4
		Umbrellas	48.0

The Task of Reconstruction

It will be necessary to take stock of the changed structure of the industrial production and to adapt the whole of Czech economic policy accordingly. The chief task will be to encourage fresh private enterprise in order to fill the gaps caused by these losses and to find employment for demobilised soldiers, Czech refugees and people who have lost their businesses or occupations.

The altered character of foreign trade will require a revision of the customs tariff and of existing commercial treaties, quotas and clearing agreements. The country's transport facilities will have to be entirely reorganised. In State and other public administration the greatest economy will be unavoidable. And a number of financial complications will arise from the federalisation of the new State.

The Government is negotiating with Germany for temporary economic arrangements. Trade between Sudetenland and the Reich is now free of duty and the same is to be the case for trade between Sudetenland and Czecho-Slovakia. Railway and postal communications have now been resumed; and a number of questions relating to payments has been settled by an agreement between the National Bank and the Reichsbank. Special agreements have been signed with Germany concerning the Donau-Oder Canal and the new German motor road Breslau-Brno-Vienna.

Brazil

Trade and Indebtedness

SAO PAULO, November 20.—On November 10th, which was the first anniversary of the "New State," President Vargas pointed out that the circumstances which led, a year ago, to the suspension of all payments on Brazil's foreign debt have not yet improved. "Yet," said Dr Vargas, "the Government are now ready to consider any practical scheme which, without injury or damage to our own economic life, could improve the position of our creditors." Those in close touch with the situation in Brazil believe that it was more than a pleasant but empty phrase. The authorities can scarcely be charged with deliberate illwill. Brazil's import surplus is rising, and the first six months of 1938 showed a total surplus of nearly £2,000,000. This deficit was due partly to restrictions on export markets and partly to the fall of world prices; while, on the other hand, inflationary tendencies in Brazil itself have made for a considerable rise in imports.

Brazil's exports compete with the protected tropical produce of the African possessions of Great Britain, France, Belgium and Italy, and there is little she can do to increase exports to Europe. She has, however, considerably increased her export tonnage; tonnage shipped in the first six months of 1938 amounting to 1,837,920 metric tons, compared with 907,566 metric tons in the corresponding period of 1933. This increase was offset by a considerable fall in the prices of coffee and cotton; shipping revenue, in United States dollars, increased by only 40 per cent., compared with an increase of 100 per cent. in tonnage shipped. A rise in the purchasing power of the American markets, or a general increase in world commodity prices, would enable Brazil to resume part payments on her foreign debt.

Rising Imports

Rapidly growing imports also contribute to Brazil's inability to arrive at a practical solution of her debt problem. Inflationary budgets; additional purchasing power in milreis resulting from the suspension of foreign debt service; the accumulation of foreign-owned blocked milreis balances seeking reinvestment; the decline of the external purchasing

power of the milreis and the resulting exchange protection for domestic industries; a building boom created by nervous Brazilians holding milreis balances—all these elements have brought about a considerable increase in luxury imports, as well as purchases of capital goods. The President has announced his intention of regulating imports by restricting purchases of luxury goods in favour of industrial equipment and machinery. This measure is not designed to benefit the foreign creditor, but may, in the long run, prove useful to him.

A strong wave of nationalism, however, is sweeping Brazil. A return to the "bondage of debt slavery," a slogan implanted in Brazil by the Integralistas, would be most unpopular. Economic facts and popular sentiment combine to make unlikely an early resumption of payments.

This situation is being slowly offset by other considerations. Increasing difficulties in her export trade are forcing Brazil to intensify internal trade and production. But the first requisite for the successful development of her internal economy is an expansion of her railway system and of coastal shipping. Till recently she hoped to obtain the equipment she urgently needs from Germany, but the compensation trade with that country has proved disappointing. Responsible leaders in Brazil are once more turning their eyes towards New York and London.

Official control of imports has been discussed in Brazil since 1929. Control would be of the greatest importance to British trade and involve grave difficulties for British exporters. Brazil would be obliged, the President said on November 10th, to change trade policy by restricting imports of consumers' goods in favour of the capital goods needed for industrial development. The new measures would affect not the main purchasers of Brazilian commodities, like the United States, but countries with an export surplus in trade with Brazil, such as Great Britain, Argentina and Germany. "Brazil can no longer tolerate present conditions," said Dr Vargas, "under which our main suppliers are not willing to balance their trade with us by buying corresponding quantities of Brazilian commodities." Legislation will follow in the near future. It is not known whether this will take the form of an import licence system, similar to those in force in Germany and Denmark, or whether the Bank of Brazil will apply a foreign exchange quota system, like that employed until recently by Argentina.

Nationalisation Plans

The threat of nationalisation hangs like the sword of Damocles over all foreign banks established in Brazil. The Constitution promulgated on November 10, 1937, states, in rather vague terms, that ownership of shares in "deposit banks" will be limited to Brazilian citizens. Foreign banks would be granted "reasonable" time to adjust themselves to the new situation. The law as it stands is most obscure. The President's speech urged the establishment of a Central Bank and the development of commercial banking. Brazil's national industries, he said, depend on banking credits, and no foreign bank could be interested in supporting local industries which compete with goods imported from the bank's country of origin.

Yet, he added, Brazil has no intention of discriminating against foreign capital. Nationalisation of foreign banks should not be considered a political measure. Its purpose is to engage all productive forces in developing the national economy of Brazil. "We wish to put an end to the exploitation of Brazilian capital for the benefit of foreign interests." It is true that British and American banks in Rio and Sao Paulo are highly thought of and that a large percentage of their deposits are of "Brazilian nationality." Italian, Portuguese and German banks attract considerable deposits of their respective "national extraction," all at the expense of "national" banks. Whether a generally satisfactory solution

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can be found it is difficult to say. The most probable way out—as the president's speech seems to confirm—is the maintenance of the *status quo* with the sword still threatening but not descending.

In the case of foreign insurance companies the situation is different. The "nationalisation" clause of the 1937 Constitution applies equally to banks and insurance companies. But the struggle for the elimination of foreign insurance companies has already lasted for more than forty years. A Re-insurance Institute will shortly be established, a controlling body endowed with a monopoly for all reinsurance business in Brazil. All foreign insurance companies will be nationalised and legislation to that effect will follow almost at once.

Argentina

Financing Minimum Grain Prices

BUENOS AIRES, November 26.—Congress met in extraordinary session on November 21st mainly to consider the Budget. The passage of the Bills for the State purchase of the Argentine Transandine and Córdoba Central Railways by the Senate is now almost assured.

On November 7th the Government rather unexpectedly changed the official import rate of exchange from 16 pesos to 17 pesos to the £. The reason given was the reduced offers of foreign currency caused by the decline in exports and the withdrawal of capital and floating funds. At the same time it was announced that, after December 1st, all imports would require prior permits, to enable the Government to anticipate the trend of the market. Previously, prior permits were needed for imports paid for at the official rate of exchange, but not for imports paid for at the free market rate. It will be recalled that the official import rate was changed from 17 pesos to 16 pesos to the £ on December 9, 1936. As the official export rate of exchange remains at 15 pesos to the £ the Government's exchange profits will now be doubled.

This measure was interpreted as the prelude to the restoration of minimum grain prices to be financed from the Government's exchange profits. This turned out to be the case, and on November 14th the basic prices of wheat and linseed were fixed at 7 pesos and 13 pesos respectively per 100 kilos. The Government agrees to buy the crops from the growers at the basic prices, selling afterwards to the exporters at the market price. The basic prices are only slightly higher than the market prices lately ruling, and are very far from, say, the price of 9 pesos per 100 kilos for wheat which was recently suggested in some quarters. The new regulation applies only to the coming crops, existing stocks of old wheat and linseed being unaffected.

The Government claims to be simply following the example of other countries which subsidise wheat; and the newspaper *La Nación* considers that basic prices are preferable to a direct subsidy, because a subsidy helps the exporter rather than the grower. *La Prensa*, on the other hand, regards it as economically unsound for a country to subsidise directly or otherwise its own chief source of wealth; and observes that when, in November, 1933, the official import and export rates of exchange were fixed, the difference between the two rates was supposed to finance the minimum grain prices. But by the end of 1937, when the minimum prices were removed, only 1.43 per cent. of the sum collected had been used to help the growers. Since the grower receives only 15 pesos for every pound sterling worth of produce exported, and must pay 17 pesos for every pound sterling worth imported, *La Prensa* considers that it is a case of losing a peso to gain ten cents.

The outlook for the coming crops is on the whole very good—except in the south-west of the cereal zone, where damage has been done by drought and frost. Ample rains have fallen in the cereal zone during the last week, and the season is far enough advanced for further frost to be nearly impossible. But the outlook for linseed is not so good as that for wheat.

Import Surplus this Year

Exports in October amounted to 894,378 tons, valued at 118,522,514 pesos, against 1,270,472 tons, valued at 161,435,554 pesos, in the same month of 1937. The volume of exports has steadily and greatly increased since last April, but owing to falling prices the advantage has been practically lost. Imports in October were valued at 109,226,334 pesos, compared with 149,998,461 pesos in the corresponding month last year. Last month, therefore, recorded a small

export surplus. Nevertheless, whereas in 1937 there was for the whole year an export surplus of no less than 753,313,422 pesos, the current year will almost surely close with an import surplus. This is indicated in the following table:—

1938	(In Pesos) Exports	Imports	Surplus of Exports (+) or Imports (—)
January	145,993,968	145,801,423	+ 192,545
February	127,714,064	123,959,819	+ 3,754,245
March	118,578,386	144,403,619	-25,825,233
April	103,690,644	116,733,359	-13,042,715
May	110,173,828	110,831,148	- 657,320
June	106,371,841	105,561,480	+ 810,361
July	107,760,397	114,381,836	- 6,621,439
August	109,042,907	120,096,850	-11,053,943
September	109,275,486	118,420,971	- 9,145,485
October	118,522,514	109,226,334	+ 9,296,180
Total	1,157,124,035	1,209,416,839	-52,292,804

Comparing the tariff value of imports in the first ten months of 1938 with the corresponding figures for 1937 the only items which have risen are machinery and vehicles, fuel and lubricants and tobacco.

New Zealand

After the Elections

CHRISTCHURCH, October 21.—Now that the triennial parliamentary elections are over, and the Labour Government has been returned with a substantial majority of 54 seats, political excitement has died down, but the economic situation has reached an interesting stage. The Labour Government took office when the long period of severe depression was giving way to a strong and rapid recovery.

Partly in response to the buoyancy of conditions, partly to implement its election programme, the Government embarked upon a policy of social betterment and carried it a long way towards completion. It restored the pre-depression rates of wages; re-established the Arbitration Court; reduced hours of work; increased its control over industry, trade and banking; and provided generous additions to existing social services.

Conditions have now changed. The rapid advance in prices and in prosperity, which marked its previous term, has been checked. Receipts for exports have fallen 10 per cent. since the end of 1937, and internal business appears to be contracting; while public expenditure continues at a very high level and the Government's commitments for public works and social security are heavy. Money is much scarcer than it was, confidence for the future is lower, and interest rates are tending to rise.

The steady export of capital, which has been going on quietly for some time, has been accelerated by the election results. The trading banks have raised their exchange rates on London and Australia by $\frac{1}{4}$ per cent., and the banks are making attempts to reduce the outflow of funds. The accumulation of money in the Post Office Savings Bank, on which the Government relied for much of its capital for public works, has been reduced, bank advances have risen while deposits have fallen, and the overseas funds held by the banks have fallen heavily during recent months.

The Government is faced with the necessity of financing a public works programme estimated to cost £NZ14 millions in the present year, of re-paying £NZ5.5 millions borrowed by Treasury bills from the Reserve Bank (presumably for public works in the main) and of implementing its Social Security Act while keeping the Budget balanced.

At present New Zealand is chiefly concerned about the rapid decline in overseas funds. In the first half of 1936 these amounted to £NZ45 millions; but they had fallen to £NZ28 millions by May, 1938, and to £NZ20 millions by the end of last August, the latest figure for which trading bank returns are available. The Reserve Bank's sterling exchange amounted to £NZ18.25 millions at the end of May, 1938, to £NZ13.7 millions at the end of August, and fell to £NZ9.1 millions by October 17th.

A decline in overseas funds is usually accompanied by internal credit stringency, and has been met in the past by small and temporary increases in the exchange rate, accompanied by increases in the banks' discount and overdraft rates. Such methods are usually sufficient to check imports of goods and the export of capital. But it appears that the adoption of some method of official control is probable.

Letters to the Editor

Valuation for Customs

TO THE EDITOR OF THE ECONOMIST

SIR,—I read with very great interest the article on "Valuation for Customs" in your issue of November 26th. I think that only those who are in the position of the company with which I am associated can appreciate how very arbitrary and cumbersome the working of the British regulations is. You mentioned that perhaps the most serious complaint is the uncertainty with regard to duties. This is one of the principal difficulties, and it is also definitely the case that values for duty may change from year to year, in accordance with trading results in this country. The working of the British regulations entails an inquisition in great detail by the Customs and Excise authorities into the relations between British firms and overseas suppliers, which may have to be repeated annually. There is nothing in this inquisition which a company with a clear conscience need fear, but the time and trouble which it takes, both for the Customs authorities and the importer, are really formidable.

The company of which I am writing depends for its prosperity upon obtaining as many new ideas as possible for incorporation in the specialised machinery which it manufactures. We do our best to obtain the latest ideas from foreign countries and manufacture machines according to them, if necessary under licence. After we have started manufacture, we sometimes import special parts or ancillary parts not easily obtained in this country from the country where the idea originated.

This is one of the cases which gives us most trouble, as we pay a royalty on the whole machine to the patentee, and the Customs authorities insist that a portion of the royalty must be included in the value for customs of any imported part used in the machine. We can only arrive at this by an elaborate calculation of the proportion which the value of the part represents to the whole of our works costs, and then dividing up the royalty in that ratio and adding the appropriate amount to the price which we have paid for the part. At times the problem is insoluble, as we use the imported parts on a machine for which no selling price has been fixed and for which the royalty is not yet known.

To take an extreme case, we incorporated certain knives costing about 7s. 6d. in machines the selling price of which was about £500, and in compliance with the regulations were supposed to add to the 7s. 6d. the appropriate proportion of the royalty paid on the whole machine. The royalty was based on the selling price of the machine, and we frequently imported a supply of knives, some for use on machines the selling price of which was known, some for use on later machines, and some for re-sale as replace parts. According to the regulations, different rates of duty ought to have been charged on the knives according to the use to which they were put. Both we and the Customs were at our wits' end, when it occurred to us that the American patentee himself did not make the knife, and we were able to order direct from his supplier and pay on a uniform basis because his supplier had no interest in the royalty.

In some cases we have sole selling rights for machines the demand for which does not justify manufacture in this country, or for which the patentee is not willing to give a licence. As our machines are mainly supplied to deal with the particular processes or sizes of the client, our own orders are normally sent to our overseas suppliers against special orders received by us. Here we run up against what appears to us a most arbitrary distinction. In the case of special orders, such as we must send owing to the nature of our business, the machine is valued for duty at the price at which we sell it to our clients (less inland freight, erection and service, and the Customs duty itself when the machine is sold at an inclusive price). If, on the other hand, our business were of a simpler nature, such as the sale of standard motor cars, and we were able to carry a stock of machines and sell from it, we should only have to pay duty on the price which the foreign supplier charges us.

So far as I know we are the only country which has adopted our particular method of valuation, and it would be an immense relief to us if the usual method of valuation could be adopted in this country.

Yours faithfully,

X.Y.Z.

TO THE EDITOR OF THE ECONOMIST

SIR,—The article on "Valuation for Customs" on page 431 of *The Economist* of November 26th was of particular interest to me because of my considerable professional experience as a solicitor with regard to Customs. In one or two particulars, however, the article is somewhat inaccurate. It states:—

For goods whose value cannot be determined in the open market, the Act, in effect, specifies that the value shall be determined by the price at which the goods are sold in the United Kingdom "less an allowance in respect of duties of Customs and reasonable merchandising expenses and profits incidental to the marketing of the goods after importation."

That is what the 1932 Act provided (Sec. 15 (2) (b)), but this and other provisions were repealed by the Finance Act, 1935.

The only directions now given to the Commissioners are those contained in Sec. 10 of the 1935 Act which provides, in effect, that the value shall be taken to be

the price the goods would fetch in a market in which the assumptions mentioned in sub-sections (2) and/or (3) and/or (4) (as the case may be) apply to every sale therein of similar goods.

If there is a market answering that description, then the value is the price the goods at the time of importation are fetching in it. If, on the other hand, there is no market answering that description, then the Commissioners must do what they can to ascertain what the goods would fetch in a notional market answering that description.

I do not think the writer has grasped this, for he says—

the great majority of manufactured goods cannot be valued by any open market quotation,

which is no doubt correct, but he goes on to say—

Indeed, the Import Duties Act specifically exempts from this method of valuation patented, registered or trade marked goods.

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This clearly is not so. All the 1935 Act (Sub-secs. (3) and (4)) says, is, in effect, that in computing the price such goods would fetch in the open market the Commissioners shall assume that the buyer is getting the benefit of any enhanced value attached to the goods by reason of their being patented, or of a registered design, or being put upon the market here for sale under a Trade Mark. There may, of course, be an existing market at sales in which buyers purchase similar goods with the advantages of their being patented, etc., in which case an "open market quotation" would be obtainable, and the writer's statement that the Act "specifically exempts" such goods from this method of valuation is clearly erroneous.

I ought, perhaps, to add that notwithstanding the above, it is a fact, that although there is no longer a statutory direction that the Commissioners shall take the selling price as a basis in cases where there is no actual market, they still in practice do so.

Yours very sincerely,
H. L. NATHAN.

London, E.C.2.

[As is apparent from the last paragraph of Colonel Nathan's letter, the procedure of valuation is, in fact, as stated in our article. The inaccuracies—or rather the incompleteness—in our statement of the law arose from the attempt to make a complicated matter clear in a short space. The effect of the 1935 Act has been to change the legal basis of the Commissioners' procedure without changing the procedure itself. It seemed sufficient, in our article, to quote the original definition (which is more intelligible than that in the 1935 Act) and add that this definition still "in effect" applies. The same process of abbreviation is responsible for the words "specifically exempts" to which Colonel Nathan takes exception. At full length, the sentence should read: "The Import Duties Act, as amended by the Finance Act of 1935, contains provisions specifically referring to trade-marked, registered and patented goods and goods imported by sole agents or firms affiliated in any way with their suppliers, the effect of which is to exempt them from this method of valuation." It is true that it is possible to conceive of an open market for patented goods, but it must be very rare indeed.

We are grateful to Colonel Nathan for raising these detailed points, and feel sure he would not wish to imply that our article was in fact misleading.—EDITOR.]

Railway Problems

TO THE EDITOR OF THE ECONOMIST

SIR,—Your leader on "Railway Problems" in *The Economist* of November 26th was most timely. I agree with a great deal of what you said, especially in your last column. But I cannot agree that regulation of railway charging, particularly the prohibition of undue preference, is "no longer in the least necessary to protect the public" even though the railways are not "ravaging monopolies." To free railways from "undue preference," with road haulage restricted as it is at present, will perpetuate a grave inequity between traders. If "undue preference" is not prohibited, some traders, more fortunate to-day than their competitors in having cheap road service at their disposal, will in future continue to be more fortunate in having lower railway rates as well.

Release from "undue preference" allows the railways to reduce rates to individual traders to meet road competition for their traffic. But the operation of the system of licensing road vehicles is such that not all competing traders can obtain road service. Many who could and would use road transport cannot do so, because not enough vehicles and operators are being licensed. It may be impossible, as you say, to gainsay the elementary justice of the railways' case. But the public interest is surely paramount, and public interest requires that if the railways are to be freed from restriction, the road haulier must be too.

I cannot altogether agree either that the liberty of the railways to vary their rates is in fact restricted by the Act of 1921. "Undue preference" is the significant impediment, not control by the Railway Rates Tribunal. As long as railway net revenue is less than the standard net revenue, the Tribunal must and will allow any exceptional rate, however low, which a railway company may put in, if the rate will improve the company's net revenue. The railway companies, I admit, cannot quote rates as promptly as their road competitors. But that is the fault of their large size and highly

centralised organisation, and not the result of legal regulation.

I am with you in fearing the outbreak of local rate wars. Road rates are chaotic to-day. But is not that largely because of the excessive secrecy which shrouds each haulier's business? To give the railway companies the right to conceal would make confusion only worse confounded. Let us better insist as well on publicity for road rates.

To form a system of rates appropriate to a competitive transport market requires a wholesale reorganisation of railway rates, and fundamental changes in the internal structure of railway companies. Nor will the present practice of road hauliers remain unaltered. Railways must submit to change, because their rates and structure are appropriate to monopoly; road haulage practice will be changed because it has grown up so far in the shadow of a regulated monopoly, and has thus been forced into the wrong mould.

I am, Sir,
Your obedient servant,
GILBERT WALKER.

University of Birmingham.

TO THE EDITOR OF THE ECONOMIST

SIR,—The railway companies' proposals are aimed at placing road and rail transport upon a fairer basis for competition, and to that extent will be met with general approval. To some, however, the prospect of the removal from the railways of the legal obligation not to show undue preference may seem alarming. It savours of vesting in the railway companies powers of influence and discrimination which are altogether too great.

A distinction must surely be made between a rates policy which is "discriminatory" or "preferential" as between different traders and one which is differential as between different traffics. The former denotes the carriage of goods for firm A on more favourable terms than for firm B, on no other accountable ground than that it is firm A rather than firm B. Such a practice is surely wholly undesirable, and is what the legislature has rightly desired, and should continue, to prevent. The latter, i.e. freedom to differentiate between different traffics consigned under different circumstances, is of a wholly different order. It involves, *inter alia*, charging differently for traffics that make good wagon- and/or trainloads, as against those that make bad ones; between traffics that incur much, as opposed to little, clerical expense. It may further involve charging at a lower level at slack than at busy times, with a view to utilising otherwise unused capacity; or even charging differently from A to B than from B to A, with a view to obtaining a better balanced traffic.

None of these practices should, in my view, be labelled discriminatory or preferential. They incorporate differentials based on principles which are anything but arbitrary, and should be encouraged rather than discouraged by the legislature. I take it, and it is to be hoped, that the railway companies are seeking the removal of those legal restrictions which prevent them from applying such differentials to the extent to which they would like, and that it is not their intention to "discriminate" in the sense defined above.

But, it may well be asked, would not this abstention on the part of the railways prevent that very equality of circumstance between road and rail which it is the object of the new proposals to bring about? Is it fair that the railways should refrain, voluntarily or otherwise, from discrimination while operators need not do so? The answer to that question is that, in the case of road transport, there is still a multitude of operators, and therefore competition; and that a reasonably competitive market is as good a safeguard against discrimination—except within the narrowest limits—as any legal enactment. Differentiation, yes. But there can be little discrimination. For it is always open to those against whom discrimination is exercised to transfer their patronage to those able and willing to quote competitive rates. It is not, therefore, inconsistent with a fair basis for competition for the railways to refrain from deliberate discrimination, seeing that, by reason of their enormity and the fact that they frequently act in concert as a single unit, they are still believed to enjoy a certain degree of monopoly over some traffics.

With this new freedom, the railways will be able to select, and offer differential charges between, traffics. Thereby they can encourage those traffics which they are technically best suited to carry. A step towards a more appropriate division of function between road and rail will have been made.

Yours, etc.,
G. J. PONSONBY.

London, S.W.19.

Books and Publications

The Capital Market

"Or making books on money there is no end." Even the prophet himself would forgive this mis-quotation to anyone who had conscientiously tried to keep up with recent literature on the subject of money and capital. The onus is definitely on any author who wishes to add to the flood to prove that his contribution can really be justified.

Yet, despite their great number, few of the recent works have sought to give a full account of the facts of the capital market and its workings, although changes in this field are fully as inevitable and important as changes in prevailing theories, and perhaps even more in need of prompt and accurate recording. The author of this study of the English capital market* is therefore to be congratulated on his choice of terrain for research.

He is also to be congratulated on his handling of the subject. There is not much in the book which can strictly be called original, though Dr Frey has used personal questioning to supplement knowledge derived from official records, evidence given before the Macmillan committee, and so on. But the book does give us that clear, comprehensive and up-to-date account of the capital market which is just what the student needs.

Special attention has been paid to the financing of British industry, and a whole section is devoted to the various ways in which money is secured by businesses large and small. It is interesting, in view of the emphasis laid in recent monetary works on the retention of company profits, to find that Dr Frey deals with this method first, and lays great stress upon its importance, in addition to describing the numerous other private, or semi-private, sources of funds which rendered British industry so astonishingly independent of the London new issue market before the war—and which still play a far larger rôle than their inevitable lack of publicity might lead one to expect. The topic is thrown into relief by useful illustrations from the financial history of the mining, shipbuilding, shipping and cotton industries.

The first part of the book deals with the various kinds of seekers after capital, tracing historical changes in every case. It is perhaps a little surprising to find so much importance attached to the demand on the Government (including local authorities), not merely in our own times, of war, rearmament and large-scale house-building, but also in the relatively placid years of the nineteenth century. This initial description of the various demands to be met very greatly facilitates an understanding of the different parts of the market's machinery.

These parts are brought under review, one after the other, in the main part of the book, and in each case the necessary historical account is given, which explains so many apparent anomalies. The Bank of England and the joint-stock banks are described in the traditional way. Then Dr Frey deals with the broker's rôle in the making of new issues, and of the special functions of a provincial broker. There follow useful descriptions of the merchant bankers, the finance companies (including a review of some leading firms), the Stock Exchanges and the investment trusts; in view of the depreciation shown by so many portfolios, the author might have been a little more critical of the benefits supposed to accrue from "expert management."

The insurance companies and savings banks receive only a few pages, but the working of building societies, which have no real equivalent in Dr Frey's Switzerland, is described in some detail. In discussing their charges, and the rôle of cheap money in stimulating the building boom, the author unfortunately fails to distinguish between the charge to new borrowers and the average charge on outstanding loans (page 238); this is fatal to the argument in question, but the account as a whole, like the rest of the book, is satisfactory.

* "Der englische Kapitalmarkt." By Dr Edwin Frey. Schulthess & Co., Zürich. 296 pages. 7.50 Swiss francs.

Shorter Notice

"The Legal Aspect of Money." By F. A. Mann. Oxford University Press. 334 pages. 21s.

Dr Mann writes as a lawyer for lawyers; his learned book is an exhaustive examination of the law relating to money, mainly in England, but also in the Dominions, the United States and some European countries. Yet some knowledge of the terrain he covers is indispensable to economists, bankers and many business men. Dr Mann has surveyed the whole field of statute and case law about the nature and uses of money, systems of currency and legal tender, monetary obligations and indebtedness; and the result is a mosaic picture of the meaning of money in actual institutional practice. Without this background monetary theory is quite unreal: the passages on the gold clause and on foreign money obligations, for instance, are more than matters of legal record only; they throw light upon the most pressing of contemporary discussions of money, as well as upon vital topics of political and diplomatic debate. Not all legal experts, and perhaps not all economists, will agree with all Dr Mann says, but they are all bound to buy and read his book, and to subscribe to its authoritative character as a needed work of reference.

Books Received

Three Lectures on Commerce and One on Absenteeism delivered in Michaelmas Term, 1834, before the University of Dublin. (London.) London School of Economics: Series of Reprints of Scarce Works on Political Economy. 111 pp. 6s. net.

Three Studies on the National Income. By A. L. Bowley and Sir Josiah Stamp. (London.) London School of Economics: Series of Reprints of Scarce Works on Political Economy. 145 pp. 6s. net.

The Literature of Political Economy. By J. R. McCulloch. (First published 1845.) (London.) London School of Economics: Series of Reprints of Scarce Works on Political Economy. 407 pp. 12s. 6d. net.

Marx. By K. Korsch. (London.) Chapman and Hall. 247 pp. 6s. net.

The Soil and Social Reclamation. By G. C. Watson. (London.) P. S. King. 173 pp. 7s. 6d. net.

The New Turkey. Reprinted from the Turkish Number of "The Times," published on August 9, 1938. (London.) The Times Publishing Co., Ltd. 142 pp. 2s. 6d. net.

Comrades and Citizens. By S. R. Allan. (London.) Gollancz. 392 pp. 10s. 6d. net.

Sigmund Freud. By F. H. Bartlett. (London.) Gollancz. 141 pp. 3s. 6d. net.

Which Way To-morrow? By N. Blyth. (London.) Chapman and Hall. 350 pp. 5s. net.

Daily Mail Year Book, 1939. (London.) Associated Newspapers, Ltd. 288 pp. 1s. net.

Official Publications

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

Department of Overseas Trade. No. 711. Report on Economic and Commercial Conditions in the Philippine Islands, June, 1938. 9d. net. *No. 712. Poland, June, 1938.* 1s. net. *No. 713. Canada.* By A. R. Bruce (1937-38). 2s. 6d. net. *Greece, 1938.* By S. R. Jordan. 1s. 6d. net.

Report of the Commission on the Marketing of West African Cocoa. Cmd. 5845. 3s. 6d. net.

Statement showing the Financial Position of Territorial Army County Associations on March 31, 1938. Cmd. 5853. 3d. net.

THE BUSINESS WORLD

Exchange Control in New Zealand

WITH a rapidity and efficiency which should put the "old hands" at totalitarian economics to shame, New Zealand has this week imposed virtual control over the foreign exchange market. Three simultaneous moves sufficed to achieve this object. In the first place, the convertibility of the New Zealand notes into sterling was suspended. Secondly, all exports from New Zealand have been made subject to licence granted by the Government. Thirdly, all imports into New Zealand are to require the sanction of the Government. Thus in three strokes the whole—or virtually the whole—of the Dominion's foreign exchange machine has been placed under the control of the authorities.

Before discussing the mechanics of this control and its broad economic implications for the Dominion, let us glance at the conditions which called it into being. The October elections had ensured not merely a continuation but an acceleration of an economic policy which over the past two years has found its most significant reflection in a persistent and recently severe weakening of the reserve position. The reserve of London funds held by the New

Zealand Reserve Bank and by the trading banks has fallen from £28 millions (New Zealand) at the end of 1936 to £23,700,000 at the end of 1937 and to £17 millions at the end of September, 1938. The decline has continued since, as may be seen from the fact that the part of these London funds held by the Reserve Bank has fallen from £11,450,000 at the end of September to £4,828,000 on November 28th. This draining away of the reserve has occurred despite the incidence of comparatively good export seasons. As against annual exports of around £47 millions for the years 1934 and 1935 the exports for 1936 rose to £56,800,000, for 1937 to £66,700,000 and for the first nine months of this year totalled £48,100,000. Export prices have been falling recently, the latest available index number, that for August, being 103.6 (1930 = 100), as against 113.1 for August, 1937. This decline in export prices has accelerated the drain on London funds, because there has been no corresponding reduction in the volume or value of imports. The maintenance of imports is, in part, the inevitable after-effect of good export seasons, the customary time-lag making itself felt in New Zealand as in other primary producing countries. In addition, it arises from the public works programme of the Government and of its expanding expenditure on social services. There is no going back on this part of the Government's programme. Only this week we have had news of another substantial public works loan, while the Social Security Act, with its admirable but expensive provisions for medical services of all kinds, only comes into operation next April. The costs borne by primary producers in New Zealand are being increased both by the rising level of taxation, by minimum wages and hours legislation, and by State competition for labour and materials for the ambitious public works programme. The fundamental factors that lie behind the deterioration in the reserve position were therefore likely to gain rather than lose strength—if left to develop in a comparatively free economy.

There is a less fundamental but equally potent factor which in recent months has been contributing to the deterioration of the reserve position. This is the outflow of capital from New Zealand to other countries—mostly to Australia and Great Britain. The power of this influence can be approximately measured by comparing recent trade figures with the decline in London balances, keeping in mind the fact that the remittances which New Zealand must make yearly in respect of external debt charges and other invisible imports amount to between £10 millions and £12 millions (N.Z.). In 1936, with a favourable trade balance of £12,493,000, the overseas assets of the Dominion fell by £8,008,000. In that year, therefore, capital exports must have amounted to over £10 millions. In 1937, the favourable balance amounted to £10,553,000 and the decline in overseas assets to £4,425,000, indicating capital exports of the order of about £4,000,000. For the first nine months of 1938 the export surplus amounted to £6,495,000 and the decline in overseas assets to £5,959,000, providing further evidence of an outflow of capital. This outflow has taken the form of New Zealand purchases of British and Australian securities, and to a lesser extent has been effected by the non-repatriation of the proceeds of New Zealand export trade. Its main motive power has, of

course, been the distrust felt in certain New Zealand quarters for the policy of the Savage administration.

What of the means that are being taken to meet this situation? The abolition of the convertibility into sterling of the notes of the Reserve Bank of New Zealand is obviously the first of these defensive measures. New Zealand has hitherto been on a free sterling exchange standard. Section 16 of the Reserve Bank of New Zealand Act, 1933, provides that "on presentation at the head office of the Reserve Bank in Wellington of notes of the Bank to any amount of not less than £5,000, it shall be the duty of the Bank to give in exchange for such notes sterling for immediate delivery in London." This provision has been the foundation-stone of the whole foreign exchange market in New Zealand, and it had to be removed with the transition of that market from a free to a controlled status. The New Zealand pound, none the less, remains based on sterling, and there is no suggestion whatever that the rate at which the two are now linked will be severed or changed in the near future. Indeed, the establishment of exchange control can be regarded as an alternative to exchange depreciation, and at least it removes that possibility to a fairly distant future.

The licensing of exports is intended solely to give the Dominion authorities complete control over the foreign exchange proceeds of New Zealand export trade. It does not, as far as can be gathered, imply a further extension of Government interference in the export trade beyond the agricultural and other produce covered by the guaranteed price scheme. Licences to export will be granted freely, but on the understanding that the sterling or other foreign exchange proceeds of the export transactions are left with a New Zealand trading bank, which, in turn, will have to hold this foreign exchange at the disposal of the Reserve Bank of New Zealand. The details of the new exchange machinery have not yet been worked out. It is still uncertain whether the trading banks will, in fact, have to hand over their exchange to the Reserve Bank and re-obtain that exchange when selling to importers, or whether they will be able to marry their exchange transactions as they have hitherto done. The latter course, provided of course exchange is bought and sold through channels authorised by the authorities, is the more likely one, since it cannot be the intention of the New Zealand Government to penalise the trading banks to the extent of robbing them of what remains of their exchange business.

The control of imports is the most direct measure to be taken for combating the weakening of the Reserve position. In future, all imports will have to be licensed, though goods already ordered will be allowed to come in unauthorised between now and the end of the year and all goods which were actually on the water by last Monday will also be admitted without licence. The Finance Minister has announced that this control of imports will be used in order to strengthen the preference already enjoyed by British goods in the New Zealand market. Even so, however, it is likely to mean a fairly substantial curtailment of non-essential imports into New Zealand from this country.

New Zealand begins its experiment in controlled exchanges with considerable advantages. In the first place, it is insular and far from other territory and particularly well equipped, therefore, to tackle the problem of currency smuggling which tends to arise whenever exchange control is imposed. Secondly, its population is not "exchange conscious" in the Continental sense of that term. Despite recent years, there is no serious distrust of the currency among New Zealanders as a whole. Thirdly, the market in New Zealand pounds is an extremely small one, centralised in the hands of a few highly respected trading banks, which in the would not lend themselves to any evasion of the official control. None the less, it is almost inevitable that a "black" market in New Zealand currency will develop. Such a market might assume appreciable proportions if a thoroughly unsound financial policy by the Government were to give the controlled exchange rates a character of artificiality. There is no lack of channels through which

Application will be made to the Committee of the Stock Exchange, London, for permission to deal in the Preference Stock now offered and, in due course, for an official quotation. The Subscription List will open and close on Monday, 12th December, 1938.

NORTH METROPOLITAN ELECTRIC POWER SUPPLY COMPANY

(Incorporated by Act of Parliament.)

CAPITAL :	
AUTHORISED	£8,000,000
ISSUED AND PAID UP—	
8 per cent. Cumulative Preference Stock	£1,595,315
Ordinary Stock	3,192,393
	£4,787,708

LOAN CAPITAL :	
AUTHORISED—Up to one-half of the issued Capital provided one-half thereof has been paid up.	
OUTSTANDING	£1,997,966

ISSUE OF
£1,000,000 4 per cent. Cumulative Preference Stock at par.

PAYABLE AS FOLLOWS:—

On Application, 2s. 6d. per £1 of Stock; on Allotment, 7s. 6d. per £1 of Stock; On 18th January, 1939, balance of 10s. 0d. per £1 of Stock.

Payment may be made in full on Allotment, but no discount will be allowed.

Board of Directors:

THE RT. HON. LORD ASHFIELD, P.C., Chairman and Managing Director.
SIR JAMES DEVONSHIRE, K.B.E., M.I.E.E., Deputy Chairman.
G. W. SPENCER HAWES, O.B.E., M.I.E.E. C. J. SPENCER, O.B.E., M.I.E.E.
E. R. SOAMES. C. G. TEGTMEIER. ARCHER VASSALL.

ABRIDGED PROSPECTUS.

The Stock now offered is entitled to a fixed Cumulative Preferential Dividend at the rate of 4 per cent. per annum; otherwise the Stock ranks *pari passu* in all respects with the existing 6 per cent. Cumulative Preference Stock, both as regards Capital and Dividend and in priority to the Ordinary Stock of the Company, but will be entitled to no participation in the assets or profits of the Company beyond repayment of capital and any arrears of dividend. The dividend on the Stock will be payable half-yearly on 30th April and 31st October in each year.

The Company was incorporated by Act of Parliament in 1900. The several Acts obtained by the Company from the date of its incorporation until 1927 were consolidated, and the powers of the Company are now contained in the North Metropolitan Electric Power Supply (Consolidation) Act, 1928, and subsequent Acts obtained in 1932, 1936 and 1937 and in a number of Electricity Orders. These Acts and Orders empower the Company to supply electricity for all purposes (subject to limitations in some areas) in an area of approximately 670 square miles in Middlesex, Hertfordshire and Essex, extending from the northern suburbs of London to the northern boundary of Hertfordshire.

The Company's powers under its Acts of Parliament are almost entirely held in perpetuity. Those undertakings which are operated under Electricity Orders are subject to rights of purchase by the Local Authorities. The Company supplies electricity direct to over 270,000 consumers for Domestic, Public Lighting and Industrial purposes, to the London Passenger Transport Board for use in connection with portions of their railway, tramway and trolleybus systems and in bulk to supply authorities for distribution by them in the boroughs or districts of Hendon, Hitchin, Northwood, Pinner, Welwyn Garden City and Willesden.

The Company's power stations at Brimsdown and at Willesden are "selected" stations for the purposes of the South-East England Electricity Scheme 1927 and are interconnected with the "grid" system of the Central Electricity Board. The two stations at Brimsdown are held by the Company under lease from The North Metropolitan Power Station Company Limited, all the Share Capital of which is owned by the Company.

The Assets of the Company, as shown by the audited Balance Sheet at the 31st December, 1937, were £12,029,993*

Less—	
Mortgages and Debenture Stocks outstanding	£2,035,171
Sundry Creditors, accrued liabilities, income tax reserve and final dividends payable	1,007,674
	3,042,845
	£8,987,148

* The total amount of the Company's Reserves, including Reserve for Depreciation and undistributed profits, at 31st December, 1937, was £4,805,640.

The Auditors of the Company, Messrs. Price, Waterhouse & Co., report that the profits for the four years ended 31st December, 1937, were as set out below. These profits are stated after charging all expenses of working and management, including depreciation and the rentals payable to The North Metropolitan Power Station Company Limited, and after deducting interest on mortgages, debenture stocks and loans, but before deducting income tax:

Year ended	Profits on above basis.	Debt redemption provisions charged against these profits.	Balance of profits after charging debt redemption provisions.
31st December, 1934	£384,875	£31,782	£353,113
" " 1935	£402,124	£31,782	£370,362
" " 1936	£437,717	£31,782	£405,935
" " 1937	£450,239	£47,387	£402,852

The dividends on the existing 6 per cent. Cumulative Preference Stock and the 4 per cent. Cumulative Preference Stock now offered will amount to £135,719 per annum.

The proceeds of the issue will be applied to the general development of the Company's business.

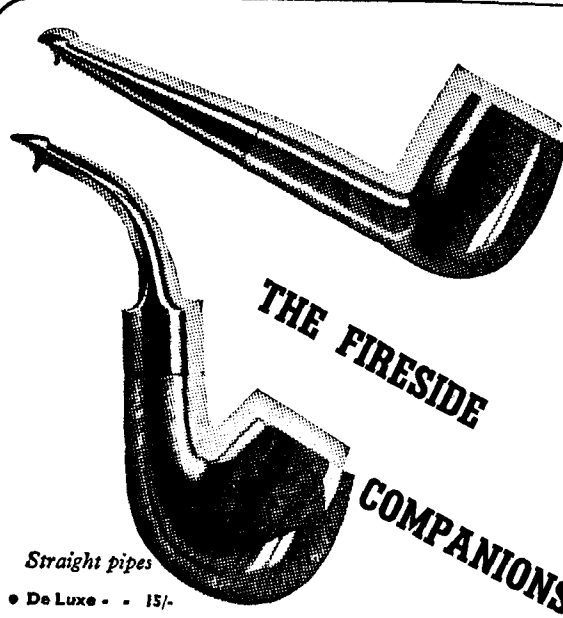
Special consideration will be given to applications from Preference and Ordinary Stockholders of the Company if made on the pink form accompanying the full Prospectus.

Copies of the full Prospectus, upon the terms of which alone applications will be received, and Forms of Application, can be obtained from:—

Bankers:
WESTMINSTER BANK LIMITED, New Issue Department, 9, Old Broad Street, E.C.2, and Branches.

Brokers:
W. A. SIMPSON & CO., Winchester House, Old Broad Street, E.C.2, and Stock Exchange.

Secretary and Head Office:
EVELYN BOYS, F.C.I.S., Northmet House, Southgate, N.14.



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- 'O' Qlty. from 8/6

Many men prefer the straight pipe for more formal occasions, yet swear by the Peterson "System" bent pipe for homely armchair smoking. They find it gives them a cool, comfortable man-sized smoke without weight on the teeth or strain on the jaw. Why not follow their lead and choose one of each shape from Peterson's wide selection of hand-picked briars.

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such a "black" market could be fed. The fund of external investments held by New Zealanders provides an ample source from which such a market could be supplied with sterling and other foreign currency. Any repatriation of capital to New Zealand from such a fund might tend to use the channels of the unofficial or "black" market if the rates offered in it were sufficiently advantageous and the means of operating in it not unduly dangerous. One can conceive of all kinds of remittances to New Zealand which would follow the same route under those circumstances—for example, maturing insurance policies held by New Zealanders with British offices, legacies left to relations in New Zealand by people in Great Britain, and the like.

In other words, it is evident that the success of the New Zealand Government's control scheme depends, not so much upon the effectiveness with which it is worked, as

upon the manner in which the fundamental economic problems of New Zealand are tackled. If the New Zealand Government temper their grandiose public works schemes and their progressive policy of social services with caution, and if they have the luck of good export prices, the exchange control scheme may happily prove to have been a valuable, but temporary, expedient to tide over a difficult period. Mr Savage, however, has gone far to shatter this hope by his declaration that these measures were intended to form a permanent part of the Government's plan for "insulating the economic life of New Zealand from outside disturbance." If, in the course of this insulation policy, the control scheme is merely used as a means of evading the fundamental issues involved, if it serves only to "plug the clinical thermometer," it will land the patient in a much graver crisis than that in which he finds himself to-day.

The Cement Industry

SOMETHING approaching a scare in the ranks of investors in cement companies was created last month by an outspoken speech by Lord Wolmer, chairman of the Cement Makers' Federation. Lord Wolmer foretold not merely increased competition for markets owing to the invasion of newcomers, but also a decline in the total demand for cement to be shared out among the existing companies and the new entrants. As a result he expected another bout of that price-cutting that has always afflicted the industry.

The demand for cement is intimately linked with the activity of the building and contracting industries. As much as one-third of the annual output of cement is now used in residential building; and large quantities are employed in the construction of factories and public buildings, and in public works, such as roads, bridges and tunnels. Until about fifteen years ago the demand for cement showed little increase from year to year. Thus, the output actually declined from 2,886,000 tons in 1907 to 2,722,000 tons in 1912; even in 1924 production was only 3,281,000 tons. But, as the following table shows, both output and home consumption have increased fairly rapidly between 1924 and 1937:—

PRODUCTION, HOME CONSUMPTION AND AVERAGE PRICE OF CEMENT

	Output Thous. tons	Home Consumption Thous. tons	Average Price s. per ton
1924	3,281	2,790	...
1930	5,056	4,241	46.00
1931	5,880	5,355	45.14
1932	4,250	3,731	44.72
1933	4,686	4,286	44.76
1934	5,584	5,108	40.34
1935	5,958	5,564	39.94
1936	6,500	6,002	39.10
1937	7,300	6,763	42.00

The rapid expansion in the use of cement since 1924 has been mainly due to the growth in the motor industry, with its derived demand for concrete roads, to building expansion and, latterly, to the increase in expenditure on armaments. Cement has also tended to be substituted for other materials—for example, in road-making and house construction. A closer examination of the figures shows that consumption continued to increase even in 1931, when general business activity showed a decline. This was due mainly to an increase in road construction, loans sanctioned for this and similar purposes having increased from £7,130,000 in 1927-28 to £11,642,000 in 1930-31. The sharp decline in consumption in 1932 was likewise due, in part, to the retrenchment on capital expenditure by public authorities, loans sanctioned for roads, etc., in 1932-33 amounting to only £4,738,000. After this check, however, the consumption of cement grew rapidly under the influence of the building boom, increased expenditure on public works and the re-armament programme. The industry has witnessed a setback which may

be ascribed to the recession in general business activity. Chalk and certain varieties of mud are the main raw materials of the industry, and the location of cement production is conditioned, in a large measure, by the location of these materials. The structure and organisation of the industry have undergone far-reaching changes since the beginning of the present century. Cement factories, for example, require a heavy capital outlay. Consequently the desire of producers to spread overhead charges over as large an output as possible has prompted individual producers to operate at a high rate of capacity, which in turn has led to periods of intense competition and price-cutting. The disadvantages of competitive price-cutting and heavy overhead charges set in motion a tendency towards concentration of output. This process began in 1900, when some thirty units were merged into the Associated Portland Cement Manufacturers, Ltd. In 1912 this body gained control over thirty-three of its competitors, which were merged into the British Portland Cement Manufacturers, Ltd., a subsidiary of the former concern. The tendency towards concentration continued after the war, the most important developments being the rise of the Tunnel and Alpha groups. In 1930, one-third of the total output of cement was produced by firms employing over 500 persons, and a further third by concerns employing between 200 and 500 persons.

This concentration of production made it easier to set limits to competition within the industry, though the agreements made (for example, in 1928) to abstain from price-cutting did not always last very long. A more drastic agreement was reached in 1934. A feature of this agreement was the allotment of quotas to producers, based on their average output over a period of years; these quotas were flexible in that they could be adjusted, if necessary, by a central committee representative of the members of the cartel. At the end of 1937, however, the quota system was abandoned; simultaneously the price of cement was raised by 3s. per ton to 42s. per ton. The significance of these steps became evident in January this year, when the Associated-Alpha-Tunnel groups, controlling 80 per cent. of the industry's total capacity, entered into a close working agreement which included the co-ordination of selling policies. This agreement was made effective by an interchange of shares between the three groups.

The profits of the leading concerns in the industry have been substantial in recent years, thanks to the increase in demand on the one hand, and to the elimination of price-cutting on the other hand. Indeed, the manufacture of cement has been so profitable that newcomers have been prompted to risk the heavy capital expenditure involved in the construction of cement factories in order to share the prosperity. If the industry is now deploring this encroachment of its preserves, it has only itself to blame for pursuing a price policy which has tempted outsiders to cut into the market.

The adaptation of the industry's structure and organisation to modern developments was accompanied by a steady

reduction in costs of production. Thus, the net output per worker rose from £116 in 1912 to £361 in 1924, £430 in 1930, and £559 in 1935. According to an estimate of the chairman of Associated Portland Cement in 1935, costs of production were reduced by no less than 42 per cent. and prices by 46 per cent. during the preceding ten years. During the same period that company had been able to raise wages, reduce working hours and earn higher profits. The rapid decline in prices has been responsible, in no small measure, for the increase in consumption, for it led to the substitution of cement for other materials. In the past year, for example, the increase in steel prices gave a strong impetus to the use of reinforced concrete. Thus, the new Waterloo Bridge will be a reinforced concrete structure and substantial sections of the new tunnels in process of construction by London Transport will be lined with reinforced concrete instead of steel plates. Indeed, the benefits that price reductions have brought to the industry are so manifest that the recent tendency towards combination to secure higher prices can only be regarded as a retrograde step. There is very little justification for the industry's surprise, and none at all for its resentment, at the appearance of newcomers and the threatened resumption of under-cutting.

The long-term trend of the demand for cement undoubtedly remains upwards. The immediate outlook, how-

ever, is less reassuring. The industry's total capacity is about 10,000,000 tons per annum, and production in 1937 was estimated at 7,300,000 tons. According to Lord Wolmer, the industry is working at only 60 per cent. of its capacity this year, and the rate of operations may be expected to fall to 50 per cent. in 1939. In view of the marked seasonal variations in the demand for cement, working to full capacity is impossible except for short periods. The figures are therefore not as unsatisfactory as might appear at first sight. But the drop forecast by Lord Wolmer is difficult to reconcile with the statement by Sir Malcolm Stewart, chairman of Associated Portland Cement, in April that a decline in consumption was not expected until the re-armament demand began to fall off. Whether the average rate of operations will in fact fall to 50 per cent. of the industry's capacity next year will depend, in no small measure, on the Government's defence policy, especially as far as A.R.P. is concerned. In view of the extension of the capacity of the industry by the entrance of outsiders, a reduction in prices can in any case hardly be avoided. The industry may feel a grievance that, unlike other industries which have received the blessing of Governmental "organisation," it is unable to prevent competition keeping its prices down. But the growing list of important industries for which cement has become a vital raw material will naturally entertain a different opinion.

Finance and Banking

Fiduciary Note Issue Increased.—On December 6th the Chancellor of the Exchequer announced that there would be a seasonal increase in the fiduciary note issue, from £200 to £230 millions, to take effect forthwith. This statement came several weeks later than the corresponding statement last year, and the increase is also £10 millions more than it was a year ago. Its likely effect is illustrated in the following table, which is based on the assumption that this year's Christmas increase in the note circulation will be the same as last year:—

	1937	1938
	Nov. 24	Dec. 22
	(Millions)	Nov. 23
		Peak
Note circulation	480.4	509.3
Fiduciary note issue	220.0	220.0
Reserve	67.4	38.0
		51.6
		505.0
		230.0
		52.7

Last year, without the seasonal increase of £20 millions the reserve would have dropped to £18 millions; whereas this year, without the increase of £30 millions, it is possible that the reserve might have dropped to £23 millions. These hypothetical calculations suggest that the increase of £30 millions this year will leave an ample margin in hand, and indeed last year's increase of £20 millions would probably have been enough. But it is satisfactory that this seasonal expansion of the fiduciary note issue has taken place. As a matter of course it should be added that the increase, which only involves the transfer of securities from the banking to the issue department, does not prevent the joint stock banks' cash from being depleted by the Christmas withdrawals of currency; nor does it save the money market from any stringency which may result from this depletion. For this there are other appropriate remedies which could be applied in case of need.

The Control's New Tactics.—The systematic intervention of the authorities in the forward dollar market since October, and in the "day dollar" market during the last few weeks, has given rise to much speculation regarding their motives. According to one theory, the object is to avoid the unfavourable impression created by a too wide forward discount on sterling. But this theory could not account for the intervention in "day dollar" rates, which are never published and which can safely be ignored from the point of view of their psychological effect. According to another theory, intervention

in both the forward dollar market and "day dollar" markets was intended to avert a sharp rise in bill rates and call money rates in London, which would otherwise have been caused by an unduly high yield on "swap" transactions. This theory sounded convincing—until the "control" abandoned its intervention in forward dollars and "day dollars" this week. The result of its change of tactics was a widening of the premium on forward dollars and of the discount on "day dollars" exactly at a time when it was becoming increasingly important to avoid an undue rise of money rates and discount rates in London. It now seems that both these theories impute much more subtle and scientific motives than those which probably prompted the authorities to adopt these tactics. Presumably, when they bought spot dollars against forward dollars, and also bought "day dollars," during the adverse pressure on sterling, they simply wished to replenish their supply of dollars, pending the execution of gold operations which would provide them with the dollars required. The fact that the authorities stopped operating in forward dollars (allowing the premium to widen to 2 per cent. per annum), and in "day dollars" (allowing the discount to widen to 1½ per cent. per annum) simultaneously with the recovery of sterling, seems to confirm this theory. During the current week they received ample supplies of dollars through bear covering, and there was no need for employing the new tactics to replenish the supply of dollars. Thus, the new tactics do not involve far-reaching aims of monetary policy or even foreign exchange policy; they were dictated by purely empirical considerations.

* * *

Gold Deposits in South Africa.—The earmarking of gold in South Africa, introduced by the Exchange Equalisation Account during the September crisis, has now been extended to provide for private holders. The South African banks in London announced last week that arrangements had been made whereby gold can be deposited in London and an approximate equivalent of gold held in South Africa to the order of the London depositor. These facilities are intended to appeal to hoarders, who prefer to have their gold deposited at a greater distance from the European centres of political disturbance. Transactions will take the following form. The gold deposited with a South African bank in London will be re-deposited by that bank with the Bank of England. The Bank of England will

then earmark a corresponding amount of gold with the South African Reserve Bank. These deposits will be for certain specified periods. If at maturity the depositor wishes to realise the gold he will not be able to sell spot on the London bullion market. He will either have to sell the gold forward or arrange for the shipment to this country, or, if he can, effect a sale of the gold in South Africa. The consequent delay and the intrusion of the Bank of England and the South African Reserve Bank into the operations is likely to militate against any considerable development of this type of business. The large Continental hoarder of gold wishes, above all things, to be able to sell his gold, if he so wishes, at a moment's notice, and the

last thing he desires is to give the authorities of any country the slightest inkling of his dispositions.

Australia's Balance of Payments.—A transposition of figures in a Note in this section last week dealing with the annual meeting of the Bank of New South Wales referred to the active balance of payments of Australia in 1936-37 as amounting to £stg7 millions and the passive balance in 1937-38 as amounting to £stg20 millions. The figures should be reversed. There was an active balance of £stg20 millions in the earlier year and a passive balance of £stg7 millions last year.

MONEY MARKET NOTES

Foreign Exchanges

FRENCH repatriation was the chief influence upon the foreign exchange market this week. According to a statement by M. Reynaud, the amount repatriated during the past few weeks is Frs. 6,000 millions, equal to about £34 millions. In consequence of this movement, spot francs were bid down to Frs. 177½, while one month's francs went temporarily to Frs. ½ premium. On Thursday the spot rate reacted to Frs. 177½, and one month's francs went to Frs. ½ discount. Three months' francs were at Frs. ½ discount. The French authorities made heavy purchases of sterling to meet this repatriation demand for francs. Initially, sterling was helped by this movement, which affected French money in New York as well as in London, and the New York rate rose until it just touched \$4.70. The French authorities, however, were unable to hold sterling, and so began buying dollars heavily in London. This sent the New York rate back to \$4.66½ by Thursday afternoon. Belgas were affected by M. Spaak's vicissitudes. Early in the week the spot rate depreciated to bel. 27.92, and the three months' rate to 35 cents discount. M. Spaak's vote of confidence restored the spot rate to bel. 27.70, and the three months' rate to 11 cents discount. Then came the resignation of one of his Ministers, and on Thursday, the spot rate went to bel. 27.74, and the three months' rate to 16½ cents discount.

The Bank Return

THIS week's return reflects the increase of £30 millions in the fiduciary note issue referred to in a Financial Note. The result is that, notwithstanding the seasonal increase in the note circulation, amounting this week to £7.0 millions, the reserve is increased by £23.1 millions.

Issue Dept.:	Dec. 8, 1937	Nov. 23, 1937	Nov. 30, 1937	Dec. 7, 1937
Gold	326.4	326.4	326.4	326.4
Notes in circulation	492.8	476.1	480.8	487.8
Banking Dept.:				
Reserve	54.7	50.4	45.6	68.7
Public Deps.	11.7	31.7	23.1	18.6
Bankers' Deps.	106.3	92.2	97.1	102.9
Other Deps.	36.7	35.0	37.2	35.9
Govt. Secs.	87.2	91.8	90.2	66.1
Discounts & Advances	9.6	12.2	17.6	17.9
Other Secs.	21.0	21.1	20.1	21.5
Proportion	35.3%	32.4%	29.7%	44.3%

In the banking department, Government securities are reduced by £24.1 millions. £30 millions were transferred to the issue department to cover the

increase in the fiduciary note issue, so that there has also been an acquisition of £5.9 millions, this being made in order to neutralise the effect on bankers' deposits of the week's increase in the note circulation. In spite of the payment of the War Loan dividend, public deposits have only fallen by £4.5 millions. There were heavy Treasury bill payments at the end of last week, and possibly the past fortnight's reduction of £13.1 millions in payable deposits is a better measure of the effects of the War Loan dividend payment. The position must also have been complicated by Exchange Account operations in connection with the repatriation of French funds. As a result of all these movements bankers' deposits have risen by £5.8 millions and now stand at over £100 millions.

The Money Market

At the tender of December 2nd, the discount market reduced its price from £99 15s. 7d. to £99 15s. 6d. per cent., but was only able to secure an allotment of 18 per cent. Current discount rates are high enough, however, to compensate for this meagre allotment, for while the bulk of the bills were taken by outside applicants, the market hopes to be able to repurchase some of them at rates which yield a small profit margin. This week the clearing banks have only been buying bills sparingly, though they have taken January and February Treasury bills for special dates at ½ and ½ per cent. Three months' bank bills were dealt in at ¾ per cent.

	Dec. 9, 1937	Dec. 1, 1938	Dec. 8, 1938
Bank Rate	2	2	2
London Deposit Rate	12	12	12
Short Loan Rates:			
Clearing Banks	12-34-1*	12-1*	12-1*
Others	12	12-34	12-34
Discount Rates:			
Treasury bills	¾ nom.	13½	27½
Three months' bank bills	7½	13½	7½

* Viz. 12 per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral. Money has been variable. The leading houses have had no difficulty in securing bond-money at ¾ per cent., but other borrowers have had to pay ¾ per cent. Loans into the New Year already cost 1½ per cent., and the rate was expected to rise to 1½ per cent. by the end of the week. The market anticipates considerable stringency at the end of the year. The Bank return shows that not very much money was released by the War Loan dividend, but some of this money was absorbed by War Loan

dividend payments during the latter half of last week.

The Bullion Market

It has been a difficult week in the bullion market, for arbitrageurs were not able to find any definite trend on which to work. On December 2nd, when they took a lot of gold, the exchange promptly turned against them, so that they were caught. On December 3rd there was a fair amount of Continental re-selling, which met most of the day's arbitrage and Continental demand. On Monday there was no arbitrage, while the Continent was operating both ways. On Tuesday arbitrageurs came in, notwithstanding the higher premium, and there was a large amount of business after the fixing. Wednesday proved a good day for arbitrageurs, for the two-penny premium was more than offset by the day's trend of the exchange. There was further Continental re-selling. On Thursday the demand was again of a Continental and arbitrage character and the authorities had to supply two-thirds of the market's needs.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d. pm	£'000	d.	d.
Dec. 2	148 11	12 pm	1,638	203½	193½
" 3	148 7½	12 pm	407	201½	193½
" 5	148 3½	1 pm	146	20	193½
" 6	148 1	2 pm	522	201½	197½
" 7	148 5	2 pm	789	201½	197½
" 8	148 11	1½ pm	534	203½	199½

* Above or below American shipping parity. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.
† At fixing.
‡ The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The cash price of silver was several times this week fixed at above the New York parity, and this brought out some American re-selling. This suggests that the United States has not over-much confidence in the present level of London prices, and there has already been one unofficial forecast of a reduction in American prices next year. This rumour has not had the smallest effect upon India, but in any case the heavy discount on forward silver is a strong deterrent against forward bear sales. The week's demand has come mainly from American trade sources. It has now spread to the forward market, which may explain the slight narrowing of the spread between the cash and forward prices.

November Clearing Bank Averages.—The accumulation of cash in public deposits during November, in preparation for the War Loan dividend, came too late in the month to make much difference to the Clearing Bank averages between October and November, especially as at times in both months the Exchange Equalisation Account was replete with cash. The clearing banks' average cash holdings, therefore, show little change, though they continue to run lower than in the summer. Discounts were higher in November, in spite of the Exchange Account's support of sterling. The increase in the tap Treasury bill issue due to these official operations was largely off-set by the seasonal expansion in the floating debt, but even so the average volume of tender issues of Treasury bills was slightly less in November than in October. It would seem, therefore, that in the early weeks of November the banks were ready takers of bills, even though their demand eased towards the end of the month. Our usual table appears below:—

	Nov., 1937	July, 1938	Aug., 1938	Sept., 1938	Oct., 1938	Nov., 1938
Capital and reserves	132.5	136.0	136.0	136.0	136.0	136.0
Acceptances, etc.	114.9	114.9	115.5	121.9	129.3	128.5
Deposits (including undivided profits, etc.)	2,272.9	2,272.1	2,262.4	2,233.4	2,219.7	2,212.2
Total liabilities	2,520.3	2,523.0	2,513.9	2,491.3	2,485.0	2,476.7
Cash	231.6	241.0	237.8	230.7	230.7	229.3
Cheques, balances and items in transit	65.8	63.2	59.2	54.5	61.8	62.1
Money at call	154.8	154.9	150.2	145.6	145.4	144.9
Discounts	296.0	299.9	303.2	287.5	266.8	271.0
Investments	619.4	618.8	627.2	631.4	631.1	628.0
Loans and advances	969.8	962.8	953.1	951.9	952.0	944.6
Investments in affiliated banks	23.6	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, etc.	159.3	158.5	159.3	165.8	173.3	172.9
Total assets	2,520.3	2,523.0	2,513.9	2,491.3	2,485.0	2,476.7

Advances have fallen since October by £7.4 millions—a point which is referred to in a Financial Note. Investments are also slightly lower. There was a reduction of £7.5 millions in deposits, which may well reflect the continued outflow of funds from London.

Bank Advances.—The current issue of the Bank of England's Statistical Summary contains the annual analysis of the clearing banks' advances. On this occasion, three consecutive years' figures are given, but unfortunately the dates are not entirely comparable. Broadly, the table covers the period embracing the rise to the 1937 trade peak and the subsequent recession; but the 1938 figures are dated some little time after the recession had received its first check. The figures, to which we have added the percentage distribution, are set out below:—

	1936*		1937†		1938‡	
	£mn.	%	£mn.	%	£mn.	%
Textiles	39.9	4.58	43.8	4.55	38.1	3.99
Heavy industries	40.7	4.68	49.9	5.18	45.9	4.80
Agriculture and fishing	57.7	6.62	60.1	6.24	62.5	6.54
Mining and quarrying	18.1	2.08	15.1	1.57	15.2	1.59
Food, drink and tobacco	29.4	3.37	32.5	3.38	36.1	3.77
Leather, rubber and chemicals	12.6	1.45	15.3	1.59	14.0	1.47
Shipping and transport	23.2	2.68	20.1	2.08	26.5	2.78
Building	61.5	7.07	68.2	7.10	68.1	7.14
Miscellaneous	67.4	7.74	74.7	7.77	69.1	7.24
Retail trades	50.1	5.80	54.2	5.64	59.2	6.20
Municipalities and public utilities	40.5	4.64	44.5	4.66	46.6	4.88
Amusements, clubs, churches, charities	109.6	12.60	118.2	12.28	109.0	11.44
Financial	258.5	29.70	300.4	31.30	298.0	31.20
Other advances	869.5	100.00	961.0	100.00	954.3	100.00

* Nearest available date to October 31, 1936. † Various dates between August 4th and October 26th, 1937; and between August 3rd and October 31st, 1938.

A recession in trade exerts, in its earlier stages, two contrary influences upon bank advances. First there is a contraction in the general demand for credit, roughly proportionate to the shrinkage in the volume of business and the

fall in commodity prices. On the other hand, those undertakings which suffer most from the recession may find themselves in additional need of bank credit; or, if not, may not be able to pay off outstanding advances. It is thus not surprising that a comparison of the 1937 and 1938 returns presents an indeterminate picture, with little net change in the aggregate. On the whole, advances are falling, and the returns for dates subsequent to the table show that this decline is continuing. Thus the first of the two influences has the greater weight, and it is justifiable, therefore, to infer that the 1937-38 recession was not serious enough to create a new mass of frozen loans.

Barclays Bank (D.C. and O.). Sir John Caulcutt at this week's meeting of Barclays Bank (D.C. and O.), gave the shareholders an interesting and, on the whole, a hopeful review of conditions in the territories served by the bank. Business in South Africa has been well maintained, despite some decline in the demand for and the prices of the Union's agricultural products. Gold-mining continues to prosper, and Sir John's remarks suggest the inference that this is the chief factor which has enabled South Africa largely to escape the depression. Northern Rhodesia has equally been helped by the current prospects of the base metal mines, while Southern Rhodesia has benefited both from mining and also from the satisfactory prices obtained for certain farm products. Trade in Nyasaland has been well maintained, but the year has been disappointing in East Africa, where prices have been poor. Trade in Egypt and the Sudan has been fair, but there has been a severe setback in Palestine as a result of political disturbances. In the West Indies and British Guiana trade has been fairly well maintained. Sir John also alluded to the recent difficulties of the Gold Coast. The bank's accounts show an increase of £3,000,000 in deposits and a contraction of

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£2,750,000 in advances. Cash is £3,821,000 higher, and equals 26 per cent. of deposits and notes in circulation and call money. Bills are lower than a year ago, but investments are £4.3 millions higher. Net profits, at £439,244, are some £8,000 higher than last year. The dividend on the "A" and "B" shares is 6½ per cent., compared with 6 per cent. the year before. Thus the bank has enjoyed a satisfactory year. Its activities, of course, are very widely spread, and it would be interesting to know how it has fared as regards deposits, advances and earnings in each of the many territories which it serves.

* * *

Bank of London and South America.—In view of the recession in export trade and the decline in export prices experienced this year by most of the countries served by this bank, the contraction in most of the items on both sides of the bank's balance sheet is not surprising. An additional cause of this contraction lies in the fact that with the principal exception of Argentina, the currencies of these various countries have depreciated in terms of sterling during the past year, which has involved a corresponding writing-down of the sterling value of most of the bank's assets and liabilities. Even the Argentine exchange has depreciated from 16 to 17 pesos to the pound since the date of the latest balance sheet, and in the absence of a recovery this will affect next year's accounts.

	September 30		
	1936	1937	1938
Liabilities:—	£'000	£'000	£'000
Capital	4,040	4,040	4,040
Reserve	2,000	2,000	2,000
Current and deposit accounts ...	55,403	58,304	56,286
Bills payable	1,168	1,402	1,123
Acceptances	2,605	3,032	2,687
Bills for collection	8,953	10,168	9,560
Assets:—			
Cash in hand and at call	13,521	15,314	14,865
British Government securities...	2,420	2,635	2,383
Foreign Government and other securities	2,929	2,890	2,653
Bills receivable	10,118	10,549	9,418
Advances	29,727	30,494	30,484
Premises	2,853	2,688	2,668
Net profits	253	462	466
Dividend	3%	5%	5%

The contraction in deposits and in the various bill items reflects less trade, lower prices, and as a result less money in the hands of the bank's customers. Advances show little change, doubtless because many of the customers are in need of more accommodation. Gross profits have fallen from £1,827,000 to £1,783,000, as a result of the shrinkage in the bank's resources, but net profits are slightly greater than last year. On the whole the bank's deposits and resources have stood up reasonably well to this year's recession in trade and prices.

* * *

British Overseas Bank.—Having much of its business in Europe, including Spain, the British Overseas Bank must obviously have had an extremely anxious year once more, and the difficulties which it has experienced are reflected in the report. Briefly, its net profits for the year to October 31, 1938, were only £29,823, and £20,000 of this is allotted to contingencies, while the remainder is added to the sum carried forward. The report states that discounts, advances, and liabilities of customers for acceptances include balances subject to standstill agreements and exchange restrictions and also those due by customers in Spain; while it adds that recent international trouble has adversely affected the immediate value of certain assets, including investments, to an unknown extent. Arrangements have therefore been made for the provision of a deferred deposit of sufficient amount, together with the liquid assets, to cover the existing liabilities of the bank to its creditors and depositors. The accounts show that deposits have fallen from £3,840,000 to £2,465,000 and acceptances from £3,089,000 to £1,782,000. Cash has shrunk from £278,000 to £85,000 and call money from £1,149,000 to £246,000, but advances have only fallen from £3,031,000 to £2,608,000. These figures show the extent to which the bank has suffered in liquidity from events beyond its control. The chairman will no doubt reveal at the meeting more about the steps being taken to guard against this loss of liquidity, and further comment must therefore be reserved. Meanwhile all will sympathise with the bank in its undeserved difficulties, and will be glad to know that these are not being allowed to prejudice the safety of its liabilities.

Investment

Sharepushing Bill in Committee.—A Select Committee of the House of Commons is now considering the Prevention of Fraud (Investments) Bill. It sat on Tuesday and Thursday this week, and adjourned its labours at an important point in Clause 8, which deals with property societies. So far, modifications have been concerned with detail rather than general principles. These lie round the corner—particularly in Clause 10. On Tuesday an amendment to exclude unit trusts from the exemption provisions under Clause 1 was defeated. As a result, the anomaly remains that unit trusts with approved trustees are automatically exempt, while the banks (who in most cases act as their trustees) must obtain specific exemption from the Board of Trade. It is intended, however, to amend the Clause 14, which defines an approved trustee, to provide for the insertion in trust deeds of certain conditions, to be prescribed by the Board of Trade. These, in Mr Oliver

Stanley's words, would enable the Board of Trade to indicate, both in existing and future trust deeds, the sort of conditions which were laid down by the Anderson Committee. This revision, which arose from the fact that the trustee in many unit trusts has no powers over investment, might, in fact, cover ground no less wide than that originally contemplated in the rejected amendment. The principle of a cash deposit, urged by Mr Johnston, was partially accepted by Mr Oliver Stanley. A £500 deposit, as Mr Johnston admitted, would not stop the rogue, but equally it might inflict hardship on the small man. It is proposed, therefore, to consider the possibility of remitting the deposit where hardship would be involved. The London Stock Exchange, having other pressing cares, has so far taken less account of the Bill than it deserves. The building societies appear to accept the widest executive powers under Clause 9 with complete assurance. City opinion is unanimous on the need for clearing out the share-pusher, and would not be averse to over-strong measures to effect this object, provided that they are strictly defined. It is unfortunate that the powers contemplated under the present Bill must be diffused over a wide area of legitimate trading; and they do not, as Mr Oliver Stanley admitted on Tuesday, guarantee that the share-pusher will find no loopholes.

* * *

Australia Pays More.—Australia's latest conversion offer, to holders of £2,517,800 South Australia 3½ per cent. stock, due January, 1939, into Commonwealth 4 per cent.

stock, 1955-70, is a relatively small operation. But the terms are of particular interest, in view of the projected visit of the Commonwealth to the London market for defence borrowing. The new stock, offered at par, is the first Australian issue to be made since July, 1933, on a 4 per cent. basis. It is also the first conversion operation of recent years to involve a heavier interest charge to the Commonwealth. The additional ½ per cent. interest may be of some attraction to existing holders of the South Australian loan, which appears to have remained largely in investment hands, and has not been extensively acquired by the money houses. But the new stock will provide an addition to the existing £9,322,446 4 per cent. stock, 1955-70, quoted at 99½, but subject, of course, to stamp and fee. It is somewhat anomalous, moreover, that the 4 per cent. stock, 1943-48, is currently obtainable at 99½, offering a similar interest return and a more favourable redemption date. Response to the offer (cash lists closed on December 8th, and conversion lists remain open a week longer) is not on present indications likely to be enthusiastic. Its fate, following the 66 per cent. under-subscription of the £7 millions issue in May, will have a close bearing on forthcoming defence borrowing. Australia's three-year defence programme is to cost £A63,000,000, compared with earlier estimates of £A43,000,000. Some £A8,000,000 has been covered by internal loan operations, and £2,000,000 from last May's issue in London. It is not yet known how much of the £A10,000,000 borrowing under the Defence Loan Bill will come to London. Meanwhile, Australia's trade continues to fight unequally against the discouraging decline in world trade. For the year to June, 1938, the favourable commodity balance of trade was no more than £stg516,000, but for the three months to September an unfavourable balance of £5,866,000, against £4,020,000 a year earlier, is recorded. There is good reason, therefore, for a certain measure of defence borrowing in London, since a significant part of the orders must be placed in this country.

* * *

Supervised Shares, Inc.—The offer for sale of shares of Supervised Shares, Inc., provides difficult reading even for those versed in the complexities of unit trust affairs. The company is an American-managed investment company of the Boston type—one, in short, which undertakes to re-purchase its own shares at "or approximately at" liquidating value. London and Boston Securities, an affiliate of the National group of unit trusts, has acquired the right to purchase shares of the company, not directly, but via Massachusetts Distributors, Inc. The latter concern acts as direct selling agent for Supervised Shares, Inc., purchases its shares at liquidating value, and offers them to the public at approximately 108.7 per cent. of liquidating value (i.e. making an inclusive charge of 8 per cent. on the offered price). London and Boston Securities will receive a 6 per cent. discount on the offered price and repay 2 per cent. brokerage on sale and 1 per cent. on re-purchase. Supervised Shares has an authorised capital of purchase. Supervised Shares has an authorised capital of two million shares of \$1 par value, of which 938,027 4/8 shares are held by the public and 71,656 3/8 shares (fully paid) are held in the Corporation's treasury, available for re-issue. The liquidating value at which the shares are sold at the first instance is equivalent to the "net worth" per share after deducting from the assets "all ascertained liabilities, expenses and management charges." But the intervention of a selling agent between the public and the Corporation itself (and, in this country, of a sub-selling agent, whose activities are subject to the five hours' diffidence in time across the Atlantic) leads to considerable complication. In the first place, Supervised Shares, Inc., receives only the effective liquidating price for each share issued—i.e. the offered price to the public, less 8 per cent. But that effective liquidating value is determined at the close of business (4 p.m. Eastern Standard Time) on the previous day. Hence it follows that, if the market is rising, a purchaser on the following day would secure an uncovenanted benefit, while the rest of the shareholders would suffer a *pro rata* diminution of liquidating value. This is a principle which finds little counterpart in the British

unit trust movement, where the majority of trusts use up-to-date dealing prices of the underlying securities for calculating the offered and bid prices of their units.

* * *

It is difficult, similarly, to compare the charges attaching to the shares of Supervised Shares, Inc., with those of a representative British unit trust. The initial loading charge appears distinctly high compared with British practice, and since it accrues, not to the Corporation itself, but to distributing agents, no part is presumably available for covering future management expenses. In addition, the directors (who have power to fix their own remuneration, but have no intention to adopt "any substantial variation" of the present basis), together with the officers and advisory board, all of whom are of high standing, are remunerated by a quarterly payment of 1/8 of 1 per cent. of the average liquidating value of the common stock, estimated to cost \$23,000 in 1938. It is not clear from the context whether this charge is levied on the fund (or on the "paid-in surplus") or against income, although the section of the offer dealing with liquidating value suggests the former alternative. Re-purchase provisions are of a dual character. The Corporation is obliged to re-purchase shares presented by holders through the London transfer agents, Brown, Shipley and Company, at the liquidating value at the close of business on the day following the tendering of the shares—entailing a possible delay of two days. Alternatively, London and Boston Securities is prepared to offer shares for re-purchase at the current bid price, maintaining a market like a unit trust manager. It would seem, however, that after allowance for the agency charge of 8 per cent. inclusive, the price "spread" between offered and bid prices may be appreciably higher than that which commonly operates for British unit trusts. One final point remains. It is stated that ample funds are available for the re-purchase of shares, since assets available amount to more than nine times the nominal value of the outstanding shares. But since the average price per share received during the past two years was \$10.93 per share (of which \$9.93 per share would have been credited to "paid-up surplus") it would indeed be surprising if the Corporation could not show satisfactory cover for the nominal value of its stock. It will be interesting to follow the reception of this somewhat unfamiliar type of trust.

* * *

Foreign Bonds Fall Further.—Of all sections of the Stock Exchange the foreign bond market is most vulnerable to political uncertainty. During November the index of foreign bond prices computed by Municipal and General Securities Company fell nearly 6 per cent. from 67.8 to 63.9—the lowest level yet recorded. Movements in the total index and its components over the past year are shown in the following table:—

AVERAGE JANUARY-JUNE, 1934 = 100.

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Under-liquidated Bonds	De-faulted Bonds
				States	Provinces	Total			
1937	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(54)	(55)
November	97.7	81.6	97.9	82.4	74.2	80.4	85.5	88.6	82.5
December	98.4	81.6	98.6	82.6	75.0	80.7	85.8	88.6	85.0
1938									
January ...	97.9	71.7	97.8	75.5	67.1	73.4	79.3	80.2	78.2
February ...	96.2	74.7	97.6	75.4	63.8	72.4	79.5	82.7	76.4
March	83.4	73.9	97.2	61.3	49.4	58.2	69.6	74.9	64.8
April	88.9	77.3	98.5	69.8	51.4	64.9	75.1	(53)	(58)
								78.8	71.8
May	85.7	74.9	98.4	63.0	47.2	58.8	70.7	(52)	(57)
								76.1	68.1
June	(27)						(108)	(48)	(80)
July	89.0	68.5	98.0	65.9	51.2	62.0	71.1	76.5	67.0
	90.8	67.7	97.5	65.4	53.4	62.3	71.3	75.7	67.9
August	(26)						(107)	(47)	
	86.4	72.1	97.3	61.4	50.4	58.6	69.7	75.1	65.7
September ..	88.5	66.2	96.1	57.7	44.4	54.2	64.1	72.3	61.7
October ...	86.7	70.8	95.2	59.4	45.3	55.7	67.8	74.1	63.2
November	85.0	65.0	91.7	56.3	40.9	52.1	63.9	70.7	60.0

N.B.—Figures in brackets denote number of bonds included.

BRITISH - AMERICAN UNITS

A Unit Trust of 26 leading American and 26 British Ordinary Stocks

Particulars from Stockbrokers and Banks or The Managers,

36-37 KING STREET, E.C.2

GREENWOOD

Czecho-Slovakian 8 per cent. bonds rose sharply last month—the only exception among numerous European falls. Chinese railway loans fell particularly severely, and, apart from Peru Guano loan, which responded to the resumption of service, South and Central American issues were all lower. The present *malaise* in the foreign bond market is well attested by the fall in the Egyptian index—normally one of the steadiest in the list—from 95.2 to 91.7.

* * *

Industrial Profits in November.—The profits of 231 companies reporting in November showed a fall of 6.53 per cent. as compared with the profits of the same companies in the preceding year. The following table shows the recorded profits for each month over the past two years:—

INDUSTRIAL PROFITS 1936-38

Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year	Year and Month	No. of Cos.	Net Profits*	Inc. on prev. year
1936		£	%	1937		£	%
Nov.	177	15,591,516	13.49	Dec.	152	18,101,112	14.69
Dec.	175	18,438,723	15.49	1938			
1937				Jan.	107	13,832,382	19.90
Jan.	110	13,222,882	15.92	Feb.	202	29,792,378	5.52
Feb.	208	27,956,588	8.95	March	337	56,721,336	9.19
March	307	53,554,168	12.52	April	225	28,481,318	17.19
April	245	31,712,217	23.36	May	320	45,915,238	11.42
May	255	25,053,946	14.09	June	260	38,076,415	11.09
June	265	43,924,563	21.19	July	181	16,530,811	3.44
July	193	15,260,299	19.62	Aug.	81	8,300,385	41.16
Aug.	62	6,042,402	9.41	Sept.	112	7,962,024	41.31
Sept.	81	7,269,607	27.80	Oct.	163	14,279,785	41.06
Oct.	177	14,884,260	26.97	Nov.	231	23,784,389	46.53
Nov.	206	23,579,407	20.25				

* After debenture interest.

(a) Decrease.

Rubber companies' profits, however, have swelled the decrease, out of proportion to their absolute importance. Last month they accounted for 16 per cent. of the fall in profits, but for about 2 per cent. only of total profits. The month's results are also depressed by textile companies. Iron, coal and steel companies, however, show a 10 per cent. rise in profits.

* * *

P. and O. Policy.—Few dividends have created the same stir in recent months as the doubled 8 per cent. distribution of Peninsular and Oriental Steam Navigation. The report published last week showed that it had been genuinely earned. And Sir William Crawford Currie's speech—his first as chairman of the P. and O.—made it clear that it indicated no departure from the group's traditional policy of conservatism—indeed, some 3 per cent. was specifically described as "bonus." Sir William's review did much to explain the favourable results of the past year. The adjustment of liner freights—always subject to a certain time-lag—was projected, for some trades, into the current year, at least six months after the improvement in world freight rates. Together with larger cargoes, these higher freights produced higher voyage balances. Secondly, the depreciation policy of recent years was confirmed. The provision of £880,000, although not equal to 5 per cent. on the original cost of the ships in service is, in the board's view, sufficient for the present. But, when reviewing the current year's prospects, Sir William was necessarily cautious. He praised the efforts of the tramp and liner industries to limit uneconomic competition through agreement. P. and O., for example, is participating in the new Far Eastern Passenger Conference; while the minimum tramp freight schemes have been appreciated, and assisted, by the liner industry. Yet Sir William confessed that the present position of world trade and the consequent decline of cargoes was causing the shipping industry

some concern. Political amelioration and closer economic co-operation between the nations necessarily provide the ultimate hope for the industry. It costs the group 4,000 tons of oil fuel to follow the "Nyon route" in the Mediterranean. There is no sign of returning peace and prosperity in the Far East, where dwindling cargoes are only partially made good by higher freight rates. Increased shipments of wool, fruit, and chilled beef have been encouraged by freight reductions in the Australian trade and the chilled beef traffic in particular appears to be increasing rapidly. Finally, there are hopes of a successful outcome from the Indo-British trade negotiations. Stockholders, therefore, must contemplate the current year without sanguine optimism. But they may perhaps hope that, if all goes well, the company will be able to maintain the 5 per cent. dividend, and thus provide a yield of £4 8s. 9d. per cent. on the deferred stock, now quoted at 20s. 3d.

* * *

Carreras Bonus.—The market was distinctly gratified by the Carreras dividend announcement last week, for while it showed no change in the cash distribution of 35 per cent., it included an unsuspected scrip bonus of 50 per cent., requiring in all the capitalisation of £1,240,100. Four 2s. 6d. "B" shares are to be distributed for each £1 ordinary or "A" ordinary share, and one "B" ordinary share for every two "B" shares at present held. The preliminary statement shows that net trading profits, before taxation and staff funds, but after other charges, are 18 per cent. higher than for 1936-37, reaching the new record of £1,604,634, as shown in the following table:—

	Years to October 31		
	1936	1937	1938
Net trading profit, after depreciation and fees	1,234,833	1,351,596	1,604,634
Taxation	70,666	124,212	185,354
Staff funds	17,324	22,747	28,203
Preference divs.	65,000	65,000	65,000
"A" and "B" Ordinary:—			
Earned	1,081,843	1,139,637	1,326,077
Paid	797,204	868,067	868,067
Earned %	66.1	49.6	60.5
Paid %	45†	35	35‡

Contingencies fund 50,000 50,000 ...
Carried forward 808,847 1,026,671‡ 244,581‡
† And 40 per cent. capital bonus, absorbing £708,626. § After £3,745 issue expenses. ‡ In addition, 50 per cent. capital bonus; carry forward shown after deducting £1,241,100 for the bonus.

Mr Baron spoke hopefully a year ago of the prospects for 1937-38, but these results are better than were generally expected. So substantial a rise suggests that, in a period of quiet industrial conditions, Carreras' competitive position has improved. The full report and the chairman's disclosures at the annual meeting will provide an eagerly awaited indication whether the progress made last year should continue. If profits are no more than maintained in 1938-39, it would still be comfortably possible to repeat the 35 per cent. dividend on the increased capital; and since this rate has been stabilised for eight years (and supplemented on occasion by cash bonuses) it seems fair to calculate the yield on the ordinary shares at the current price of 8½ cum rights, at £6 7s. 6d. per cent.

* * *

Tube Investments Prospects.—Mr Arthur Chamberlain's speeches at the annual meetings of Tube Investments have—and deserve—a wider audience than the majority of their kind. Mr Chamberlain is frank and forthright (consider, for example, his outspoken comments on steel price policy, to which we refer on page 530), yet he takes shareholders into his confidence more willingly than many chairmen. Last year's profits, contrary to his expectation, were higher; regarding this year's profits Mr Chamberlain declined to give a forecast. He is quite prepared to find that they turn out considerably less, but sees no reason

why, if trade keeps up, they should not be greater. One thing, however, does appear to be certain—the dividend is likely to be maintained at 23½ per cent. Perhaps because Mr Chamberlain has, in his own words, been so wrong in the past, he may have under-stressed the potential earning capacity of the new productive capacity—on which £2,005,000 will have been expended between 1936 and 1939, entailing a further depreciation charge of £130,000. In the first instance, this capacity will be employed for defence purposes, though it should ultimately be occupied for commercial purposes. But Mr Chamberlain is unwilling to commit the board to a higher dividend rate before he sees how world trade stands the shock of the defence "boom." If the company's calculations are correct, there is ground for expecting that profits now being retained in the business may be capitalised and distributed. Tube Investments, of course, is not given to miscalculations—witness the success of the *liaison* with Stewarts and Lloyds, which Mr Chamberlain justifiably described as the outstanding success of modern rationalisation. The Stewarts and Lloyds holding (including the additional £203,278 of deferred stock acquired this year) stands in Tube Investments' books at par, after an allocation of £152,000 from profits last year. The question of a reserve against other investments might come forward next year—at October 31st they showed an appreciation of only £5,000 against £200,000 at an earlier date. Mr Chamberlain refuses to wear sackcloth on this account; the truth is, as he declared, that the board are manufacturers and not financiers. They can meet any criticism on the first count.

* * *

Commercial Motor Results.—An article on page 483 of last week's issue of *The Economist* showed that the total demand for commercial vehicles was not subject to the same precise cyclical influences as private cars. This conclusion is supported by the profits records both of Associated Equipment Company and Dennis Bros., which,

viewed over a long period, conform to no particular pattern. Nor do the 1937-38 results bear an identical relationship to the previous year. To the market's disappointment, the total profits of A.E.C. for the year to September 30th were 12½ per cent. lower than for 1936-37, while Dennis Bros. showed a decline of unimportant extent. For A.E.C., however, 1937-38 was not wholly unsatisfactory. Higher costs played their part, but the main cause of the setback, as Mr C. W. Reeve explained at the annual meeting this week, is that London Transport are obtaining longer working life from the buses; in consequence, replacement demand has been, and will remain, smaller. Yet ordinary business was satisfactory—the year one of the best in A.E.C.'s history. Dennis Bros. total profits are only 1½ per cent. lower than in 1936-37—a year, however, which witnessed a disappointing drop in earnings. Viewing the company's record over the past four years, it shows no positive response to recovery, but at least a commendable resistance to recession. But the directors, as we show in the following table, were determined on caution last year:—

Years to September 30th	A.E.C.			Dennis Bros.		
	1936	1937	1938	1936	1937	1938
Total profits	355,180	435,952	382,717	151,714	117,006	115,037
Depreciation	69,578	104,368	103,117	13,501	14,808	11,936
Taxation	60,000	120,000	100,000	...	...	...
Fees and other expenses	2,534	2,100	2,100	5,026	5,024	4,797
Ordinary shares:—						
Earned	223,068	209,484	177,500	133,187	97,174	98,304
Paid	112,500	112,500	112,500	125,206	87,644	75,124
Earned %	14.9†	14.0†	11.8†	180.6	133.6	142.6
Paid %	7.2†	7.2†	7.2†	166.3	116.3	100
Reserves	100,000	100,000	63,000	...	...	...
Carry forward	255,000	260,000‡	262,000	123,796	133,326	156,506

† Tax free. ‡ After bringing in £8,016 balance of reserve against loan on mortgage not required.

Reduced profits have not affected A.E.C.'s 7½ per cent. tax-free dividend, and its earnings cover is still satisfactory.

ABRIDGED PARTICULARS FOR INFORMATION ONLY.

This proposal has been considered by the Foreign Transactions Advisory Committee and by the Chancellor of the Exchequer; no objection is raised to the issue but it must be clearly understood that no responsibility is taken for the financial soundness of the scheme or for the correctness of any statement made or opinion expressed in connection with it.

LONDON & BOSTON SECURITIES LTD., which is a wholly owned subsidiary company of the NATIONAL GROUP OF FIXED TRUSTS LTD., is making an

OFFER FOR SALE

of Shares of

SUPERVISED SHARES INC.

(Incorporated with Limited Liability in the State of Delaware, U.S.A.)

London Transfer Agents: BROWN, SHIPLEY & CO., Founders Court, Lothbury, London, E.C. 2.

The Offer for Sale shows *inter alia* that:

- Supervised Shares Inc. is a managed investment trust company of the Boston type, formed in the United States in 1932 to provide a convenient medium for investment in American Common Stocks. The authorised capital consists of 2,000,000 Shares of \$1 each, all of one class and all having equal voting rights.
- The management of the Corporation is closely associated with that of Massachusetts Investors Trust, the oldest and largest investment trust Company of the Boston type in the United States.
- The price at which the Shares of the Corporation are offered varies daily according to the market value of its investments, and includes a charge of approximately 8.7 per cent. of the liquidating value of the Shares. The Shares are readily marketable, as under the Certificate of Incorporation of the Corporation it is required to repurchase its own shares at the liquidating value.
- An investment in 1,000 Shares of the Corporation on 15th August, 1934, when the present management assumed control, had a liquidating value of \$9,120 on that date, and could have been purchased at that price plus the above mentioned charge. Approximately four years later, on the 31st October, 1938, the liquidating value of those shares was \$10,530, representing an increase in the liquidating value of 3.67 per cent. per annum over the period. Income paid out as dividend on such an investment during the same period is equivalent to an income yield of 4.89 per cent. per annum on the liquidating value.

Copies of the Offer for Sale, on the terms of which alone applications will be accepted, may be obtained from ANY STOCKBROKER, ANY BANK, THE LONDON TRANSFER AGENTS, or from

LONDON & BOSTON SECURITIES LIMITED

125, Pall Mall, London, S.W.1.

Telephone: Whitehall 4884.

Telegrams: Natfit, Piccy, London.

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SCOTTISH UNION & NATIONAL
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ASSETS EXCEED £17,000,000
FIRE LIFE ACCIDENT MARINE
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Dennis Bros., on the other hand, has such a singular capitalisation that a modest net gain of £1,130 represents an increase of 9 per cent. in earnings for the 1s. shares. Commercial motor shares have some re-armament angle, but it is significant that last year Government orders represented less than 10 per cent. of A.E.C. sales. On the other hand, trolley bus manufacture has developed into an important branch of the company's activities, while London Transport replacement business will still have a considerable bearing on the company's prospects. At current prices of 31s. 10½d. and 17s. 9d., A.E.C. and Dennis yield respectively £6 10s. per cent. on a gross basis and £5 12s. 6d. per cent.

* * *

Dorman Long and South Durham.—Lord Greenwood's speech to the shareholders of Dorman Long this week was perhaps more significant for its review of the past than for its promise of the future. He emphasised, with every justification, the great technical strides which the company has made during the past few years. He showed how, in a year of falling activity (Dorman Long's own ingot output fell by 9 per cent. from 1,500,000 tons to 1,366,000 tons), the company had maintained its net profits by concentrating output on the most efficient units. This factor, indeed, may be of some importance for other steel companies, for costs were generally inflated in 1937 by abnormal pressure on plant, but may have been brought under closer control during the past year. The chairman's definition of steel cost and price policy was distinctly moderate, compared with statements made by some other spokesmen. A reasonable return on capital and provision for renewals requires a margin between costs and prices; but in Lord Greenwood's view costs should be determined neither by reference to a boom year like 1937, nor to a sub-normal year like 1935. Shareholders, however, received but little guidance on the present trend of business. The temporary stoppage of the Acklam rolling mills should not be exaggerated, for it probably results largely from price uncertainty. But short of real encouragement to demand, it is unlikely that the current year's results will be so favourable as those of last year. The full report of South Durham Steel and Iron shows that the parent company's profits fell from £258,343 to £226,161. The depreciation provision is reduced by £10,000 to £100,000, but after charging an increased sum for interest, net earnings available for the ordinary capital are reduced from £87,890 to £59,355—a sum which covers the 10 per cent. ordinary and 4 per cent. "B" ordinary dividends with a small margin. Cargo Fleet, the principal subsidiary, has suffered a more serious reduction in profits, before tax, from £284,832 to £170,085; the depreciation provision is cut from £150,000 to £100,000; and earnings for ordinary dividend are reduced from £50,143 to £5,121. Hence, no ordinary dividend is paid—a matter of £50,000 gross for South Durham. In the balance sheet, stocks have fallen significantly from £414,000 to £268,000; and there is a corresponding reduction in South Durham's stocks from £457,408 to £314,499. Such figures are a sufficient commentary on the present course of business.

* * *

Chilean Nitrate Position.—The only direct investment interest in the Chilean Nitrate and Iodine Sales Corporation report concerns the ex-Cosach debentures, for the service (but not principal) of which the Corporation has assumed liability. This service, requiring £624,143 in

1937-38, is a first charge on 75 per cent. of the Corporation's gross profit—the other 25 per cent. going to the Chilean State—and it was very comfortably covered by the profit of £1,699,013 available this year. This profit was only exceeded in 1936-37, when £1,811,282 was earned, and this year's fall was not due to lower sales, but to higher costs. In general, therefore, the investor's direct interest in the concern is well cared for. The indirect interest mainly consists of the Lautaro sterling debentures, dollar bonds, and sterling ordinary shares. The entire available profits of Lautaro (mainly derived from its share in the Sales Corporation's profits) must go to debenture and bond service, until the frozen bank loans contracted in 1930-31 have been paid off by liquidation of the frozen nitrate and iodine stocks standing against those loans. Thereafter dividends will become payable on the ordinary shares, and are likely to be justified by the higher earnings which should accrue through meeting the whole demand from new production, instead of to the extent of at least 20 per cent. from stocks. Consequently the progress made in the liquidation of these frozen stocks and loans is one of the most interesting points recorded in the accounts. The 1937-38 record of liquidation is satisfactory. Once again frozen stocks of nitrate have been reduced by approximately £1,000,000 (from £4,105,931 in 1937 to £3,017,321 in 1938), thus fully maintaining the rate of liquidation achieved in recent years. At this rate the stocks should be fully disposed of by June 30, 1941, or two years before the date contemplated. But meanwhile, though the bankers' stocks are falling, the "new production" stocks are rising. At June 30, 1938, these amounted to £587,563, against £360,926 in 1937 and £204,603 in 1936. There need, so far, be no alarm at this increase, since it is clearly necessary to build up a stock to work on after the bankers' stocks have been completely liquidated. If the movement of the two types of stock continues at its present rate, there will be no danger of a serious excess above commercial needs in 1941.

* * *

Malayan Tin.—The reports of Malayan Tin Dredging and Southern Malayan Tin confirm the suggestion of the dividend announcements—that net earnings are roughly one-third lower than in 1936-37. In both cases lower prices and production have prevailed, and further, the dredging of larger quantities of less valuable ground has resulted in a higher total of direct costs. And in both cases increased taxation has been met in part by a reduction in depreciation, which was provided in the previous year at an exceptionally generous level. While both companies have experienced about the same rate of decline in net earnings, the processes by which this result is determined are not quite identical. The drop in total revenue of Malayan Tin to £316,247 amounts to 13 per cent., for ore produced fell by only 123 tons to 2,303 tons (suggesting that quota rights were purchased on a more extensive scale than a year ago), while the average price realised was £131 7s. 3d. against £145 4s. 11d. per ton. Owing to an increase in the number of cubic yards treated, mining costs were 5½ per cent. higher; taxation requires £32,700; but depreciation takes £21,700 less. In consequence, earnings for dividend amount to £125,728 against £186,851. In recent years it has been the company's policy to distribute earnings more or less in full, and the 65 per cent. dividend is, in fact, short-earned by 2.9 per cent. The fall in Southern Malayan Tin ore recovery from 3,649 to 3,201 tons corresponds more closely to the reduction in Malayan output from 73 to 64½ per cent. of standard quotas. Total profits in this case are only 16 per cent. lower at £410,117. The net fall, however, was increased by a rise in mining costs, while taxation required £70,500. Only £4,620, against £87,397, was set aside for depreciation. The net result is that earnings are reduced to £165,955 against £251,595, to which dividends of 38½ per cent. in 1937-38 and 57½ per cent. for the previous year conformed closely. Tin companies may view the price position more hopefully than a year ago, but it is being won at the expense of a general tin quota of no more than 45 per cent., of which 10 per cent. is devoted to the buffer pool.

THE BRITISH OVERSEAS BANK, LIMITED.

ESTABLISHED 1919

Report by the Board of Directors to the NINETEENTH ANNUAL GENERAL MEETING of SHAREHOLDERS to be held in the BANK PREMISES, 33, GRACECHURCH STREET (LOMBARD COURT), LONDON, E.C.3, on WEDNESDAY, the FOURTEENTH day of DECEMBER, 1938, at 12 noon.

The Directors submit to the Shareholders the Balance Sheet of the Bank, as at 31st October, 1938, and Profit and Loss Account, together with copy of the Auditors' Certificate.

The Profit, after allowing rebate of interest and providing for all bad and doubtful debts (other than provided for out of Contingencies Account), for the year ended 31st October, 1938, amounts to

Balance available from last account

Making a total of

which it is proposed to appropriate as follows:—

To Contingencies Account

„ carry forward to next year

As a result of conditions ruling in several of the countries in which the Bank has done business some of the assets of the Bank have become difficult of immediate realisation. Arrangements have therefore been made for the provision of a deferred deposit of sufficient amount, together with the liquid assets, to cover the existing liabilities of the Bank to its creditors and depositors.

The term of office of Mr. Duncan A. Stirling as Deputy Chairman, having expired on 31st October, 1938, Mr. Louis E. Meinertzhagen has been appointed to succeed him.

The directors retiring by rotation are Mr. Arthur C. D. Gairdner, Mr. Louis E. Meinertzhagen and Mr. Duncan A. Stirling, who, being eligible, offer themselves for re-election.

The Auditors, Messrs. George A. Touche & Co., and Messrs. McClelland, Ker & Co., also retire, and, being eligible, offer themselves for re-appointment.

By Order of the Board,

London, E.C. 6th December, 1938.

A. E. THORNE, Secretary.

BALANCE SHEET, 31st October, 1938

LIABILITIES		£	s.	d.	ASSETS		£	s.	d.
Capital: Authorised	1,500,000	0	0		Cash in Hand and at Bankers	84,770	10	1	
300,000 "A" Ordinary Shares of £5 each	1,500,000	0	0		Money at Call and Short Notice	245,687	1	5	
300,000 "B" Ordinary Shares of £5 each	2,000,000	0	0		Balances with Bankers Abroad	164,982	17	1	
400,000 Shares of £5 each which may be issued in whole or in part as "A" or "B" Ordinary Shares	5,000,000	0	0		Bills Discounted	144,643	12	0	
Subscribed and Paid in Full:	1,000,000	0	0		Government Securities at market value	420,390	18	5	
200,000 "A" Ordinary Shares of £5 each	1,000,000	0	0		Investments in Subsidiary Companies	114,373	17	8	
200,000 "B" Ordinary Shares of £5 each	2,000,000	0	0		Other Investments including Shareholding Interests in Foreign Banks	579,340	5	6	
Current, Deposit and Other Accounts, including provision for Contingencies, and for Bad and Doubtful Debts	2,464,730	10	3		Bankers Industrial Development Co., Ltd. One "A" Ordinary Share of £100,000, £100 Paid	100	0	0	
Amounts owing to Subsidiary Companies	9,034	11	8		Advances to Customers and Other Accounts	2,608,432	15	5	
Reserve Fund	100,000	0	0		Amounts owing from Subsidiary Companies	125,141	3	7	
Investments Depreciation Reserve	150,000	0	0		Liability of Customers for Acceptances, etc. (per contra)	1,782,352	7	4	
Acceptances, etc., for account of Customers (per contra)	1,782,352	7	4		Bank Premises—Freehold, at cost, less amounts written off	337,345	19	6	
Balance of Profit and Loss Account	101,423	18	9			6,607,541	8	0	
Notes.—(1) Contingent Liability on account of Endorsements on Bills Discounted, £68,814.									
(2) "Bills Discounted" "Advances to Customers" and "Liability of Customers for Acceptances" include the balances which come under European "Standstill" Agreements and Exchange Restrictions, and also those due by Customers in Spain.									
(3) Recent international trouble has adversely affected the immediate value of certain assets, including investments, but the extent is unknown.									
(4) The cumulative dividend on the 6% "A" Ordinary Shares is in arrear from the 1st November, 1936.									
	6,607,541	8	0						

ARTHUR C. D. GAIRDNER, Chairman.
L. E. MEINERTZHAGEN, Deputy Chairman.
D. A. STIRLING, Director.

A. E. THORNE, Secretary.
F. J. SULLIVAN, Accountant.

AUDITORS' REPORT TO THE MEMBERS.

We have examined the above Balance Sheet and compared it with the books of the Bank. We have satisfied ourselves as to the correctness of the Cash Balances and the Bills of Exchange, and have verified the Securities. We have obtained all the information and explanations we have required, and are of the opinion that the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Bank.

London, E.C. 2nd December, 1938.

PROFIT and LOSS ACCOUNT for the Year ended 31st October, 1938

Dr.	£	s.	d.	Cr.	£	s.	d.
To Balance carried to Balance Sheet	101,423	18	9	By Balance brought forward	121,601	0	0
				Deduct: Amount transferred to Contingencies Account in accordance with Resolution of the Shareholders in General Meeting, 7th December, 1937	50,000	0	0
				By Profit, after allowing Rebate of Interest and providing for all Bad and Doubtful Debts (other than provided for out of Contingencies Account), for the year ended 31st October, 1938	29,822	18	9
				NOTE.—The total remuneration received by the Directors by way of Directors' Fees from this Company and its Subsidiary Companies during this financial year amounted to £4,400 0s. 0d.			
	101,423	18	9		101,423	18	9

STATEMENT REQUIRED BY SECTION 128 OF THE COMPANIES ACT, 1929.
None of the Accounts of the Subsidiary Companies shows a loss. The profits have been included in the above accounts only to the extent of dividends received.

ARTHUR C. D. GAIRDNER, Chairman.
L. E. MEINERTZHAGEN, Deputy Chairman.
D. A. STIRLING, Director.

A. E. THORNE, Secretary.
F. J. SULLIVAN, Accountant.

2nd December, 1938.

DIRECTORS:

ARTHUR C. D. GAIRDNER, Chairman.
LOUIS E. MEINERTZHAGEN, Deputy Chairman.

The Right Hon. LORD ABERCONWAY C.B.E.
Sir JAMES CAIRD, Bart.
Sir NIGEL CAMPBELL.
Sir ARTHUR A. HAWORTH, Bart.
R. T. HINDLEY.
NORMAN L. HIRD.

ADVISORY DIRECTORS:

F. O. ANDREWS-SPEED.
WILLIAM DEAN.

R. D. CAMERON, M.C.

DUDLEY WARD, C.B.E.
DEPUTY MANAGERS:
H. W. GURNEY.
SECRETARY:
A. E. THORNE.

DUNCAN A. STIRLING,
T. F. TALLENTS, M.C.
DUDLEY WARD, C.B.E.

Sir EDGAR HORNE, Bart.
The Right Hon. LORD MCGOWAN, K.B.E. D.C.L., LL.D.
LEWIS HUTH WALTERS.

ANDREW T. SMITH.
R. STEPHENSON.

A. E. THORNE.

CONTROLLER:
C. T. JAMES.

MCCLELLAND, KER & COMPANY,
Glasgow and London.

ACCOUNTANT:
F. J. SULLIVAN
GEORGE A. TOUCHE & COMPANY,
London.

OTARD'S EST. 1793
V.S.O.P.
LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

The Week's Company Profits.—An unusually large number of companies have issued reports during the week, and our weekly analysis of profit and loss accounts on page 579 covers 81 companies, excluding six for which comparable figures are not available. These companies have reported net profits of £5,518,000, a decline of 7 per cent. compared with total earnings of £5,944,000 for their preceding financial years. The aggregate net profits of 2,306 companies reporting this year to date amount to £289,436,000 against £268,621,000—an increase of 7½ per cent. We discuss the week's results in preceding Notes and on page 558 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 566. Sir J. Caulett's speech at the *Barclays Bank (Dominion, Colonial and Overseas)* meeting is discussed in a Note on page 548. On pages 550 and 552 we comment upon the speeches at the *Peninsular and Oriental Steam Navigation, Tube Investments* and *Dorman Long* annual meetings. Addressing members of *Strand Hotel*, Major M. Gluckstein disclosed that the profit balance of £123,000 had been arrived at after setting aside for contingencies a smaller amount than in the preceding year. At the *Charterhouse Investment Trust* meeting, Sir Arthur H. Marshall explained the advisability of segregating the new issue and finance activities into a separate but wholly-owned subsidiary. Shareholders of *Cam and Motor Gold Mining* were informed by Viscount Elibank that at June 30th last

the tonnage of payable ore reserves was nearly five years ahead of the mill. At the *Oroville Dredging* meeting, Mr Frederick W. Baker informed members that with the commissioning of the fifth dredge, the construction programme of *Pato Consolidated Gold Dredging* had been completed. At the *Gold Coast Main Reef* meeting, Major E. Seaborn Marks said that the company now had a mine capable of an output of 6,000 tons a month, while the ore was enough to keep the mill operating for over three years. At the *Tobacco Securities Trust* meeting, Lord Catto of Cairncatto discussed the Trust's policy of confining its investments mainly to the parent company and to Tobacco Investments, Limited. Sir Trevredyn Wynne, addressing members of *Bengal Nagpur Railway*, explained that more roads were wanted in India and that they should be built as feeders to Indian railways. Reasons for last year's disappointing experience were suggested by Mr Fred. Hopper at the *Elswick-Hopper Cycle and Motor* meeting. The chairman suggested that purchasers, having forestalled the rise in material costs before it became operative in increased selling prices, had in fact over-stocked, and consequently placed lower orders last year. At the *British Tyre and Rubber* meeting, Sir Walfrond Sinclair pointed out that the company's profits had increased for the seventh consecutive year. Successful drilling of the Offin River alluvial areas was described by Mr H. G. Latilla at the *Gold Coast Selection Trust* meeting. At the *Marlu Gold Mining* areas meeting, Mr Latilla declared there was reason to think that in the near future some 75,000 tons a month would pass through the mill.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
DECEMBER 20 DECEMBER 22

AFTER two weak opening days, the Stock Exchange managed to find a more stable dealing basis in mid-week, but a renewal of selling from home and abroad again produced substantial falls on Thursday. Therepatiation of French funds found a counterpart in selling of gilt-edged and Kaffirs, which led in the first group to falls of up to half a point on the undated stocks both on Monday and Tuesday. Political fears continued to depress the market, and Earl De la Warr's week-end speech was followed by Mr Pirow's gloomy prophecies. Until mid-week, the Franco-German Pact had little effect on business and even then its coincidence with the growing colonial agitation in Italy did not encourage much new business. On Thursday, Mr Malcolm MacDonald's statement regarding the Government's attitude towards colonies assisted the Kaffir market, but only temporarily.

After a weak opening, *gilt-edged*

stocks were further depressed by heavy selling from Paris, and Old Consols closed ½ lower. Depression continued on Tuesday, and despite a closing rally further losses ranging up to ½ were recorded. These losses were temporarily regained in mid-week, only to be repeated on Thursday when selling was resumed. Among Dominion stocks, New Zealand issues were quoted on a lower and wider basis following the announcement of trade and exchange regulations, despite the fact that these are officially attributed to the need for safeguarding the debt service. The Australian stocks moved to lower levels on the conversion announcement (discussed on page 548).

Interest in *foreign bonds* was small. European issues reflected the outbreak of political irritation, while Brazilian issues lost ground on balance, despite the small mid-week rally. The heavy increase in Japan's budget produced significant losses in the bonds, though Chinese issues generally remained firm.

Home rail debenture and guaranteed stocks remained the target for selling and the week's traffic loss of £319,000

caused further concern regarding the position of the marginal stocks. In the debenture list, Southern 4 per cents. lost a point on Wednesday, while L. & N.E. guaranteed stocks, whose position is most vulnerable in this section, were especially flat. Interest in the Argentine rail market was concentrated mainly upon Cordoba debenture issues, in anticipation of the Argentine Senate's approval of the Purchase Bill.

In accordance with a pattern which has now become familiar, industrial shares opened in dull fashion, but conditions became slightly brighter in mid-week. The undertone was helped on Wednesday by the signing of the Franco-German pact and by a good tone on Wall Street. But this gave no inkling of the heavy falls which occurred in leading industrial shares on Thursday. With some notable exceptions, iron and steel shares were dull to start with, and irregularity was intensified by discussions on the probable trend of steel prices. Thornycroft were again in demand, and Swan, Hunter went ahead on news of the big order for merchant ships for Turkey. South Durham gave way slightly on the report. Coal shares were consistently dull, and the Doncaster Amalgamated dividend decision did not help matters. Engineering issues were irregular. R. A. Lister improved on the good report, while Henry Meadows gained on trade news, reacted after the meeting, and then recovered. J. Brockhouse were weak. Electrical equipment shares were uninteresting and inclined to react. On Thursday, British Insulated Cables and Callenders' Cable were unsettled. The undertone in motor shares continued weak. Except for some momentary support for A.E.C., the "heavy" group weakened, and Raleigh Cycle gave way on the issue of the full report. Nor did aircraft shares show a consistent trend. The brightest spots were Boulton and Paul, Airspeed Preferred and Westland.

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Rayon shares and textiles generally continued neglected. Tobacco shares were helped by the good Carreras results, but reacted sharply on Thursday. Breweries gave way slightly, and then in mid-week remained fairly steady, though Seager Evans fell back on the reduced dividend. Provision and catering issues were uncertain; pending the meeting, Tate and Lyle fell back, then rallied slightly. Quotations for store shares were generally easier. Miscellaneous industrials were seriously affected by Thursday's selling. Falls of 1s. were recorded in Woolworth, and smaller reactions in Courtaulds and Imperial Chemical Industries.

Business in the oil share market opened on a trifling scale. There was some Paris selling on Monday, a tendency towards slightly firmer conditions on Tuesday, before severe selling occurred on Thursday in the leaders. Rubber shares were not helped by the slight improvement on Wednesday and remained inactive in the extreme. Price changes, where they occurred, were adverse. The tone in tea shares was relatively satisfactory.

Mining shares followed the general trend, and while at no time was there a marked improvement in turnover, sentiment hardened in mid-week after an uninspiring start. Among Kaffirs, dividend-payers opened weak, mainly on Paris selling; when this selling stopped, and Cape support for the developing mines revived a little, the tone improved. Rhodesian copper shares were weak at first, but improved on news that output would be further restricted. Business, however, failed to broaden. Other base metal shares were neglected.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 2	5,580	6,320	81.5	124.0
Dec. 5	5,775	7,315	80.7	123.5
Dec. 6	5,730	6,795	80.1	123.3
Dec. 7	5,470	6,110	80.1	123.2
Dec. 8	5,645	6,645	79.1	123.1
1938 High...	...	...	87.2	131.0
Low...	...	...	73.7	119.9
			Jan. 12	Feb. 4
			73.7	119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

On Tuesday last, December 6, 1938, the Actuaries' Index of 151 industrial ordinary share prices stood at 62.4, against 63.1 a week ago and 63.2 a month ago. The corresponding average yields are 6.03, 5.94 and 5.90 per cent. We give below a selection of the separate indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Nov. 8, 1938	Nov. 29, 1938	Dec. 6, 1938	
Insurance (10)	117.7	115.5	114.5	121.5
Bldg. mats. (6)	76.2	75.0	72.8	87.1
Cotton (6)	23.3	24.1	22.4	37.1
Elec. mfg. (12)	118.5	120.7	118.9	129.7
Oil (4)	82.9	80.7	77.8	92.1
Stores, etc. (18)	56.2	55.9	55.2	66.4
Breweries (20)	111.1	111.7	110.5	133.6

Group	Yield (%)			Prices 1938 Low
	Nov. 8, 1938	Nov. 29, 1938	Dec. 6, 1938	
Insurance	3.63	3.70	3.73	102.7
Bldg. materials	7.27	7.33	7.54	69.1
Cotton	3.23	3.07	3.10	22.4
Elec. manufg.	5.66	5.56	5.91	108.0
Oil	7.28	7.53	7.80	67.1
Stores, etc.	5.88	5.96	6.01	51.9
Breweries, etc.	5.98	5.92	5.96	110.5

New York

WALL STREET cannot make up its mind. Price movements have been irregular, and compared with a month ago, turnover has been falling. Monday was a thoroughly idle day, with sagging prices, thin trading, and a turnover of no more than 680,000 shares. There was a noticeable improvement on Tuesday, but the advance lacked any solid basis, and towards mid-week prices and activity again began to react. The unsatisfactory tendency could in part be attributed to end-of-year tax sales, but the fundamental trouble was lack of buying support until the situation in Europe is clarified. Steels, however, made a relatively good showing, despite the reduction in steel output (as estimated by the American Iron and Steel Institute) from 60.7 to 59.9 per cent., since it was believed that the December decline would be less than had been feared. The aircraft section was the most active and led Tuesday's upswing. At one time railroad stocks were supported on indications of higher carloadings.

New York Prices

	Close Latest		Close Latest	
	Dec.	Dec. 1,	Dec.	Dec. 1,
	1938	1938	1938	1938
1. Rails and Transport				
Atchafalaya	39 1/4	37 1/4	Briggs	29 1/2
Balt. & Ohio	7	6 1/2	Chrysler	80 1/4
B. M. T.	13 1/2	12 5/8	Elec. Autolite	33 1/2
Can. Pacific	6 1/4	5 3/4	Gen. Motors	48 1/2
Ches. & Ohio	25 1/4	25 1/4	Hudson Mtr.	8
G.N. Ry. Pfr.	25 1/4	25 1/4	Nash Keltner	9 3/4
Illinois Cent.	15 1/2	15 1/2	Packard Mtr.	4 1/2
N. Y. Central	18 1/2	17 5/8	Bendix Avn.	22 1/2
Norfolk	11 1/2	10 1/2	United Airplan	61 1/2
Pennsylv. R.	21	19 1/2	Douglas Air.	31 1/2
Southern Pac.	17 1/2	17 1/2	United Aircraft 37 1/2	38
Southern Ry.	18 1/2	18 1/2	Air Reduction	63 1/2
Union Pac.	9 1/2	8 3/4	Allied Chem.	181 1/2
Greyhound	20	19 1/2	Col. Carbon	145
			Dupont	145
			U. S. Ind. Alc.	27 1/2
2. Utilities and Communications				
Am. W'works.	12 1/2	12	Allis Chalmers	47 1/2
C'w.ith. & S.	1 1/2	1 1/2	Gen. Electric	42 1/2
Con. Edison.	30 1/2	28 1/2	West'hesElec.	117 1/2
Col. Gas & El.	6 1/2	6 1/2	American Can.	98 1/2
El Bond & Sh.	10 1/2	9 1/2	Addressograph	28 1/2
Nat Pwr & Lt. N. American.	8	7 5/8	Caterpillar	46 1/2
Pac. Gas & El.	22 1/2	21 1/2	Cont. Can.	38
Pac. Gas & El.	28 1/2	28 1/2	Ingersoll Rnd	109
Pac. Lightng.	40 1/2	41	Int. Harvester	60 1/2
Pub. Serv. N. J.	50 1/2	50 1/2	Johns Manville100 1/2	101
Stan Gas & E.	4	3 1/2	Am. Radiator	164 1/2
United Corp.	39 1/2	38	Corn Prods.	64 1/2
Un. Gas Imp.	11 1/2	11	I. Case & Co.	89 1/2
Amer. Tel.	148 1/2	149	Gillette	24 1/2
Internat. Tel.	9 1/2	9	G. Am. Trans.	53 1/2
Westin. Union	25 1/2	23 5/8	Allied Stores	11 1/2
Radio	7 1/2	7 1/2	Celanese of A.	22
" B. Prei	63 1/2	63 1/2	Ind. Rayon	25 1/2
			Colgate Palm.	15 1/2
			Eastm'n Kdk.	180
			Gillette	8 1/2
3. Extractive and Metal				
Am. Rol. Mill	21 1/2	20 1/2	Loews	58 1/2
Beth. Steel	72 1/2	70 1/2	20th Cen. Fox	26 1/2
Beth. Steel P. 112 1/2	109	109		
Republic St.	22 1/2	22 1/2	5. Retail Trade, etc.	
U.S. Steel	64	62 1/2	Mont. Ward	49
U.S. Steel Pfr.	115	116 1/2	J. C. Penney 79 1/2	79
Alaska I'neau 10	10	9 1/2	Sears Roebck 73	72 1/2
Am. Metal	38 1/2	40 1/2	Walgreen	17 1/2
Am. Smelting	52 1/2	51 1/2	Woolworth	50 1/2
Anaconda	33 1/2	34 1/2	Borden	17 1/2
Bohn Alum	26	26 1/2	Gen. Foods.	36 1/2
Cerro de Pas.	46 1/2	47 1/2	Kroger Grcy.	24 1/2
Int. Nickel	52 1/2	53 1/2	Nat. Biscuit	24 1/2
Kennecott	43 1/2	43	Nat. Dairy	12 1/2
Patino Mines	11	11 1/2	Am. Tob. B.	86 1/2
Tex. Gfl. Sul.	31 1/2	31 1/2	Lorillard	21 1/2
U.S. Smelt.	65 1/2	62 1/2	Reyn. Tob. B.	45 1/2
Vanadium	25 1/2	25	Nat. Distillers	28 1/2
Atlantic Refg.	22 1/2	22 1/2	Schenley Dis.	20 1/2
Phillips Petr.	40 1/2	40 1/2		
Shell Union	145 1/2	145 1/2	6. Finance	
Shell Un. Pfr.	105	104 1/2	Comd. Credit57 1/2	58
Socony Vac.	14	13 1/2	Atlas Corp.	8
Stan. Oil Cal.	27 1/2	26 1/2	Com Inv. Tr. 62 1/2	60
Stan. Oil N.J.	50 1/2	50 1/2		
Texas	43 1/2	44		

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

WEEKLY AVERAGES				
1938	1938		Nov. 23, 1938	Nov. 30, 1938
	Low	High		
347 Ind's.	75.9	117.9	111.3	110.6
32 Rails	19.0	31.8	28.8	27.9
40 Utilities	57.7	83.2	79.2	79.0
419 Stocks	63.7	98.2	92.6	92.1
Av. yield %	8.35	3.30	3.54	3.58
	High	Low		

* 50 Common Stocks.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Dec. 1	Dec. 2	Dec. 3	Dec. 5	Dec. 6	Dec. 7
124.8	123.6	123.6	123.0	124.1	124.6
1938 High: 136.1 November 12th. Low: 83.6 March 31st.					

TOTAL DEALINGS IN NEW YORK			
1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds 000's	
Dec. 1	860	6,290	178
" 2	820	6,570	148
" 3	320	3,560	66
" 5	680	5,970	176
" 6	990	6,930	230
" 7	1,100	8,490	252

* Two-Hour Session.

Capital Issues

THE capital market this week has seen the resumption of trustee borrowing—but on a 4 per cent. basis. The terms of this latest *Australia* conversion operation are discussed on page 548. The shares of *Supervised Shares, Inc.*, though marketed by an offer for sale, are closely allied to a unit trust offer. Some points arising from the offer are discussed on page 549. The 5½ per cent. £1 preference shares of *Taylor Tunnicliffe (Electrical Industries)*, offered at 21s., are well secured by profits, which have shown a consistent expansion during the past five years. Statements for information issued this week relate to the 5½ per cent. cumulative £1 preference shares of *Dutton's Lancashire and Yorkshire Brewery Corporation* (unconditionally guaranteed by Dutton's Blackburn Brewery), and to the 5½ per cent. redeemable cumulative preference shares of *Boosey and Hawkes*.

CAPITAL ISSUE TOTALS

Week ending	Nominal	Con-	New
December 10	Capital	versions	Money
	£	£	£
To the Public	4,412,800	2,517,800	2,395,000
To Shareholders	160,473	...	222,594
By S.E. Introduction	1,462,212	...	3,439,720
By Permission to Deal	970,000	...	1,965,000
Sav. Certs., week ended December 3....	50,000	...	50,000
	Including	Excluding	
	Conversions	Conversions	
	£	£	
1938 (New Basis)	282,664,773	258,278,683	
1937 (New Basis)	508,773,710	447,229,082	
1938 (Old Basis)	197,711,540	174,311,542	
1937 (Old Basis)	300,470,471	260,000,828	

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938 Jan. 1 to Dec. 7, inclusive		Name of Security	Price, Dec. 7, 1938	Change since Nov. 30, 1938	Yield, Dec. 7, 1938	Prices, Year 1938 Jan. 1 to Dec. 7, inclusive		Name of Security	Price, Dec. 7, 1938	Change since Nov. 30, 1938	Yield, Dec. 7, 1938
High-est	Low-est	High-est	Low-est					High-est	Low-est				
84 1/2	73 1/2	79 1/2	64	British Funds	70 1/2	-5 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
113	105 1/2	111 3/4	98	Consols 2 1/2% (1937-40)	107 1/4	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
103 1/2	94 1/2	100 3/4	90	Conv. 2 1/2% 1941-49	99	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
103 1/2	97 1/2	103 1/4	92	Do. 3 1/2% 1948-53	99	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
106 1/2	99	104 3/4	90 1/2	Do. 3 1/2% after 1961	99	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
117 1/2	105 1/2	105 3/4	100	Do. 4 1/2% 1940-44	102 3/4	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
92 1/2	89 1/2	91 1/2	81	Do. 5% 1944-48	110	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
96 3/4	89 3/4	97 3/4	88 1/2	Fund. 2 1/2% 1956-61	87 1/4	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
101 3/4	92 3/4	99 3/4	90	Fund. 2 1/2% 1952-57	93	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
116 3/4	109	114 3/4	98	Fund. 4% 1960-90	108 1/4	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
99 1/2	96	101 1/2	90	Nat. D. 2 1/2% 1944-48	98	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
114 1/2	107 1/2	112 1/2	100	Do. 3 1/2% 1954-58	97 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
105 1/2	96 1/2	103 1/2	90 1/2	Victory Bonds 4%	107 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
96 1/2	84 1/2	90 1/2	78	War L. 3 1/2% at 1952	98 3/4	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
102	92 1/2	102	80 1/2	Local Loans 3%	84 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
72	62	68 1/2	55	India 2 1/2% 1933-53	98 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
85 1/2	74 1/2	82 1/2	68	Do. 3 1/2%	76 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
98 1/2	87 1/2	95 3/4	75	Do. 3 1/2%	89 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
119 1/2	112 1/2	117 1/2	110	Do. 4 1/2% 1958-68	115	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
109 1/2	105	108 1/2	97	Dom. & Col. Govts.	103	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
105 3/4	101	104 1/2	90 1/2	Austr. 5% 1945-70	103	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
118	114 1/2	115	109 1/2	Canada 4% 1940-60	102 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
110	104 1/2	108	95 1/2	Nigeria 5% 1950-60	112 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
107 3/4	103 1/2	107 1/2	95 1/2	N. Zealand 5% 1946	102	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
114 1/2	110 1/2	112 1/2	97	Queens. 5% 1940-60	107 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
103	93	96 1/2	78	S. Africa 5% 1945-75	107 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
105 1/2	97 1/2	102 1/2	80	Foreign Governments	87 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
91 1/2	84 1/2	89	78	Arg. 4 1/2% Stg. Bds.	48 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
102 1/2	95 1/2	99	80	Austria 1930-55	58	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
33 1/2	24 1/2	36	31	Do. 4 1/2% 1933-59	58	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
89 1/2	37	37 1/2	13	Belgian 4 1/2% 1970	91	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
25 1/2	15 1/2	19 1/2	14	Bulgaria 7 1/2%	13	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
101 1/2	54 1/2	60 1/2	37	Brazil 5% (1914-19)	13	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
108 3/4	50 1/2	58 1/2	40	Chile 6% (1929)	15	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
100	92 1/2	99	84	China 5% (1912)	39 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
106 1/2	100 1/2	104	87	Do. 5% (1913)	54	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
18 1/2	11	13	9 1/4	Czechoslovakia 8%	59 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
66	52 1/2	60	20	Egypt United 4 1/2%	91 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
49 1/2	30	34 1/2	25	French 4 1/2% (British)	11 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
62	47 1/2	54 1/2	34 1/2	Greek 6% (1929)	46	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
88 3/4	53	60	35	Do. Young Ln. 4 1/2%	35 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
94 1/2	57 1/2	63 1/2	38	Greek 6% Stab. Ln.	30	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
81 1/2	40 1/2	50	35	Hungary 7 1/2%	39 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
63	56	75 1/2	54	Japan 5% 1936-65	54	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
20 1/2	13	15 1/2	10	Do. 6% (24 red. 1939)	57	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
96 3/4	88 1/2	92	75	Peru 7 1/2% 1922	60	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
118	111 1/2	115 1/2	101	Poland 7%	55	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
112 1/2	112 1/2	117 1/2	104 1/2	Roum. 4% Con. 1922	11 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
95 1/2	82 1/2	87 1/2	75	U.K. & Arg. C. 3%	79 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
101	93 1/2	97 1/2	83	Corporation Stocks	111 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
104 3/4	100 3/4	105 3/4	94 3/4	Birham 5% 1946-56	111 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
				British 5% 1948-58	113	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
				L.C.C. 3% 1934-43	112	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
				Liverpool 3% 1934-43	113	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11
				Midx. 3 1/2% 1957-62	102 1/2	-1 1/2	13 10 11	13 10 11	12 1/2	3 1/2	3 1/2	13 10 11	13 10 11

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in £N.Z. (e) Allowed for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4 1/2% basis. (i) Based on payment of 2 1/2%. (j) To redemption at par, in year shown. (k) Yield on 15/8% basis. (l) Yield based on 40% of coupon. (m) Free of Income Tax. (n) Yield worked on 47% of coupon. (o) Yield worked on a 10% basis. (p) Yield worked on a 14% basis. (q) Yield free of income tax.

Prices, Year 1938 Jan. 1 to Dec. 7, inclusive				Prices, Year 1938 Jan. 1 to Dec. 7, inclusive				Prices, Year 1938 Jan. 1 to Dec. 7, inclusive				Prices, Year 1938 Jan. 1 to Dec. 7, inclusive				
Last two Dividends		Name of Security		Price, Dec. 7, 1938		Yield, Dec. 7, 1938		Last two Dividends		Name of Security		Price, Dec. 7, 1938		Yield, Dec. 7, 1938		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	
High-est	Low-est	%	%	Price, Dec. 7, 1938	Change since Nov. 30, 1938	Yield, Dec. 7, 1938	High-est	Low-est	(a)	(b)	(c)	Price, Dec. 7, 1938	Change since Nov. 30, 1938	Yield, Dec. 7, 1938	High-est	Low-est
41 1/2	20 1/2	Nil	8c	Iron, Coal, &c. - cont.	40 1/2	£ s. d.	62 1/2	55 1/2	20	b	71 1/2	Gallagher Ltd. Ord. £1	65 1/2	+1 1/2	£ s. d.	£ s. d.
37 1/2	33 1/2	1c	Nil	Thornycroft, John £1	67 1/2	4 0 0	7 1/2	3 1/2	Nil	c	4 3/4	Gaumont-Brit. 10/-	12 1/2	...	13	6 9
27 1/2	24 1/2	3a	7b	U. States Steel 8 1/8%	22 1/2	-1 1/2	20 1/2	7 1/2	16	c	20 1/2	Gen. Reifract. 10/-	25 1/2	...	7	16 3
27 1/2	24 1/2	10c	4a	Un. Steel Cos. Ord. £1	23 1/2	-1 1/2	35 3/4	22 1/2	15	a	20 1/2	Estetetter (D) 5/-	87 1/2	...	8	14 0
29 1/2	26 1/2	10c	4a	Vickers 10/-	23 1/2	...	90 7 1/2	68 1/2	13 1/2	b	20 1/2	Harrisons & Cros. Df. £1	61 10 1/2	-7 1/2	5	16 0
43 1/2	33 1/2	12 1/2	12c	Ward (Thos. W.) £1	38 1/2	...	76 1/2	53 1/2	15	a	27 1/2	Hawker Siddeley (5/-)	24 1/2	-6 1/2	8	8 6
59 1/2	49 1/2	22 1/2	12c	Wearside S. etc. Df. £1	48 1/2	...	70 1/2	58 1/2	15	a	27 1/2	Imp. Airways £1	27 1/2	-1 1/2	5	13 4
66 1/2	56 1/2	22 1/2	12c	Whitehead I. & S. £1	60 1/2	...	70 1/2	58 1/2	15	a	27 1/2	Imp. Chem. Ord. £1	30 1/2	-1 1/2	5	13 4
	40 1/2	15c	20c	Yarrow & Co. £1	60 1/2	...	29 1/2	20 1/2	9	c	7	Imp. Smelting £1	11 1/2	-1 1/2	Nil	...
				Textiles	3 1/2	-1 1/2	13 1/2	6 1/2	5	c	Nil	Imp. Tobacco £1	6 1/2	-3 1/2	17	6 1/2
5 1/2	2 1/2	Nil	Nil	Bleachers £1	3 1/2	-1 1/2	7 1/2	5 1/2	11 1/2	b	17 1/2	Imp. Nickel n.p.	57 1/2	+1	3	10 2
5 1/2	2 1/2	Nil	Nil	Bradford Dyers £1	3 1/2	-1 1/2	9 1/2	5 1/2	11 1/2	b	17 1/2	International Tea 5/-	10 1/2	-3 1/2	4	17 6
5 1/2	2 1/2	Nil	Nil	Brit. Cel. Ord. 10/-	3 1/2	-1 1/2	12 1/2	8 1/2	5	a	5	Lever & Unilever £1	36 10 1/2	...	9	10 13
5 1/2	2 1/2	Nil	Nil	Caltico Printers £1	4 1 1/2	...	30 3/4	27 1/2	6	b	5	Lon. & Th. OilWht £1	18 1/2	-3 1/2	10	13 4
41 1/2	39 1/2	10c	Nil	Coats, J. & P. £1	28 1 1/2	...	46 10 0	15 7 1/2	10	Nil	a	London Brick Co. £1	48 1/2	-1 1/2	4	2 5
48 1/2	26 1/2	7 1/2	1 1/2	Courtaulds £1	29 1 1/2	...	61 1/2	43 1/2	22 1/2	c	20	Lyons (L) Soap £1	51 1/2	-1 1/2	5	9 9
39 1/2	25 1/2	7 1/2	2 1/2	English Swg. Ctn. £1	24 1/2	...	53 1/2	5	14 1/2	b	8 1/2	Marks & Spen. A 5/-	53 1 1/2	-d 1 1/2	13	17 6
6 1/2	2 1/2	Nil	Nil	Fine Cotton Sp. £1	29 1/2	...	60 7 1/2	42 1/2	22 1/2	b	15	Murex £1 Ord.	3 1/2	...	5	1 6
33 1/2	25 1/2	5 1/2	3 a	Linen Thread Spk. £1	48 1/2	...	37 1/2	21 1/2	10	b	71 1/2	Phillips (Godfrey) £1	32 1/2	-6 1/2	7	6 9
49 1/2	36 1/2	3 1/2	10 c	Patons & Baldwins £1	7 3/4	...	37 1/2	21 1/2	10	b	71 1/2	Pinchin Johnson £1	25 1/2	-7 1/2	7	0 0
18 1/2	5 1/2	Nil	Nil	Whitworth & Mit. £1	39 1/2	...	42 1/2	26 1/2	11 1/2	b	37 1/2	Prices Trust Serd. 5/-	36 3/4	...	6	18 0
				Electrical Manufacts.	39 1/2	-6 1/2	58 1/2	42 1/2	11 1/2	b	37 1/2	Radiation Ord. £1	53 1/2	...	4	16 0
95 1/2	77 1/2	15 b	5 a	Associated Elec. £1	86 1/2	...	19 31 1/2	16 3	34	a	14	Ranks Ord. 5/-	51 1/2	+1 1/2	4	8 0
103 1/2	73 1/2	15 b	5 a	British Insulated £1	80 1/2	...	14 1/2	9 1/2	14 1/2	a	14 1/2	Ranks Ord. 5/-	51 1/2	+1 1/2	4	8 0
32 1/2	18 1/2	6 a	24 b	Callenders £1	25 1/2	-1 1/2	14 1/2	9 1/2	14 1/2	a	14 1/2	Sears (J) Ord. 10/-	10 3/4	...	8	8 0
33 1/2	24 1/2	Nil	10 c	Crompton £1	33 1/2	...	60 6 1/2	5 1/2	12 1/2	b	21 1/2	Smithfield & Arg. Mt. £1	9 6	+3 1/2	8	8 0
79 1/2	67 1/2	17 1/2	20 c	Engish Electric £1	77 1/2	-1 1/2	60 6 1/2	5 1/2	12 1/2	b	21 1/2	Spillers Ord. £1	56 10 1/2	-7 1/2	5	5 7
21 1/2	16 1/2	15 b	5 a	General Electric £1	77 1/2	-1 1/2	30 4 1/2	21 1/2	Nil	Nil	Nil	Swed. Match. Bkr. 25/-	28 1/2	-7 1/2	4	Nil
41 1/2	32 1/2	7 1/2	7 1/2	Henleys (W. T.) £1	36 3/4	...	85 1/2	60 1/2	44 1/2	a	14 b	Tate and Lyle £1	78 1 1/2	-2 1/2	4	0 0
30 1/2	20 1/2	7 1/2	7 1/2	Johnson & Phillips £1	23 1/2	...	48 1/2	36 1/2	5 b	5 a	5 a	Tilling, Thos. £1	60 1/2	-d 1 1/2	5	5 3
				Siemens £1	23 1/2	...	68 4 1/2	52 1/2	11 b	5 a	5 a	Woolworth Safeg. G. 10/-	31 10 1/2	-d 1 1/2	7	16 0
				Electric Light	10 1/2	-7 1/2	83 1/2	64 1/2	35 1/2	b	25	Tube Investments £1	82 1/2	...	5	15 0
81 1/2	77 1/2	Nil	81 c	Brazil Tract. & Pte.	68 1 1/2	+7 1/2	53 1/2	42 1/2	10	10	13 1/2	Turner & Newall £1	78 1 1/2	-7 1/2	4	13 10
68 1/2	62 1/2	5 b	6 a	British Pow. & Lt. £1	28 1/2	-6 1/2	87 1/2	63 1/2	10	10	13 1/2	United Dairies £1	53 1 1/2	...	6	16 0
39 1/2	24 1/2	5 b	2 a	City of London £1	32 1/2	...	57 1/2	46 1/2	5	7 1/2	b	United Molasses 6/8. 2	11 10 1/2	+d 4 1/2	4	13 10
34 1/2	28 1/2	4 b	3 1/2 a	Clyde Valley Elec. £1	36 3/4	...	39 3/4	31 3/4	7 1/2	a	15 b	W'lpapp Mrs. Def. £1	33 1 1/2	-1 1/2	5	10 0
42 1/2	32 1/2	5 b	3 1/2 a	County of London £1	46 1/2	...	41 1/2	30 1/2	7 1/2	a	7 1/2	Woolworth Ord. 5/-	56 3/4	-1 1/2	5	6 0
51 1/2	39 1/2	7 1/2	3 1/2	Edmundson Elec. £1	31 1/2	...	84 1/2	52 1/2	15	a	95	Ashanti Goldfields 4/-	82 1/2	-7 1/2	9	12 0
27 1/2	18 1/2	5 b	2 1/2	Lancashire Elec. £1	31 1/2	...	12 10 1/2	8 1/2	66	a	p 4	Burma Corp. Rs. 9/-	8 10 1/2	...	0	0 1/2
35 1/2	26 1/2	5 b	2 1/2	London Ass. Elec. £1	30 7 1/2	...	3 6	1 3/4	95	a	p 4	Commw. Inv. Mng. 5/-	1 6	...	Nil	...
32 1/2	28 1/2	4 b	3 a	Metro. Electric £1	48 1 1/2	...	81 3/4	58 1/2	64	a	p 4	Cons. Glids. of S. Afr. £1	65 7 1/2	-1 10 1/2	6	0 0
50 1/2	41 1/2	5 1/2	2 b	Midland Counties £1	36 3/4	...	13 1/2	9 1/2	95	a	p 4	De Beers (Deft.) £1	15 1/2	...	1	6 0
39 1/2	33 1/2	25 1/2	2 1/2	North-East. Elec. £1	31 1/2	...	69 4 1/2	41 10 1/2	11 1/2	a	11 1/2	Drummond (Deft.) £1	47 6	-2 6	6	6 4
33 1/2	25 1/2	6 b	4 a	North. Elec. £1	35 7 1/2	...	10 1/2	7 1/2	10	Nil	Nil	Jo'burg Cons. £1	40 7 1/2	-7 1/2	11	2 0
38 1/2	32 1/2	5 1/2	2 1/2	Scottish Power £1	35 7 1/2	...	10 1/2	7 1/2	10	Nil	Nil	Randfontein £1	40 7 1/2	-7 1/2	11	2 0
41 10 1/2	37 1/2	5 b	3 a	Yorkshire Electric	39 1/2	...	10 1/2	7 1/2	10	Nil	Nil	Rhokana Corp. £1	12 1/2	-1 1/2	5	2 0
				Gas & C. £1	22 1/2	+3d	10 1/2	7 1/2	10	Nil	Nil	Rio Tinto £5	14 1/4	+1 1/4	Nil	...
25 1/2	17 1/2	2 1/2	4 a	Imp. Con. Sdk.	110 1/2	+1	12 1/2	9 1/2	10	Nil	Nil	Roan Antelope Cr. 5/-	16 7 1/2	-10 1/2	6	3 0
138	100	2 1/2	4 a	Newc-on-Tyne £1	22 1/2	...	12 1/2	9 1/2	10	Nil	Nil	Sub Nigel 10/-	11 1/2	-8 1/2	6	8 0
209 1/2	90	2 1/2	4 a	S. Metropolitan Sdk.	104 1/2	...	12 1/2	9 1/2	10	Nil	Nil	Un. C. 12 1/2 ty pd.	8 1/2	-9 1/2	5	4 7
109 1/2	20	3 b	2 1/2	Motors and Cycle	46 3/4	...	92 1/2	48	10	c	Nil	Wp. Witwatersrand 10/-	6 1/2	-1 1/2	Nil	...
				Albion Motors Ord. £1	32 1 1/2	-1 1/2	92 1/2	48	10	c	Nil	Wiluna Gold £1	13 1/2	-1 1/2	Nil	...
51 3/4	36 3/4	15 c	12 1/2 c	Austin 5/-	25 1/2	+7 1/2	19 1/2	5 1/2	10	c	Nil					
39 1/2	30 1/2	50 c	30 c	Birm. Sml. Arms £1	25 3/4	...										
32 1/2	26 1/2	50 c	30 c	Dennis 1/-	18 1/2	...										
24 1/2	17 1/2	50 c	30 c	Ford Motors £1	17 1/2	...										
23 1/2	13 1/2	6 c	5 c	Lucas, J. (£1)	16 3/4	...										
27 1/2	20 1/2	20 c	25 c	Albion Motors £1	91 3/4	1/3										
33 1/2	23 1/2	45 c	45 c	Morris Motors 5/- Od.	30 1/2	...										
61 3/4	32 1/2	5 a	15 b	Ral. Cycle Hold. £1	40 1/2	-2 1/2										
111 3/4	81 3/4	6 a	16 1/2	Rolls-Royce £1	110 1/2	...										
17 1/2	9 1/2	40 c	22 1/2 c	Stand. Motor 5/-	16 1/2	-6d										
				Shipping	4 1/2	...										
7 1/2	3 1/2	15 b	5 a	Clan Line Steam. £1	2 1/2	...										
4 1/2	2 1/2	Nil	Nil	Furness, Withy £1	18 1/2	-3d										
24 1/2	14 1/2	3 c	5 1/2 c	P. & O. Def. £1	22 1/2	...										
26 1/2	17 1/2	2 1/2	5 1/2 c	Royal Mail Lines £1	18 1/2	...										
23 1/2	13 1/2	Nil	Nil	Union Castle Ord. £1	15 1/2	...										
				Tea and Rubber	14 1/2	-6d										
18 1/2	9 1/2	2 1/2	5 c	Allied Sumatra £1	26 1/2	-9d										
30 1/2	18 1/2	4 a	5 b	Anglo-Dutch £1	21 1/2	...										
30 1/2	18 1/2	4 a	5 b	Bah Lias £1	21 1/2	+1 1/2										
27 1/2	20 1/2	2 a	6 b	Jhazite Tea £1	33 1/2	...										
38 1/2	31 1/2	5 a	7 1/2 b	Jorchaat Tea £1	31 1/2	+1 1/2										
37 1/2	29 1/2	2 1/2	10 a	Lokai (Assam) £1	15 7 1/2	...										
18 10 1/2	10 1/2	5 c	5 c	Longi Plant. £1	28 1/2	-1 1/2										
3 10 1/2	2 0 1/2	6 b	4 a	London Asiatic 2/-	28 1/2	-6d										
30 10 1/2	17 1/2	6 b	4 a	Rubber Trsd. £1	3 1 1/2	...										
3 10 1/2	2 0 1/2	6 b	4 a	United Serdang 2/-	92 1/2	-2 1/2										
3 10 1/2	2 0 1/2	6 b	4 a	Anglo-Iranian £1	27 1/2	-3d										
113 1/2	67 1/2	20 b	5 a	Apex (Trinidad) 5/-	46 1/2	-6d										
32 1/2	21 1/2	32 1/2	12 1/2 b	Attack Oil £1	43 1/2	-3 1/2										
47 1/2	25 1/2	Nil	Nil	Burmah Oil £1	43 1/2	-3 1/2										
6 1/2	3 1/2	25 b	5 a	Mexican Eagle M. 3/4	36 1/2	-3 1/2										

(Continued from page 555)
Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	146,967,698	19,304,062	92,106,923
1937 (New Basis)	222,050,422	30,596,832	194,371,778
1938 (Old Basis)	130,548,183	10,817,005	32,946,357
1937 (Old Basis)	162,034,824	19,478,319	60,495,679

Note.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Commonwealth of Australia.—Issue of £2,517,800 4 per cent. registered stock at 100, offered in conversion to holders of South Australia 3½ per cent. inscribed stock, due January, 1939. New stock (identical with £9,322,446 already quoted) redeemable at par July, 1970, or from 1955 on notice. Population, 1938: 6,864,000. Public debt per head, £stg. 165 10s. 6d. Total revenue, 1937-38, £89,458,154.

BY OFFER FOR SALE

Taylor Tunnicliff (Electrical Industries).—Offer for sale of 200,000 5½ per cent. cumulative £1 preference shares at 21s. Acquires capitals of three companies (one with a subsidiary) making insulators and special porcelain. Combined profits after depreciation: 1935, £58,346; 1936, £75,826; 1937, £91,096. Combined net assets, £368,294. Standard Industrial Trust sell operating companies' shares to company for £510,000 (£210,000 cash and 1,200,000 5s. ordinary shares), and take this issue at 21s., or 20s. 8½d. net, allowing for dividend receivable and expenses. List closed at 9.5 a.m. December 7th. Oversubscribed.

BY STOCK EXCHANGE INTRODUCTION

Dutton's Lancashire and Yorkshire Brewery Company.—Particulars of £480,000 5 per cent. (Seed's) debenture stock; and of 350,000 5½ per cent. cumulative guaranteed £1 preference shares, guaranteed by Dutton's Blackburn Brewery unconditionally. Profits of company and subsidiaries, years ending in 1936-37, £101,024; 1937-38, £112,974. Net assets (after other debenture issues), £1,366,555. 5 per cent. (Seed's) debenture stock issued as part of £706,000 purchase price (rest in cash) for Richard Seed and Company. John Prust and Company take preference shares at 19s. 8½d.

Boosey and Hawkes.—Particulars relating to £300,000 5½ per cent. cumulative £1 first preference shares (taken by Anglo-French Banking Corporation at 19s. net). Music publishers, etc. Net proceeds of £282,000 to redeem loans, etc. Total assets end 1937, £563,219. Combined profits: 1935, £26,877; 1936, £31,346; 1937, £46,278.

FORTHCOMING ISSUE

North Metropolitan Electric Power.—Lists will open and close on Monday next, December 12th, for an issue of £1,000,000 4 per cent. cumulative preference stock at par. The stock will rank *pari passu* with the existing 6 per cent. preference stock for capital and dividend. The company supplies an area of 670 square miles, extending from North London to North Herts. Proceeds of the issue will be applied to the general development of the business. Profits, after working expenses and depreciation, debenture interest and debt redemption provisions: 1934, £353,113; 1935, £370,362; 1936, £405,955; 1937, £402,852.

UNIT TRUSTS

Supervised Shares Inc.—London and Boston Securities, Ltd. (associated with National Group of Fixed Trusts) have acquired right to purchase these shares, and offer them for sale. Managed investment company of Boston type, undertaking to repurchase own shares. (Share capital, \$1 shares: authorised 2,000,000; with public, 938,027; held by corporation, 71,656). Invests mainly in common stocks. Earned per share outstanding: 1935, \$0.453; 1936, \$0.581; 1937, \$0.470.

The Commodity Share Trust.—Flexible unit trust of cash fund type, with authorised list of investments in base metal, coal, plantation, pastoral, oil, etc., companies. Managers, Improving Securities Trust, Ltd. Custodian trustee, Martins Bank, Ltd. Distribution, January 31st, July 31st. Life, 21 years. Service charge, 5 per cent. included in the price plus price adjustments, and half-yearly charge of ¼ per cent of trust fund.

BONUS SHARES

Carreras, Limited.—It is proposed to distribute bonus shares in the proportion of four "B" ordinary shares of 2s. 6d. for each £1 ordinary or "A" ordinary, and one "B" ordinary share for every two "B" ordinary held on January 4, 1939.

Scottish Motor Traction.—It is proposed to capitalise £214,610 of undivided profits and to make a free bonus distribution of £1 ordinary for every four held on December 21st.

PRIVATE PLACINGS

British American Oil.—Robert Benson and Company have subscribed for an issue at \$20 of 150,000 common shares of no par value of this company.

Atkinsons Brewery.—This company is placing privately £325,000 4½ per cent. debenture stock, thus raising the amount in issue to the authorised total of £600,000.

Venesta, Ltd.—This company has placed privately £119,600 4½ per cent. first mortgage redeemable debenture stock to repay 4½ per cent. registered notes.

Llanely Electric Supply.—This company has issued privately 40,000 6 per cent. £1 cumulative preference and 40,000 £1 ordinary shares.

ISSUES TO SHAREHOLDERS ONLY

Beacon Insurance.—Issue of 20,000 16s. 3d. shares, 5s. to be paid up, at 45s., in proportion of one new share for eight held. These shares will be entitled to a full year's dividend for 1939.

Boulton Paul Aircraft.—Issue of 400,000 5s. shares at 6s., to ordinary shareholders, on November 28th at rate of one new ordinary for four ordinary held.

East Daggafontein Mines.—Issue of 900,000 10s. shares at 20s., in the ratio of one for every three held on December 17th.

Guy Motors.—Issue of 800,946 1s. shares at 2s. to existing holders of preference and ordinary shares, in proportion of one for four held.

SHORTER COMMENTS

Company Results of the Week.—Profits of brewery companies continue to make a mixed showing. Thus BENSIN's

WATFORD and P. PHIPPS AND COMPANY are reducing their dividends from 20 per cent. and 15 per cent. tax free to 18½ per cent. and 13½ per cent. tax free, respectively, while a small improvement is shown by the BRICKWOOD AND COMPANY profits from £261,388 to £268,949. The heavy fall in wool prices, and drought in Victoria and New South Wales have affected NEW ZEALAND LOAN AND MERCANTILE AGENCY profits, which have fallen from £136,012 to £82,365. The net profits of SECOND COVENT GARDEN PROPERTY are practically unchanged at £66,300, and the 7½ per cent. dividend is maintained. GLASS HOUGHTON COLLIERIES profits, at £52,057, are less than half those for 1936-37, a disappointing result which is matched by the cut in dividend from 12½ to 4 per cent., through the omission of a final dividend. A satisfactory improvement in profits is recorded by R. A. LISTER AND COMPANY, who show trading profits of £265,922 against £204,142. The full report of RALEIGH CYCLE HOLDINGS confirms the impression made by the preliminary figures; net profits are £54,000 lower at £224,383. Though the four investment trusts to issue reports this week have all maintained their dividend, net revenue is in each case lower. Having achieved a new sales record, AVON INDIA RUBBER show a small but satisfactory increase in profits, and the dividend is raised by 1 per cent. to 8 per cent. J. BROCKHOUSE AND COMPANY have earned nearly £30,000 less at £111,543, but the prosperity of previous years was somewhat exceptional. Total profits of ILFORD LTD., are £132,962 against £138,337, but the 8 per cent. dividend is maintained. RONEO, LTD., report that some progress has been made in increasing turnover, and dividends are resumed with a payment of 10 per cent. A satisfactory improvement in profits is shown by WATERLOW AND SONS, whose distribution is raised from 6½ to 7½ per cent., after earning £22,000 more at £235,441. MANBRE AND GARTON, LTD., show net profits of £387,043 against £375,193, but no change is made in the dividend. HARRODS (BUENOS AIRES), LTD., have made further progress, net profits of £317,175 comparing with £282,725, while the 1½ per cent. dividend is repeated. During 1937-38 total sales of AGAR CROSS AND COMPANY improved, and the trading balance is £246,459 against £176,247. Since, however, £84,673 was obtained in 1936-37 from interest over-provided in previous years, net profits are £194,787 against £227,505, and the debit balance forward has been reduced to £115,408.

MISCELLANEOUS

Westland Aircraft, Ltd.—Profit year to June 30, 1938, £37,531, against £25,755. To taxation reserve £13,000 (£7,500). Ordinary dividend raised from 5 to 8 per cent. To general reserve £10,000. Carry forward £8,154.

Brickwood and Company.—Net profit for year to September 30, 1938, £237,073 (against £225,963) before £76,572 (£66,844) for income tax and N.D.C. Ordinary dividend maintained at 15 per cent. To general reserve £35,000 as before. Carry forward increased from £75,098 to £82,750.

Walker and Homfrays, Ltd.—Net profit for year to September 30, 1938, £15,021 against £15,763. Carry forward £15,000 higher at £48,729.

Bensin's Watford Brewery.—Net profit year ended September 30, 1938, shows a fall from £266,100 to £255,167. Ordinary dividend reduced from 20 to 18½ per cent. To reserve £37,000 (£25,000). To improvements reserve £25,000 as before. To pension fund £5,000. Carry forward £163,925.

Horrockses Crewdson and Company.—Trading loss year to October 31, 1938, £49,525 against a trading profit of £26,985. Net loss £94,426, increasing debit forward to £104,630.

(Continued on page 577)

Industry and Trade

Rise in Unemployment.—The changes in employment between October 17th and November 14th still give no definite indication of the course of business activity. The number of registered unemployed in Great Britain (inclusive of agriculture) rose by 47,000 during this period, compared with an increase of 109,000 a year ago. But although the increase between October and November this year was not as large as in 1937, the deterioration cannot be ascribed to seasonal influences. Indeed, our index of unemployment, which is adjusted for seasonal variations, rose from 87.6 (1935 = 100) in October to 89.6 in November. The most unsatisfactory feature is the rapid growth in the number of wholly unemployed persons. The decline in the number of insured persons aged 16 to 64 employed in Great Britain (exclusive of agriculture) was less marked between October and November than the increase in unemployment; it amounted to 27,000 against 84,000 a year ago. The fall, moreover, was not large enough to alter our index of employment, which has remained unchanged at 110 (1935 = 100) since July. A monthly record of changes in unemployment and employment since September, 1937, is given below:—

EMPLOYMENT AND UNEMPLOYMENT IN GREAT BRITAIN							
Date of Return	Unemployment				Employment		
	Registered unemployed aged 14 and over (incl. agriculture)			Percentage of insured persons (aged 16-64) unemployed (excl. agriculture)	Insured persons aged 16-64 employed (excl. agriculture)		
	Total		Of whom wholly unemployed		Number	Index, adjusted for seasonal variations	
	Number	Index, adjusted for seasonal variations					
1937	'000	1935 = 100	'000	%	'000	1935 = 100	
Sept. 13	1,339	66.1	1,091	9.5	11,707	112½	
Oct. 18	1,390	68.5	1,160	9.9	11,664	112	
Nov. 15	1,499	73.4	1,228	10.7	11,580	111½	
Dec. 13	1,665	83.5	1,284	11.8	11,444	109½	
1938							
Jan. 17	1,828	83.5	1,419	12.9	11,319	110½	
Feb. 14	1,810	84.0	1,405	12.8	11,338	110	
March 14	1,749	85.8	1,350	12.5	11,390	109½	
April 4	1,748	87.9	1,321	12.5	11,412	109½	
May 16	1,779	89.5	1,314	12.7	11,406	109½	
June 13	1,803	91.0	1,269	13.0	11,369	109	
July 18	1,773	87.4	1,244	12.9	11,413	110	
Aug. 15	1,759	86.4	1,262	12.7	11,447	110	
Sept. 12	1,799	88.6	1,324	12.9	11,429	110	
Oct. 17	1,781	87.6	1,409	12.7	11,455	110	
Nov. 14	1,828	89.6	1,456	...	11,428	110	

An examination of the incidence of changes in unemployment between October and November throws further light on the aftermath of the political crisis in September. The improvement in the coal and iron and steel industries is revealed to have been temporary, for unemployment showed an increase in both trades. On the other hand, the fillip given to the cotton and wool textile industries by the spurt in new orders in October was responsible for a further reduction in unemployment in these branches of activity. The fall in unemployment in the metal goods manufacturing trades and in the motor and aircraft industries may be ascribed, at least in part, to the increase in armament orders, though the production of private motor cars is also believed to have shown an increase. The increase of 16,618 in the number of unemployed persons in building and public works contracting, on the other hand, can be attributed largely to seasonal influences. Industry is thus still marking time.

Cotton Trade Enabling Bill.—The first draft of an Enabling Bill for the cotton industry prepared by the Joint Committee of Cotton Trade Organisations was referred back by the Board of Trade in May of this year for further examination with a view to securing a

greater measure of common agreement in the trade. It has reappeared in its revised form this week. The general structure of the proposals remains as previously adumbrated—namely, a central Cotton Industry Board with subsidiary bodies appointed to administer schemes for different sections of the industry. The nature of these schemes has been reduced to two—proposals for the elimination or reduction of surplus plant and for the maintenance of minimum prices or margins. A praiseworthy effort has been made to meet the objections raised against some provisions of the earlier Bill. Thus, the independent Chairman is to be assisted by two other independent members. Further, there are to be impartial investigators into costs to ensure that minimum prices are no more than sufficient to cover the costs, including interest and depreciation, on a reasonable capital basis, of efficient and well-equipped mills working full-time. Finally, there are special provisions for export trade, permitting the Chairman and the independent members of the Board to allow departures from the fixed prices for export business. Levies for scientific, technical and economic research are also provided for. With these safeguards, and in the circumstances of the cotton industry, the Bill has been purged of all power to harm the community at large. It is a question, however, whether it has not also been purged of most of its power to help Lancashire. The difficulties of the Enabling Bill method have, indeed, been shown up. There is inevitably an element of conflict between what the members of an industry would like to do if they had monopoly powers and what it is in the public interest that they should be allowed to do. If the safeguards in the present Bill had been applied, for example, to the steel industry, the country would have been better off as a result. But the steel industry might not. The question arises whether there is such a thing as a cartel of individual firms that is both beneficial to its members and harmless to the general interest.

Tinplates at Ebbw Vale.—By a provisional agreement under the South Wales Tinplate Pooling Scheme, the tinplate output quota of the new strip mills of Messrs Richard Thomas, at Ebbw Vale, was fixed at 3 million boxes (approximately 150,000 tons) per annum. The output of tinplates will thus employ 25 per cent. of the total estimated capacity of the new mills. Some time ago it was reported that this quota would include about 75,000 tons of tinplates transferred from the existing works of the Company in other parts of South Wales and Monmouthshire. If this arrangement has been confirmed, the quota of the company and its subsidiaries will be equivalent to

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about 60 per cent. of the total output of the industry, amounting to 18,126,285 boxes in 1937. But, like that of the existing mills, the actual output of the new strip mill in 1937 will be regulated by the provisions of the pooling system and, therefore, will be subject to fluctuations in trade. During the past week the repercussions of the new Ebbw Vale works on the existing factories in South Wales and Monmouthshire were the subject of questions in Parliament and of discussions in South Wales by the associated manufacturers and by the Joint Industrial Council for the industry. It is admitted that there is a considerable quantity of out-of-date and redundant plant in the industry, and at a meeting of the Industrial Council on Tuesday a Joint Committee was appointed to investigate the effect on employment by the temporary or permanent closing down of some of the existing mills and to consider how the hardships of persons thrown out of work might be mitigated.

* * *

Third Quarter's Coal-mining Results.—The Mines Department has provisionally estimated the credit balance of the British coal-mining industry in the third quarter of the current year at about 9d. per ton, compared with 8.18d. per ton in the second quarter and 7.82d. per ton in the corresponding period of 1937. The third quarter is normally one of the quietest periods in the coal trade, and this year the usual seasonal inactivity in the demand for coal for household consumption was accompanied by a sharp contraction in the fuel requirements of industry, especially of the iron and steel trade. An unexpected expansion in coke exports led to a slight increase in the total volume of the coal, coke and patent fuel trade. Total production in the third quarter, at 52.4 million tons, was about 1½ million tons less than in the second quarter and 5 million tons less than in the corresponding quarter of 1937, while the quantity of coal available for consumption in Great Britain was 2.2 million tons less than in the second quarter and 2.1 million tons less than in the third quarter of 1937. Moreover, market prices were lower; the Board of Trade index shows a decrease of 3.6 per cent. between the second and third quarters of this year. The various districts, however, were unequally affected by these changes. In some of them contracts extended over longer periods and provided for higher prices than in others. The Midland coalfields were more adversely affected by seasonal influences than those of South Wales, Northumberland, and Durham. Again, changes in wage rates affected labour costs in some districts but not in others where the guaranteed minimum wage rates were above the rates certified by the joint accountants under the monthly or quarterly ascertainties. All the leading districts show credit balances for the third quarter. In Nottinghamshire and Derby they rose from £8,627 in the second to £346,050 in the third quarter; in Scotland from £361,882 to £366,151; and in Northumberland from £166,344 to £170,542. On the other hand, the credit balance fell from £258,374 to £176,152 in Durham; from £302,626 to £135,967 in Lancashire, Cheshire and N. Staffordshire; from £198,737 to £184,630 in Yorkshire; and from £108,275 to £41,559 in South Wales. For the industry as a whole the credit balance was just under £1,600,000 in the third quarter, compared with £1,604,106 in the second quarter and £1,676,228 in the corresponding period last year. The prospects point to an improvement in the last three months of the year. Scotland would appear to be one of the best organised coalfields for marketing purposes under the existing system of regulation, and in that coalfield in the month of October there was a credit balance of £269,634, compared with £260,298 in October, 1937.

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International Coal Negotiations.—The recent announcement in the House of Commons that the Secretary for Mines hoped shortly to make a statement on the question of subsidising British coal exports has aroused interest in quarters concerned with the preparation of an international coal scheme. The basis for the conclusion of such an agreement was discussed in *The Economist* of September 10th. Owing to the political crisis, these negotiations were interrupted, and the suggested conference in September did not take place. Although an advanced stage has been reached with regard to the statistical basis of the proposed agreement, the differences of opinion concerning the period on which quotas are to be based are as marked as ever. Whereas the recent loss of orders from consumers which have hitherto been supplied almost exclusively by Welsh exporters has strengthened the desire of British coal owners to come to an international understanding, German exporters, although professing to favour an agreement, are not inclined to facilitate a solution by making even the slightest sacrifices. Maintaining that the British plan of subsidising coal exports does not constitute a serious threat, German exporters feel sure that their system of promoting exports cannot easily be imitated by other countries and that, therefore, their quota demands will have to be accepted if an understanding is to be reached. In these circumstances, a provisional solution might possibly be found by price agreements on a number of markets without allocation of quotas. Ultimately, however, no price agreement could be made effective without the control of supplies.

* * *

The New Business Committee for Armaments.—In normal times, the large purchases of the various Ministries are made on a system of tender. Firms are invited to tender for contracts about to be placed; the quotations so obtained are compared and one is selected which, to use the customary phrase, is "fair and reasonable." Given a considerable degree of competition between the contractors, this long established practice ensures that the State obtains good value for its expenditure, even if it involves considerable delay. But the magnitude of the present re-armament programme and the speed at which it must be executed necessitates the employment of every firm that can contribute to the supply of materials. Hence, the economic safeguards which the State obtains by competition among contractors, have come to be the exception rather than the rule. Contracts can no longer be adequately checked against each other; the price quoted by a firm to which the production of some re-armament requisite has been allotted must be checked item by item, so as to reveal, not only exorbitant charges, but also expensive methods of production. Not infrequently, much time and money can be saved in production by making some apparently insignificant modification in design, but only men with both technical and commercial experience are competent to scrutinise in detail a quotation and to confer effectively with the contractors. Unfortunately, the staffs of the contract departments in the various Ministries have, as a rule, rather inadequate experience of the commercial and the technical problems of the industries which supply the goods required by the State. Thus, there is need for an intermediary, possessing very considerable commercial experience, between the various contract departments and the contractors throughout the country. It is apparently intended that the new Committee of business men, whose appointment was announced some days ago by the Prime Minister, should act as such an intermediary. It is to be hoped that the new Committee will keep very closely in touch with the contractors and will have power to co-opt, as occasion might require, additional temporary members to advise them on particular subjects.

* * *

An International Wheat Agreement.—In *The Economist* of October 15th we recorded the initiative taken by the United States in an attempt to conclude an international wheat marketing agreement. Earlier this

week it was learned that two international wheat conferences are to be held shortly. The first will take place in Winnipeg in the next few days, and will be largely concerned with the marketing of the Canadian wheat crop, which, at 358.4 million bushels, is practically twice as large as last year's harvest. But as the conference is to be attended by the United States' Under-Secretary of Agriculture and—on the intervention of the United States—by a Government representative from Argentina, it will be a prelude to the meeting of the International Wheat Advisory Committee on January 10, 1939. The Committee, which is to meet in London, will consider, and recommend to the Governments concerned, a course of action designed to mitigate the present world wheat crisis. So far as can be ascertained, the Government of the United States is anxious to secure the conclusion of an international marketing agreement. The aim of the United States is likely to be supported by Australia, the United Kingdom, France, Canada and the Danubian exporting countries. Russia, too, is expected to co-operate. The most difficult member of the Committee is likely to be Argentina, which, though not opposed to co-operation, would apparently prefer not to inaugurate export control before August 1, 1939, the beginning of the next crop year. This suggestion does not meet with favour in the United States, for, according to the International Institute of Agriculture, the world's exportable supplies of wheat this season, at 1,135 million bushels, are 60 per cent. higher than in 1937-38, while the world's estimated import requirements, at 540 million bushels, are only 3 per cent. up on the year. Should the Argentina refuse to join the proposed agreement, the United States may initiate a wheat export drive to Brazil (one of Argentina's best markets), which may eventually force her to yield to the American demand. The prospects of the London meeting, therefore, are not unfavourable, though the solution of the wheat problem is an exceedingly difficult task.

* * *

Fall in Shipping Freight Rates.—Following a slight recovery in August and September, tramp shipping freight rates resumed their downward trend in October. As our index shows, the past month witnessed a further decline:—

The Economist INDEX OF FREIGHT RATES
(1898 = 1913 = 100)

	Average, 1913	Nov. 1937	Aug. 1938	Sept. 1938	Oct. 1938	Nov. 1938
European waters	110.0	164.2	103.8	107.7	110.5	108.0
North America	113.1	130.2	110.1	110.2	110.8	111.0
South America	123.4	125.0	124.8	121.3	117.2	116.0
India	106.3	161.9	110.0	113.7	112.7	108.1
Far East and Pacific	117.4	149.1	106.2	112.8	104.5	101.3
Australia	127.9	146.3	113.0	112.2	111.6	112.2
Total	116.3	146.1	111.3	113.0	111.2	109.4
1913 = 100	100.0	125.6	95.7	97.2	95.6	94.1

The more detailed analysis of changes in freight rates between October and November reveals that few shipping routes escaped the downward trend:—

	Index No.	Inc. or Dec. Points		Index No.	Inc. or Dec. Points
Home trade	95.2	- 1.8	South America:—	78.6	- 2.3
Bay—outwards	126.6	- 5.5	Outwards	153.4	- 0.1
Bay—homewards	132.2	- 4.9	Homewards	94.7	- 1.4
Mediterranean:—			India—outwards	121.5	- 7.9
Outwards	75.4	- 1.0	India—homewards	101.3	- 3.2
Homewards	123.3	- 0.8	Far East, etc.	112.2	+ 0.6
North America	111.0	+ 0.2	Australia		

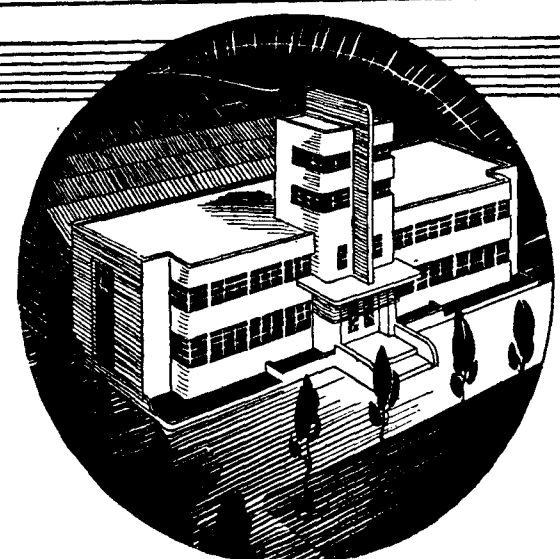
The immediate outlook, moreover, is not very promising, for there are no indications of an early increase in chartering. While the downward trend of freight rates is due, largely, to the contraction of international trade, British shipping is also suffering from subsidised competition, against which it is almost helpless. It is scarcely surprising, therefore, that the demand for some form of Government assistance to shipping and shipbuilding is growing more insistent.

Wholesale Prices Fall Again.—There has been a fresh fall in British wholesale prices, which has carried both *Economist* sterling index numbers to a low point for the year. During the past fortnight the complete British index has fallen by 0.9 per cent. and the primary products index by 0.5 per cent. American prices are firmer, for the complete Irving Fisher index number has only fallen from 116.7 to 116.6, while *The Economist* primary products index has risen by 0.5 per cent. There is little change in Continental prices.

SEPTEMBER 18, 1931 = 100

The Economist Indices								
Date	British Complete Index (sterling)	Primary Products		Price of Gold (sterling)	U.S.A., Irving Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanstalt
		British (sterling)	American (dollar)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	116.3†	95.4
1937 Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9		95.7
Feb. 24	136.3	168.2	185.5	167.4	131.8	116.8	124.3	96.2
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	126.2	97.5
Apr. 28	142.0	169.9	183.5	165.4	135.6	120.5	128.7	97.0
June 2	142.7	170.2	178.9	165.6	134.3	119.8	133.2	97.5
June 30	139.5	165.9	176.8	165.7	134.1	119.8	134.2	97.5
July 28	140.2	167.1	171.8	164.5	133.8	130.8	137.1	97.9
Aug. 25	137.9	164.4	165.3	164.2	133.0	133.3	137.1	98.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	139.4	137.7	97.6
Oct. 20	133.6	156.2	152.3	165.4	129.5	138.8	141.6	97.3
Dec. 1	127.5	145.4	138.9	164.8	125.1	134.0	143.3	97.0
Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	143.8	97.0
1938 Feb. 2	126.6	144.4	135.4	164.5	119.8	137.9	142.9	97.0
Mar. 2	125.1	143.1	138.7	164.5	120.3	138.1	142.5	97.2
Mar. 30	122.7	137.0	129.3	164.6	117.7	139.4	141.7	97.1
Apr. 27	121.4	137.8	127.5	164.3	116.9	139.9	142.8	97.0
May 25	119.6	132.2	121.9	165.5	117.2	145.6	143.4	96.3
June 22	119.3	133.2	124.8	165.8	117.6	147.3	143.8	96.9
July 6	120.8	135.7	129.7	165.9	117.7	148.7	143.5	97.0
July 20	119.5	137.4	128.6	166.5	118.2	147.8	142.7	97.1
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	142.4	97.5
Aug. 17	118.3	136.1	124.7	167.6	115.9	145.5	142.8	97.3
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	143.6	97.0
Sept. 14	115.2	133.0	126.9	170.6	117.0	145.8	143.9	97.3
Sept. 28	116.8	134.8	127.0	173.0	116.6	146.0	144.2	97.0
Oct. 12	116.8	135.9	126.8	172.3	116.7	147.3	144.6	96.9
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	145.1	97.3
Nov. 9	114.8	133.1	127.2	172.2	116.7	147.6	144.7	97.4
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	143.8	97.7
Dec. 7	113.3	132.0	126.6	174.8	116.6*	148.0		97.6*

* These figures relate to November 30th. † Monthly average.



LIVERPOOL

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The Economist INDEX
(1927 = 100)

	Sept. 18, 1931	Dec. 1, 1937	Nov. 23, 1938	Dec. 7, 1938
Cereals and meat...	64.5	87.8	66.8	66.4
Other foods	62.2	64.3	57.6	57.5
Textiles	43.7	58.9	53.6	52.7
Minerals	67.4	95.9	95.5	94.2
Miscellaneous	65.8	79.3	75.5	75.3
Complete index	60.4	77.0	69.0	68.4
1913 = 100	83.1	105.9	95.0	94.2
1924 = 100	52.2	66.5	59.7	59.2

Grain prices were steadier, and there was an advance in bacon, but meat is cheaper. There were only minor changes in the other foods group. Cotton and wool prices were easier, but there was a recovery in flax. Non-ferrous metals are mostly lower. Among miscellaneous materials, there were small declines in hides, linseed oil, tallow and rubber, offset by advances in soda crystals and sulphate of ammonia.

* * *

Lead and Spelter Co-operation.—At the annual meeting of the Mexican Corporation early this week, Mr F. W. Baker, the chairman, briefly referred to the recently formed international lead cartel. "Should this cartel continue to operate with benefit to those interested,"

Mr Baker said, "... we should secure a fair price for the product. I am not without hope that this effort to stabilise the price of lead may be followed by a similar effort to stabilise the price of zinc." Although no official announcement has been made, this statement indicated that the international lead scheme has already come into operation. It also indicated that the discussions between zinc producers have not yet been concluded. The formation of the International Lead Producers' Association early in September is the first endeavour to control the output of lead. Unfortunately there is reason to believe that the present lead scheme is not a very effective one. The obstacles in the way of an effective lead restriction agreement are considerable, and if the producers had been able to agree on drastic action, the Producers' Association would probably have lost no time in publishing the details of the scheme. Consequently, it was not surprising that Mr Baker's statement had little effect on prices. Actually the first official London quotation for lead following his statement was the lowest since the aftermath of the September crisis. Moreover, the statement did not prevent a drop of 1.5 cents per lb. to 4.85 cents per lb. in the United States' lead price. This new pressure on prices should convince the co-operating producers that output must be drastically reduced to keep the lead market in equilibrium, and that the formation of a producers' association has comparatively little psychological influence on prices during a period of declining building activity.

INDUSTRIAL REPORTS

On the whole, business is marking time. The demand for coal was a little better in some districts, but remained disappointing in others. In the steel trade, business has been virtually suspended pending the announcement of the new price schedules. Activity in the tinplate trade has shown a decline. The quota allocated to the new strip mills of Messrs Richard Thomas is discussed on page 559. A feature has been a contract for 11 merchant vessels of 900 to 1,800 tons each obtained by Messrs Swan, Hunter and Wigham-Richardson from the Turkish Ministry of National Economy. This order was placed under the Anglo-Turkish Pact signed last May, when Britain granted credit facilities up to £16 millions to Turkey. It is understood, however, that Turkey has also placed substantial orders for vessels in Germany. Business in cotton goods was again disappointing; the wool textile trade is now operating at about 75 per cent. of its capacity.

Coal

Sheffield.—With increased quotas permitting almost full-time working at many pits for the rest of the year, the position is more favourable. Inland demand is better, especially in gas coal and other qualities for public utility undertakings. Small coal is plentiful. The call for house coal is below normal for the time of year, though improving. Industrial steams are moving steadily. Blast-furnace coke is disappointing, but demand for central heating qualities shows a welcome improvement.

Export inquiry shows more life. Best hards and washed trebles are in better request, but there is little inquiry for forward shipment. It is hoped that contracts may be secured with French importers for South Yorkshire coal. Scandinavia is also in the market for supplies. Prices for both inland and export are generally unchanged.

Newcastle-on-Tyne.—With the exception of steam smalls, the North-East coal market is steady for prompt shipment, most classes of steam and coking coals being well stemmed until the end of the year. Inquiry for Durham coking coal for delivery ahead was better and sales have been made to consumers both in Scandinavia and the Continent. There are steady shipments of patent oven coke to Scandinavia, but there is little additional trade in the home section and most works are carrying large stocks.

*

Glasgow.—Quiet conditions rule in the Scottish coal market. Industrial business, though moving steadily, is much less than at this time last year. Coastwise trade is fairly satisfactory on the whole, but the London market is still causing some disappointment. Shipments during the week were better at 235,000 tons, thus bringing the year's figure to date to 9,913,000 tons, compared with 11,391,000 tons in the same period last year. Output in October was 2,554,893 tons, compared with 2,638,860 tons in October, 1937. Total proceeds, however, increased from £1,935,959 to £1,987,552, the profit balance coming out at £269,634, against £260,298. Prices generally remain around previous levels.

*

Cardiff.—Negotiations for contracts in 1939 are still impeded by uncertainty as to the effect on prices of the discussions on the question of an international agreement, and of the Government's pledge to support the industry against foreign subsidised competition. But some business has been arranged for deliveries in the New Year, including contracts placed by the Egyptian State Railways and the Monte Video Electricity Works. Current shipments continue below the average for the year, and in the week ended December 4th exports in the foreign and coastwise trades totalled only 323,700 tons, com-

pared with 410,145 tons in the corresponding period last year. The decrease for the year to that date amounts to nearly 1.4 million tons. Prices are nominally unchanged. Best large steam coals, as well as sized grades, are in steady demand, but there is no improvement in the market for ordinary smalls, and coking classes are very weak.

Iron and Steel

London.—To a great extent business in iron and steel products is suspended pending the announcement of the new prices, which it is expected will be made shortly, says the official report of the London Iron and Steel Exchange. Trading has been principally confined to small prompt parcels sufficient to carry consumers over until the end of the year.

Business in pig iron in particular has declined, although it is anticipated that there will be an expansion in the demand when the new prices are known. Trading in foundry iron also is restricted as a result of the poor requirements of the light castings industry; but the engineering trades, especially those engaged in armament work, are taking good quantities of high quality irons.

Business in semi-finished steel has broadened, although in this department, too, it is restricted to small supplementary tonnages. The gradual clearing of stocks has strengthened the position, and a considerable volume of new business is expected to come on the market when the new prices are declared.

The position in the finished steel section of the market is not altogether satisfactory and many of the works are short of orders. There is a tendency, however, to increase output and optimism is expressed with regard to conditions in the New Year. Export business is quiet and overseas buyers are limiting their purchases to small quantities.

Sheffield.—The iron, steel and scrap markets are all awaiting official announcements concerning next year's prices. The investigations have been concluded, and there are many rumours concerning the outcome. There is a fairly general impression that any reductions will be insignificant, and that the period of stabilisation will not be longer than six months, if so long. Business this week has been confined to small lots of material to cover immediate requirements.

The output of pig iron in this area is further restricted by the temporary damping down of a blast-furnace at Renishaw.

*

Middlesbrough.—Only business of a hand-to-mouth nature is being transacted. Consumers are limiting their purchases of pig iron to the very minimum, and for this month's delivery. When the new price schedules are issued considerable improvement in trade is expected, and also an increase in steel output, which has been well maintained during November. Steel plants are not working to capacity and are in a position to deal with further orders, but the recent ship-building orders which have been booked on the Tyne will provide a steady outlet.

The production of foundry pig iron is likely to be accelerated early in the New Year. The output of East Coast hematite is ample to satisfy the present requirements, and the production of basic iron is consumed by local works.

Foreign and coastwise shipments of all classes of pig iron, manufactured iron and manufactured steel from the Tees during November amounted to 34,941 tons, an increase of 2,000 tons over the previous month.

It is understood that the price of heavy steel scrap will be reduced by 8s. 6d. per ton for the first six months of 1939.

*

Cardiff.—There has been no improvement during the past week in the conditions of the tinplate industry, while both home and export markets for galvanised sheets are also very quiet. Prices are nominally unchanged, but a reduction is anticipated in the course of the next few weeks, and it is hoped that business will revive at a lower price level. Other re-rolling branches of the industry are a little more active, and the outputs of pig iron and steel are better than they were in August and September.

Textiles

Cotton (Manchester).—The position of spinners and manufacturers has tended to become worse. Traders were disturbed by the sharp decline in raw cotton prices at the end of last week, but since then there has been some recovery in prices. The New York and Liverpool markets have been affected by European political news and the increasing supplies of material in the United States with a poor offtake. The American Government is becoming disturbed by the fall in exports and by the fact that over 10 million bales have now gone into the loan; it is feared that the Washington officials may decide to cut some of their losses and sell cotton at less than the cost of production.

In the yarn market the event of interest has been the decision to reduce the margin under the American coarse

counts agreement by $\frac{1}{4}$ d. to $\frac{1}{4}$ d. per lb., but the agreement has been renewed for a further six months. Buyers, however, fear a further reduction and sales of all kinds of American yarns have been small. Irregular operations have occurred in Egyptian spinnings, but some big weights have been booked in Sea Island qualities for Government cloth contracts.

Numerous small sales of piece goods have been arranged, but the turnover remains disappointing and more cases have been reported of looms being stopped for want of work. Only isolated sales have been arranged for India. Some makers of tanjibs have booked a few more orders for Egypt, and irregular buying has occurred for South America. Dyed goods have moved off a little more freely for Scandinavia. Home trade reports continue fairly encouraging and some retailers are meeting with better clearances.

*

Wool (Bradford).—The final results of the last series of wool sales of the year must be regarded as creditable. Ordinary topmaking wools lost ground by 5 per cent. on opening rates, but prices of good qualities were maintained, and the year is finishing with prices fully in front of what can be made for the combed and spun article in Yorkshire. Wool has continued to sell better than corresponding prices for tops and yarn, and that is the outstanding strength of to-day's position. Both the home and Continental trades have been active competitors.

Last Tuesday the National Council of Wool Selling Brokers of Australia reduced their estimate of the current clip by 50,000 bales, to 2,920,000 bales.

In manufacturing centres, machinery is being run at about 75 per cent. of capacity. There is still ample room for improvement, particularly at the combining end of the trade, and prices for all qualities of tops, particularly merinos, during the past fortnight have given way slightly.

THE COMMODITY MARKETS

In the United States the general trend of the prices of sensitive commodities continued downwards; Moody's index for Wednesday was 140.0 (December 31, 1931 = 100), against 141.2 a week earlier. In this country, on the other hand, prices generally showed little change. On the whole, turnover this week was not large, and consumers were not anxious to cover their requirements for longer periods ahead.

The feature of the metal markets was the decision of the co-operating copper producers to reduce their output to 105 per cent. of the agreed basic tonnages from December 15th and to 100 per cent. from January 1, 1939. This news caused a rally in prices, though Wednesday's quotation remained below that of a week ago. While the market in tin remained firm, lead and spelter were marked down in price. There was a sharp drop in the price of American cotton, but rubber was slightly firmer. Raw sugar and wheat are scarcely changed in price, the market in wheat being sustained, to some extent, by the hope that an international export agreement might soon come to its rescue.

Metals

Copper.—The price of standard cash copper closed on Wednesday at £43 7s. 6d. per ton, a net loss of 6s. 3d. on the week, but a gain of £1 6s. 3d. from the lowest level recorded during the week. The improvement was due to the decision of the copper producers to advance from January 1st to December 15th the beginning of output restriction. It was also announced that the initial quota will be reduced from 110 per cent. of the basic outputs to 105 per cent. and that a further reduction to 100 per cent. will be enforced from January 1st. This prompt action again proves that the co-operating producers are aiming to stabilise the price around £45 per ton; as they control about two-thirds of the present output and a substantial part of the remainder is produced at fairly high costs, they will probably achieve their aim, though short term fluctuations are inevitable.

*

Tin.—The price of tin fell to a minimum of £212 15s. per ton, but recovered later to close on Wednesday at £215 per ton, a net loss on the week of only 5s. Demand contracted during the last few days, owing to the approach of the end of the year. As most of the consumers, however, are not very well stocked, a revival in buying is likely early next year. The tin price prospects continue to be exceedingly favourable and a further rise to about £230 per ton appears almost certain within the next three months unless the world's industrial activity should seriously decline.

*

Lead and Spelter.—Lead lost this week 16s. 3d. to close at £15 2s. 6d. per ton, while spelter declined by 5s. to close at £13 13s. 9d. per ton. The demand for the two metals is at present restricted owing to seasonal causes, while supplies continue to be quite substantial. The speech of Mr Baker at the annual meeting of the Mexican Corporation is discussed on page 562.

Grains

The undertone of the wheat market has been steady during the last week, with prices firmly held. The news that the Federal Surplus Commodities Corporation has arranged with British millers to sell some 20 million bushels of wheat in this country before July, 1939, had little effect on the market, either in Liverpool or Chicago. The decline in the remaining supplies of Argentine maize continues to support the maize market; in the past week, prices have risen by about 1s. per quarter. Reports of the coming Argentine barley crop are not favourable, and with the end of the Canadian shipping season, the market is mainly supplied from Poland; consequently, prices of feeding barley remain firm with an upward tendency.

Other Foods

Provisions.—The bacon market continued very active during the past week and prices show an increase of 6s. to 7s. per cwt. compared with those ruling a week ago. The demand for butter has been firm and prices have

(Continued on page 572.)

BRITISH WHOLESALE PRICES

Nov. 30, Dec. 7,
1938 1938

CEREALS AND MEAT

GRAIN, etc.—	s.	d.	s.	d.
Wheat—				
No. 2, N. Man. 495 lb.	27	0	27	3
Eng. Gaz. av., per cwt.	4	3	4	3
Liv. Dec., per cental	4	6	4	7 1/4
Flour, per 280 lb.—				
Straights, d/d London	22	6	22	6
Manitoba, ex store	22	6	22	6
Barley, Eng. Gaz., av. per cwt.	7	5	7	6
Oats,	5	11	6	0
Maize, La Plata, landed, 480 lb.	26	6	27	9
Rice, No. 2 Burma, per cwt.	7	11 1/2	7	11 1/2

MEAT—	s.	d.	s.	d.
Beef, per 8 lbs.—				
English long sides	4	0	3	10
Argentine chilled hinds	4	8	4	8
Mutton, per 8 lb.—	4	8	4	6
English wethers	4	0	4	0
N.Z. frozen wethers	2	10	2	10
Lamb, per 8 lb.—	4	8	4	8
N.Z. frozen	4	8	5	6
Pork, English, per 8 lb.	6	4	6	4

BACON (per cwt.)—	s.	d.	s.	d.
English	89	0	96	0
Danish	87	0	95	0
Dutch	84	0	93	0
Irish	82	0	89	0

HAMS (per cwt.)—	s.	d.	s.	d.
Canadian	92	0	96	0
United States	88	0	96	0

OTHER FOODS	s.	d.	s.	d.
Butter (per cwt.)—				
Australian	103	0	104	0
New Zealand	105	0	106	0
Danish	144	0	145	0

CHEESE (per cwt.)—	s.	d.	s.	d.
Canadian	70	0	71	0
New Zealand	72	0	73	0
English Cheddars	86	0	86	0
Dutch	65	0	63	0

COCOA (per cwt.)—	s.	d.	s.	d.
Accra, g.f.	22	0	22	0
Trinidad	22	6	22	6
Grenada	30	0	28	0

COFFEE (per cwt.)—	s.	d.	s.	d.
Santos sup. c. & f.	34	0	34	0
Costa Rica, medium to good	60	0	60	0
Kenya, medium	78	0	78	0

EGGS (per 120)—	s.	d.	s.	d.
English (15-15 1/2 lb.)	20	0	18	6
Danish (15 1/2 lb.)	15	0	14	9

FRUIT—	s.	d.	s.	d.
Oranges, S. African boxes	12	0	12	0
" Brazilian Rio Pera boxes	15	0	13	9
Lemons, Naples boxes	10	6	10	9

MINERALS	s.	d.	s.	d.
Coal (per ton)—				
Welsh, best Admiralty	19	6	19	6
Durham, best gas, f.o.b. Tyne	19	0	18	9

IRON AND STEEL (per ton)—	s.	d.	s.	d.
Fig. Cleveland No. 3, d/d	109	0	109	0
Bars, Middlesbrough	265	0	265	0
Steel rails, heavy	202	6	202	6

NON-FERROUS METALS (per ton)—	s.	d.	s.	d.
Copper—				
Standard cash	43/13/9		43/7/6	
Three months	43/15/0		43/8/9	

POTATOES (per cwt.)—	s.	d.	s.	d.
English, King Edward, Siltland	5	0	5	0
U.S.	45	0	44	6

SUGAR (per cwt.)—	s.	d.	s.	d.
Centrifugals, 96%, prpt. shipm.	5	9	5	10 1/2
Refined London—				
Yellow Crystals	19	3	19	4

PEPPER (per lb.)—	s.	d.	s.	d.
Black Lampong (in Bond)	0	25 1/2	0	29 1/8
" (Duty paid)	0	31 1/8	0	31 1/8
White Muntok (f.a.q.) (in Bond)	0	31 1/2	0	31 1/2

WOLF (per cwt.)—	s.	d.	s.	d.
Irish, finest bladders	50	0	50	0
U.S.	45	0	44	6

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Black Lampong (in Bond)	0	25 1/2	0	29 1/8
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Nov. 30, Dec. 7,
1938 1938

SUGAR (per cwt.)—cont.

Crushed	21	7 1/2	21	9
Granulated	19	6	19	7 1/2
Home Grown	19	4 1/2	19	6
TEA* (Auction Average) (per lb.)—				
N. India	12	7 1/2	12	9 1/2
S. India	13	10	13	24
Ceylon	14	17	14	9 1/2
Java	12	07	12	19
Sumatra	10	82	9	78
Africa	11	43	11	47
Total	13	20	13	35

TOBACCO (per lb.)—				
Virginia stemmed and unstemmed, common to fine	0	8	0	8
Rhodesian, stemmed and unstemmed	0	9	0	9
Nyasaland stemmed and unstemmed	0	7	0	7
East Indian	0	4	0	4
Unstemmed	0	5	0	5

TEXTILES				
COTTON (per lb.)—				
Raw, Mid-American	5	20	4	99
" Sakellaridis, F.G.F.	8	09	7	86
Giza, F.G.F.	7	99	7	76

Yarns, 32's Twist	9	14	9	9
" 40's Twist	9	14	9	9
" 60's Twist (Egyptian)	17	12	17	14
Cloth, 32 in. Printers, 16 yds.	16	5	16	3
" 36 in. Shirts, 75 yds.	23	0	22	9
" 38 in. ditto, 38 yds.	9	8	9	7
" 39 in. ditto, 37 1/2 yds.	8	9	8	8

FLAX (per ton)—				
Raw, Mid-American	7	0	7	0
Livonian ZK	7	0	7	0
Pernau HD	7	0	7	0
Slanetz Medium, 1st sort	93	0	93	0

HEMP (per ton)—				
Italian PC	70	0	70	0
Manilla, Dec.-Feb. "J2"	20	0	20	0
JUTE (per ton)—				
Native 1st mks., c.i.f. H.A.R.B.	18/10/0		18/15/0	
Daltee 2/3 c.i.f. Dundee	18/5/0		18/7/6	

SISAL (per ton)—				
African, Dec.-Feb.	14	0	14	0
SILK (per lb.)—				
Nov.-Dec.	7	3	7	3
Japan	7	9	7	9
Italian, raw, fr. Milan	7	3	7	3

WOOL (per lb.)—				
English, Southdown, greasy	12 1/2		12 1/2	
" Lincoln hog, washed	12 1/2		12	
Queensland, sc. super combg.	22 1/2		22 1/2	
N.S.W. greasy, super combg.	13		13	
N.Z., greasy, half-bred 50-50	12		12	
" Crossbred 40-44	10 1/2		10 1/2	
Tops—				
Merinos 70's average	27		26 1/2	
" 64's "	25 1/2		25	
Crossbred 48's	16 1/2		16 1/2	
" 46's "	16		16	

COAL (per ton)—				
Welsh, best Admiralty	19	6	19	6
Durham, best gas, f.o.b. Tyne	19	0	18	9
Sheffield, best house, at pits	22	0	22	0
IRON AND STEEL (per ton)—				
Fig. Cleveland No. 3, d/d	109	0	109	0
Bars, Middlesbrough	265	0	265	0
Steel rails, heavy	202	6	202	6
Tinplates	21	6	21	6

NON-FERROUS METALS (per ton)—				
Copper—				
Standard cash	43/13/9		43/7/6	
Three months	43/15/0		43/8/9	
Tin—				
Standard cash	215/5/0		215/0/0	
Three months	216/2/6		215/5/0	
Lead, soft foreign—				
Cash	15/18/9		15/2/6	
English pig	16/1/3		15/3/9	
Spelter, G.O.B.—				
Spot	13/18/9		13/13/9	
Aluminium, ingots and bars	94/0/0		94/0/0	
" rolling billets	102/0/0		102/0/0	
Nickel, home and export	180/0/0		180/0/0	
Antimony, Chinese	56/0/0		54/0/0	
Wolfram, Chinese	53/0/0		52/0/0	
Platinum, refined "per oz.	7/10/0		7/10/0	
Quicksilver	15/4/0		15/4/0	

COAL (per ton)—				
Welsh, best Admiralty	19	6	19	6
Durham, best gas, f.o.b. Tyne	19	0	18	9
Sheffield, best house, at pits	22	0	22	0

IRON AND STEEL (per ton)—				
Fig. Cleveland No. 3, d/d	109	0	109	0
Bars, Middlesbrough	265	0	265	0
Steel rails, heavy	202	6	202	6
Tinplates	21	6	21	6

NON-FERROUS METALS (per ton)—				
Copper—				
Standard cash	43/13/9		43/7/6	
Three months	43/15/0		43/8/9	
Tin—				
Standard cash	215/5/0		215/0/0	
Three months	216/2/6		215/5/0	
Lead, soft foreign—				
Cash	15/18/9		15/2/6	
English pig	16/1/3		15/3/9	
Spelter, G.O.B.—				
Spot	13/18/9		13/13/9	
Aluminium, ingots and bars	94/0/0		94/0/0	
" rolling billets	102/0/0		102/0/0	
Nickel, home and export	180/0/0		180/0/0	
Antimony, Chinese	56/0/0		54/0/0	
Wolfram, Chinese	53/0/0		52/0/0	
Platinum, refined "per oz.	7/10/0		7/10/0	
Quicksilver	15/4/0		15/4/0	

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Aluminium, ingots and bars	94/0/0		94/0/0	
" rolling billets	102/0/0		102/0/0	
Nickel, home and export	180/0/0		180/0/0	
Antimony, Chinese	56/0/0		54/0/0	
Wolfram, Chinese	53/0/0		52/0/0	
Platinum, refined "per oz.	7/10/0		7/10/0	
Quicksilver	15/4/0		15/4/0	

NON-FERROUS METALS (per ton)			
Copper—			
Standard cash	43/13/9	43/7/6	
Three months	43/15/0	43/8/9	
	43/18/9	43/12/6	
	44/0/0	43/13/9	

COMPANY MEETINGS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

FURTHER GROWTH OF BUSINESS

SIR JOHN CAULCUTT'S SURVEY OF OVERSEAS CONDITIONS

The thirteenth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) was held, on the 8th instant, at Southern House, Cannon Street, London.

Sir John Caulcutt, K.C.M.G., the chairman of the bank, presided, and having first referred in detail to the changes in the directorate and personnel of the bank during the year under review, said:—

Turning to the balance sheet, current, deposit and other accounts amount to £99 millions, a figure more than £3 millions larger than a year ago. Cash in hand and with bankers stands at £26,579,000, an increase of £3,821,000 on the previous year, and represents a ratio to current, deposit and other accounts and note circulation of over 26 per cent. Investments, at £32,652,000, are greater by £4,318,000. The policy of keeping a very large portion of these in short-dated Government investments has been maintained. Advances, at £33,175,000, are approximately £2½ millions lower than a year ago. The net profit for the period under review is £439,244, which is a slight increase—of about £8,000—on the previous year. A sum of £100,000 has been carried to contingency account, and a further sum of £75,000 to the reserve fund, compared with £100,000 last year; the total of that fund now stands at £2,100,000. The board now recommends the payment of final dividends at the rate of 8 per cent. per annum on the cumulative preference shares, and at the rate of 7 per cent. per annum on the "A" and "B" shares, less income tax in each case at the rate of 4s. 8d. in the £. The dividend for the year on the "A" and "B" shares is at the rate of 6½ per cent.

BUSINESS ACTIVITY IN SOUTH AFRICA

Turning to South Africa, business conditions during the twelve months under review have generally been maintained at a reasonably satisfactory level.

Unsettled conditions in the principal overseas markets for Union products have, however, resulted in some reduction in demand, coupled with a decline in the average price for several staple agricultural commodities. Despite these adverse external factors, reports, nevertheless, indicate that the agricultural industry has progressed and that action aimed at protecting and strengthening the country's farming resources has had satisfactory results.

The maintenance of the gold price has enabled the gold mining industry to continue to expand at a satisfactory rate, and the production of gold during the year 1937 constituted a fresh record for the industry in the Union. On the basis of valuation of average price realised the total output for 1937 was valued at approximately £82½ millions as compared with £79½ millions in the previous year. The significance of these figures is enhanced by the fact that they have been achieved on lower pay limits. The Minister of Finance stated in his budget speech in August last that receipts credited to the revenue account from gold mining for the financial year 1937-38 totalled nearly £10 millions, and, whilst warning the country of the need for care in undertaking fresh commitments in State expenditure, he emphasised that there was no indication that the recession was likely to assume large proportions.

In South-West Africa a slight decline has occurred in imports, but exports were well maintained, chiefly owing to increased shipments of mineral products and karakul pelts.

RHODESIA AND OTHER TERRITORIES

In Southern Rhodesia, as a result of continued prosperity in the mining industry, together with satisfactory prices which have been obtained for certain agricultural products, general trading conditions have been good throughout the year, while in Northern Rhodesia the prosperity enjoyed by the great base metal mining industry was reflected in general trading conditions.

In Nyasaland, general trade has been well maintained, while prospects for the coming year are considered satisfactory, provided that the prices of the staple products—tobacco, tea and cotton—are reasonably remunerative.

In East Africa the past year has been a disappointing one, owing to the decline in the selling price of certain of the chief products of those territories, namely, cotton, sisal and coffee.

The effect of the lower prices received by native cotton growers in Uganda has, fortunately, been partly offset by a record crop in that territory. Coffee prices, which have ruled on low levels throughout the greater part of the year, have recently shown some improvement, but the price of sisal, unfortunately, remains at a low figure.

Trade in Egypt and the Sudan has been fair. Last year, in common with almost all cotton producing countries, Egypt was favoured with an exceptionally large crop, which, however, was disposed of without an excessive carry-over. The official estimate for the current crop is between 25 and 30 per cent. smaller than that of last year at slightly under 8,000,000 cantars.

An arrangement has recently been arrived at under which Lancashire's portion of textile exports to Egypt should be substantially increased.

The 1938 Sudan cotton crop again amounted to about 1½ million cantars, and cotton auctions were held in Port Sudan. In spite of abnormal rains, the crops for the coming season are reported to be satisfactory.

In Palestine, owing to the continued disturbances, the country has suffered a severe economic setback. Cereal crops, on the whole, have been poor, and there has been the added difficulty of marketing arrangements. The citrus crop, however, was satisfactory, and exports increased.

In Cyprus, trade has been well maintained, crops have been good and exports have increased.

Throughout the British West Indies and British Guiana, trade has, on the whole, been fairly well maintained. The total sugar crops of Barbados, Trinidad, Jamaica and British Guiana—the four largest producers—amounted to 568,000 tons, showing a small reduction over the previous year, while prices also ruled at a slightly lower level.

Trinidad maintains its position as the largest mineral oil producer of the Empire, and the output has been further increased. Production for the current year is still making satisfactory progress.

In British West Africa, owing to lower prices for the principal products, there was a large carry-over from last season of imported goods.

This situation on the Gold Coast reached such a point that trade was almost at a standstill, and the Government Commission, whose report has recently been published, was sent to examine the situation on the spot. Fortunately for this Colony, however, the production of gold and manganese ore continued to show satisfactory increases.

In Nigeria the decline in both the volume and value of the principal products has been reflected in the figures for Customs revenue and railway earnings for the current year.

I am pleased to tell the shareholders that Barclays Bank (Canada), in which this bank has an interest, continues to make good progress.

NEED FOR CO-OPERATION IN MARKETING

Perhaps, therefore, in concluding such a brief survey as this, it is not inappropriate for me to say a few words on the subject of overseas trade.

The importance of Empire trade has been enhanced during a period when the exchange of goods with many parts of the world has been hampered by impediments of one form or another, but the value of trade with foreign countries cannot be ignored.

In recent times much attention has been directed to this aspect of the question, especially owing to the new difficulties which exporters have to overcome in selling their goods in certain parts of the world. I think it would be of assistance of some greater degree of co-operation in the field of marketing for export could be arranged.

So far as the United Kingdom in particular is concerned, there would also appear to be a greater need than ever to-day of developing our export business by co-operation in certain trades not only in marketing, but also in representation abroad. By this means the requirements of some markets could be ascertained more precisely, and steps taken to meet them.

The report and accounts were unanimously adopted.

TUBE INVESTMENTS LIMITED

INCREASED TURNOVER AND PROFIT
MR ARTHUR CHAMBERLAIN'S REVIEW

The nineteenth annual general meeting of Tube Investments, Limited, was held on Wednesday at Birmingham, Mr Arthur Chamberlain (chairman) presiding.

In moving the adoption of the report and balance sheet, the Chairman said the unexpected had happened, and the company's turnover and profit were both greater than they were in 1937. In the last five years the turnover had increased by 79.3 per cent. Out of this year's profits they had had to set aside no less than £194,000 more than they did last year for taxation. Although in 1936 they foresaw the probability of having to spend largely on capital account, and issued 600,000 odd shares, providing £910,000 towards the money so required, they had, nevertheless, been disturbed by the magnitude of their actual expenditure, which during 1936, 1937, 1938 and 1939 will have amounted to something over £2,005,000. They were committed to pay dividends on this new capital, and if it did not earn any profits they would, out of the old profits, have to find not only the extra dividend, but the extra depreciation. The directors thought that this money, although at first largely employable for defence purposes, would ultimately be occupied with peace-time activities. But these were not ordinary times, and until the defence boom had run its course, and they could see how the world's trade had withstood the shock, they did not feel inclined to take any chances, and distribute a larger dividend and live to regret it two or three years hence.

THE INVESTMENTS

Referring to the depreciation of investments, the Chairman said the fluctuation in investment values would repeat itself. The company's investments were bought with reserves of temporarily unneeded cash, and the directors chose for the most part sound industrial equities, on the assumption that English trade would continue to flourish, and if their funds were wisely invested therein they would flourish automatically with English trade. They were not attempting to make money by buying or selling, nor were they trained to undertake that sort of work. They had set aside out of the subsidiaries' profits £50,000 as an additional and precautionary reserve against general investments.

COMPANY'S LIAISON WITH STEWARTS AND LLOYDS

Reference was made in the report to the company's liaison with Stewarts and Lloyds. Instead of consolidating their businesses they separated them, but retained the equivalent of their former direct interest by the indirect interest of the issue of liaison shares, the one to the other. They worked on the principle that the further they were apart the more they were together, and it had worked perfectly—so perfectly that this year they had made a further great advance in this direction and transferred to single ownership a number of businesses or trades in which up to now the two concerns had been jointly interested. He was certain this arrangement would again confer material benefit on both companies. There was now little left in manufacture in which their individual interests could clash or coincide. He considered that Tube Investments and the Stewarts and Lloyds liaison to be one of the outstanding successes. The net result of this year's liaison negotiations was that they handed over more than they received, and as they considered the tube business to be as sound an investment for the company's capital as any other they were likely to find, they acquired a further £203,278 deferred stock in Stewarts and Lloyds on a basis equivalent to 35s. per £1 of stock.

SATISFACTORY RESULTS

If the shareholders studied the report and balance sheet, and the statement of combined assets and liabilities, they would have no cause to be dissatisfied with 1938. After making sundry reserves and write-offs not specifically mentioned, but among which was the £50,000 reserve against investments he had mentioned, the directors had added £250,000 to their obsolescence reserve, written £180,000 off their assets in connection with liaison arrangements, paid the same dividend as last year, and increased their surplus of assets over liabilities by £114,000. Whether the profits were down or up next year the directors would find them sufficient to recommend a dividend of just twenty-three and three-quarters per cent.

IRON AND STEEL TRADE

Last year he ventured to give some advice to the Iron and Steel Trades. It seemed to be so wrong, not only in the country's interests but in their own interests, that steel prices should not be

immediately reduced that he expressed the opinion that it would be impossible to stabilise prices, as was announced, for another twelve months. Well, they had stuck to their prices and English trade was the worse for it. To-day, it was rumoured that a hot discussion was going on among the steel makers as to what reduction should now be made, and that 15s. was spoken of as the probable figure. If rumour was correct he should designate such a reduction as about one-half of what it ought to be on their present costs, and about one-quarter of what it ought to be had they spent their money wisely and laid themselves out to make steel as cheaply as it could be produced under English conditions. He was not complaining directly on behalf of Tube Investments. Those who thought that forgot their liaison with Stewarts and Lloyds, who owned the most efficient steelworks for tube manufacture in Great Britain, if not in the world. It was not to make more profit on their present turnover that he asked for a sensible reduction in steel prices; it was because the prosperity of England depends on cheap coal, iron and steel. By cheap he meant cheap in comparison with other countries. The benefit of lower steel prices to Tube Investments would consist in the greater number of tubes they would be able to supply, and the benefit to the steel trade would likewise consist in greater demand.

The seriousness of to-day's position was that foreign competitors were obtaining their steel more cheaply than we, and were building up their general trade at our expense. "Was it for this," Mr Chamberlain continued, "that the steel trade five years ago were granted Protection? I thought that Protection was given them on the explicit promise that they would not exploit the home market but would put their ruined house in order and install plants capable of making steel as cheaply as any of their foreign competitors. Has this been done? Large sums of money, of course, have been spent, some of it very wisely spent, as we here have the best of reasons for knowing; but do you think the steel trade as a whole has put itself in a position to compete with the world? If the price of their steel is any criterion the answer must undoubtedly be 'No.' There have been some ghastly miscalculations, and I think lack of long vision in connection with steel capital expenditure. One hears also of appalling lack of judgment, involving millions of money, in the purchase of steel scrap. Do these sort of things inspire you with confidence in the steel trade? In the old days the steel trade's mistakes hurt themselves only. We could buy from the foreigner if they could not produce the goods, but now that Protection forces us to buy our steel at home the steel people can and apparently do foist the cost of their follies on the rest of the country. Was it for this that Protection was afforded them?"

Adverting to coal, Mr Chamberlain said that here again Government-planned reorganisation had not produced cheap coal for the consumer. Was it possible, he asked, if the efficient collieries were allowed to sell all they could produce at prices satisfactory to them we should be getting cheaper coal, they would be getting more export trade, and England would be mining more coal?

TRIBUTE TO PRIME MINISTER

He had frequently told them, he continued, that all efforts to build up a sound industrial unit hung on the issue of peace or war. He thought therefore it would be lacking in common decency and gratitude if they did not take this, the first, opportunity of saying how greatly they appreciated the wonderful and successful work of the Prime Minister, the Foreign Minister, and the whole Government in preserving the inestimable blessing of peace for us and for mankind this autumn. (Hear, hear.) He did not always see eye to eye with his cousin, and his method of attempting to make world war impossible was not apparently one that appealed to the Prime Minister as the most practicable or likely to win success. (Hear, hear.) But on the handling of the crisis he made no reservations, and was devoutly thankful the Prime Minister was in charge, and deeply grateful for all he said and did. He believed the outcome would be an important step on the road towards making war a more and more unlikely method of settling European differences. He was not in the Prime Minister's confidence, but he did know something of the family characteristics, and had, therefore, a pretty strong conviction that the Prime Minister knew and kept always before him a whole lot of things that he hoped to see achieved during his term of office and had also clearly before him the steps that must be taken if his programme was to be realised.

The report was adopted.

OROVILLE DREDGING COMPANY, LIMITED

DIVIDEND OF 3½ PER CENT.

MR F. W. BAKER'S REVIEW

The twenty-seventh ordinary general meeting of the Oroville Dredging Company, Limited, was held, on the 6th instant, in London.

Mr Fredk. W. Baker (the chairman of the company), who presided, said that the profit and loss account showed that dividends were received amounting to £69,107; other credits increased this amount to £75,373. After deducting all charges, the balance to the credit of profit and loss account was £62,568. Adding £136,253, the credit balance of the previous year, and deducting the final dividend paid in December in respect of the year 1937, and the interim dividend paid in April, 1938, amounting in total to the net sum of £51,562, a balance of £147,049 was carried forward as at September 30, 1938, out of which the directors recommended a final dividend of 9d., less tax, representing a distribution of 3½ per cent. for the year to September 30, 1938.

Referring to Pato Mines (Colombia), Limited, he said that the profit and loss account of that company for the year to September 30, 1938, showed a debit of £1,910, due to the fact that the company had received no dividend during the period from its holding in Pato Consolidated Gold Dredging, Limited, as the latter company had utilised its profits towards financing the capital expenditure necessary to carry out its equipment programme.

CONSTRUCTION PROGRAMME COMPLETED

With regard to Pato Consolidated Gold Dredging, Limited, for the financial year to April 30, 1938, Dredges Nos. 1 and 2 operated throughout the whole period. He was pleased to report that with the commissioning of the fifth dredge the company's construction programme had been completed and that no further extension to the fleet of dredges would be considered for the present. With three large and two small dredges operating, it was expected that approximately 16,000,000 cubic yards of gravel would be dredged annually and, in addition, the hydraulic units now in operation should handle over 1,000,000 cubic yards per annum.

By taking the estimated yardage reported at last year's meeting—viz. 600,000,000 cubic yards of dredgeable gravel, with a recoverable value of between 14c. and 15c. per cubic yard, and 37,000,000 cubic yards of gravel suitable for hydraulic of a recoverable value of 25c. per cubic yard, a life of approximately 37 years was indicated, both for dredging and hydraulic with the present equipment.

Mr Banks, the managing director of Pato Consolidated Gold Dredging, Limited, at the general meeting of that company held in Vancouver on November 9th, stated that for the first six months of the current year, to November 1st, 6,825,000 cubic yards were handled for a recovery of \$894,320, equivalent to 13.10 cents per yard. The values should gradually increase throughout the next 12 months in keeping with the drilling ahead.

The results, to date, indicated that expectations, both as regards recoveries and costs, would be realised, and that it was expected that the company would be in a position to declare a dividend about the middle of 1939.

The Pato Consolidated Gold Dredging, Limited, had during the year further extended its holdings in Colombia by the purchase of several additional alluvial claims in the vicinity of its main holdings.

He was satisfied that, with the completion of their equipment programme, their patience would, within a reasonable time, secure an adequate reward, through receipt by them of substantial returns from their Pato Consolidated interests.

OTHER INTERESTS

The company's holding in Asnazu Gold Dredging, Limited, remained unaltered, being 41 per cent. of the issued capital of the company. Dividends amounting to 20 per cent. per share were paid during the year to April 30, 1938, and a further dividend of 10 per cent. had been paid on account of the current year.

The company's holding in Bulolo Gold Dredging, Limited, remained at 73,843 shares. They had received two interim dividends amounting to \$3 per share, equal to 60 per cent. at par, and on November 9th a further dividend for the current financial year of \$1.50 (Canadian) per share was declared.

The chairman also referred to the company's interests in Talbot Alluvials, Limited, Homebush Gold Mining Company, Limited, Dutch New Guinea Mining Company, and Golden Queen Mining Company.

The report was unanimously adopted.

STRAND HOTEL, LIMITED

STEADY DIVIDEND RECORD

The thirty-first ordinary general meeting of the Strand Hotel, Limited, was held, on the 2nd instant, at the Trocadero Restaurant, London.

Major M. Gluckstein (the chairman) said that the company's trade over a course of years had kept at a fairly constant level, and they could show a steady dividend record.

At the Regent and Strand Palace Hotels, during the period now under review, they almost maintained the level of the previous years apartments business; but the restaurant side of the business was to some extent lower than in the two preceding years, when internal trade was on the increase and received additional stimulus from outstanding national events. The Royal Palace Hotel, being of a type where business was more subject to fluctuation, showed a diminution in turnover.

The ratio of costs and expenses to turnover, to which he had called attention at their last meeting, was again higher this year. In addition, he would remind them that the whole of the current year's accounts were subject to the National Defence Contribution, compared with a liability in respect of only six months of the previous year.

Against the foregoing factors, however, the amount the board considered it necessary to reserve for contingencies, before arriving at the available trading balance, was less than last year. Accordingly, it had been possible to show the final balance at £123,000, a figure similar to that of the two preceding years.

They proposed a final payment of 10½ per cent. on the participating preferred ordinary shares, which will again make a distribution of 14 per cent. for the year. The profit and loss account balance to be carried forward to next year will be £23,795.

The directors had conceived it their duty to make some provision against the more general consequences of air attack. It was obvious that their hotels, situated in the heart of London, would be particularly vulnerable from the air. They all hoped that the proposed measures might prove needless, but in the meantime the expenditure thereon would be a costly form of insurance.

The report was unanimously adopted.

CHARTERHOUSE INVESTMENT TRUST, LIMITED

SEGREGATION OF FINANCE ACTIVITIES

The thirteenth annual general meeting of the Charterhouse Investment Trust, Limited, was held, on the 2nd instant, at Southern House, London.

Sir Arthur H. Marshall, K.B.E. (the chairman), said that the gross profit and the net profit had contracted by £86,000 and £74,500 respectively. Before providing for reserves, the earnings on the ordinary stock were equivalent to almost exactly 4½ per cent. Owing, however, to the necessity of keeping their income-tax reserve up to the increased rate, and to the obligation to place 10 per cent. of their earnings to the special reserve, they had felt that it would not be sound to recommend a higher dividend than 3 per cent., which itself had the effect of lowering the carry-forward by £6,000. However, after providing for all liabilities, including depreciation of investments, and after allowing that their preference stock was repayable in a winding-up at 22s. for each unit of £1, there remained assets equivalent to a little over 27s. for each ordinary stock unit of £1.

They had built up substantial reserves which had enabled them to deal with the depreciation in the market value of their securities, but for which it would not have been possible to pay a dividend on either preference or ordinary capital. That was because they were at present constituted as a finance company.

An investment trust company was not faced with that difficulty, and in order to deal with the dual activities of their company each in the best way, the directors had come to the conclusion that their structure could be improved and the security for capital and income strengthened by segregating the new issue and finance activities which had hitherto been carried on by the trust into a separate but wholly owned subsidiary company.

After this change their assets would be comparable with those of the normal investment trusts except for three special investments, the whole of the shares of the new finance company, the controlling interest in the Charterhouse Industrial Development Company, and their large holding which at present constituted control of the Monument Property Trust.

The report was unanimously adopted.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

FURTHER EXPANSION OF INTERESTS

The annual general meeting of the British Tyre and Rubber Company, Limited, was held, on the 8th instant, in London.

Sir Walrond Sinclair, K.B.E. (the chairman and managing director), who presided, said that trading conditions during the year had been much less favourable than those in 1937, and it was therefore with particular satisfaction that the directors presented a report clearly indicating further steady progress. As foreshadowed last year, the directors had extended the interests of the company by acquiring interests in the Spalding Companies, and in a newly-erected rubber factory in South Africa. Financing those acquisitions had naturally meant a reduction in surplus liquid assets, which, however, were still ample for present needs with the necessary margin for all possible contingencies. There was a total available for appropriation of £216,246, and the directors now recommended a final dividend of 4½ per cent. with a cash bonus of 2 per cent., bringing the total distribution to 10 per cent. They were again maintaining a conservative policy of reserve allocations.

This was now the seventh consecutive year in which there had been a progressive increase in the company's profits during which the period industry as a whole had seen wide fluctuations. That the company in such a period had been able steadily to increase its earnings year by year was, he thought, a tribute to the stability of the business, the consistent quality of its products, the efficiency of its service organisations and the soundness of its financial policy. The company had Stability was the word he wanted to emphasise. The company had made no excessive profits in good times, and had suffered no exceptional setbacks in bad times—the ideal, he submitted, at which every industrial company should aim.

As to the future, they appeared to be starting the new financial year under more favourable conditions, while the quality of the company's products continued to be as greatly appreciated as ever, and they now had the additional assets of the valuable goodwill in the name of Spalding.

The report and accounts were unanimously adopted.

ELSWICK-HOPPER CYCLE AND MOTOR COMPANY, LIMITED

FACTORS AFFECTING RESULTS

The meeting of the Elswick-Hopper Cycle and Motor Company, Limited, was held, on the 8th instant, at Barton-on-Humber.

Mr Fred. Hopper (chairman of the company), who presided, said that no one was more disappointed than himself and his colleagues that they had been unable, despite hard work and effort, to repeat results of the past few years. Trade conditions had been abnormal, and it was the more disappointing as the company started the year with an increased turnover of about 37½ per cent. for the first three months. That experience was not theirs alone; one of their largest competitors, according to their report, had had the same experience.

As to the reason for the very poor year through which they had passed, he was of the opinion that the rise in the cost of raw materials, due to the steel position, which had resulted in the advancing of bicycle prices, had had a marked effect because buyers, anticipating increases, bought heavily prior to the advances becoming operative, and that, coupled with the fact that sales fell off towards the end of 1937, had resulted in heavy stocks, which had had to be reduced before purchasers could order new supplies.

Most overseas markets had been exceptionally dull, while the international position in Europe and elsewhere had not tended to improve the state of affairs, and the low commodity prices which had prevailed in overseas markets reduced the purchasing power of the natives, so that they could not fulfil their desire to purchase anything of a luxury nature, which was what a bicycle was to them. The Malayan market had suffered a severe slump towards the end of last year and was only now showing signs of a slight revival. As to the current trading position, the November figures showed an increased turnover over the previous month of nearly £5,000, showing that things were moving in the right direction, though he did not wish shareholders to believe that the company was again in its normal stride. At the same time, he did not wish them to get alarmed, as every trade must have its setbacks. It had been suggested that they might have taken up armament work of some sort, but he believed that their factory would be fully occupied in the future with their own business.

The report and accounts were unanimously adopted.

GOLD COAST SELECTION TRUST, LIMITED

CONSIDERABLE DIVIDEND POSSIBILITIES

The ninth ordinary general meeting of the Gold Coast Selection Trust, Limited, was held, on the 8th instant, in London.

Mr H. G. Latilla (the chairman) said that in January they had paid a 10 per cent. dividend, free of tax, and there was a balance of £103,873 carried forward. The directors had now declared an interim dividend of 15 per cent., free of tax, for the current year. In view of the fact that the Marlu company's second dividend was declared after the close of the Gold Coast Selection Trust's financial year, it was not possible to pay a further dividend for the year under review, but he thought shareholders could look forward with confidence to the payment of a further dividend for the current year.

The companies which they were sponsoring, namely, Amalgamated Banket Areas, Ariston, Bremang and Gold Coast Main Reef, were, he thought he could safely say, on the eve of illustrious careers. Marlu, of course, had already made good. He could foresee, taking very conservative estimates of the dividend possibilities of those companies, that the Trust would be in a position to make very satisfactory dividend distributions for years to come. Recently they had taken a financial interest in the Nanwa Gold Mines and he understood that the reports coming forward were highly encouraging.

The drilling of their Offin River alluvial areas had been very successful and, so soon as they had had an opportunity of seeing the results of the performance of the dredges on the Bremang company's areas, they would formulate a scheme for the installation of dredges on the Offin areas. That should prove a highly remunerative proposition.

Their prospecting had been largely confined to the main line of strike between Prestea and Konongo, passing through Marlu and Ashanti Goldfields Corporation. They were considering joining in a scheme for the development of some three miles of ground directly on the strike of the ore bodies now being worked by the Marlu and Ariston companies.

Mr J. A. Agnew said that on the company's property and on those held under option on the Offin River, an enormous yardage of gravel had already been proved, and while it would require some few months' further work to complete the exploration of those areas, it now appeared certain that a new company would be formed in due course to take over the whole of them. As to the properties in which the company owned a large shareholding, in the main those were progressing most satisfactorily.

Amalgamated Banket Areas, by reason of the very large tonnage of ore indicated as being made available ultimately, could call for a reduction plant of a capacity considerably in excess of any on the Gold Coast. The average grade of ore to be won would not be very high, but the cost should be correspondingly low. The work at Ariston was rapidly approaching the stage at which an output of more than 20,000 tons per month could be safely looked for, while the developments at the bottom of the mine continued to be of an excellent character.

Bremang Gold Dredging might be said to be still in the stage of getting over early mechanical difficulties unimportant in themselves and susceptible to immediate remedial treatment. Two dredges were now in operation. The recent developments on Gold Coast Main Reef had been of a highly satisfactory nature. Their interest in Nanwa was confined to financing, with others, a programme of development. The results to date had been most promising.

The report was unanimously adopted.

GOLD COAST MAIN REEF, LIMITED

PROMISING DEVELOPMENTS

The fifth ordinary general meeting of the Gold Coast Main Reef, Limited, was held, on the 5th instant, at River Plate House, London.

Major E. Seaborn Marks, who presided, in the course of his speech said:—The last 12 months have been a period of great difficulty, both politically and financially. The company had reached a position where its development warranted the installation of a treatment plant, but conditions were such that it was not considered expedient to propose an issue to supply the necessary finance required. The Gold Coast Selection Trust, Limited, for mere interest at the rate of 4 per cent. and a right at a future date to participate in any issue that was made, on the same terms as these offered to shareholders, agreed to advance us whatever money we required, without security.

The board have decided to create £300,000 of non-interest-bearing registered notes, to be redeemed on March 31, 1943, at a premium

of 20 per cent. The subscribers to these notes will have the option of converting their notes into shares of the company on a basis of three shares for every £1 of notes held; that is, at 6s. 8d. per share. Whether or not the issue is taken by shareholders, the whole of the money will be forthcoming, as again our friends, Gold Coast Selection Trust, Limited, have agreed to subscribe for any notes not applied for by shareholders. To provide shares for the note conversion right, a resolution will later be put to the meeting to increase the nominal capital of the company by £300,000 to £900,000. This increase will leave £75,000 in reserve.

At the mining end there is nothing but good to report. We have now developed a mine capable at the present time of an output of 6,000 tons per month, and have sufficient ore to keep the proposed mill operating for over three years. The equipment of the mine is proceeding apace, and we anticipate that we shall start crushing towards the end of next year. We have already reached the seventh level in the Bondage shaft and the third level at Tuappim. Cable advices just received inform us that on the seventh level Bondage the main reef has been exposed for a length of 175 feet, both faces being still in ore. One hundred and fifty feet have been sampled and show a value of 13.3 dwts. per ton over 104 in.

The report was adopted and the proposed issue of capital was approved.

MARLU GOLD MINING AREAS, LIMITED

INCREASING OUTPUT

The fourth ordinary general meeting of the Marlu Gold Mining Areas, Limited, was held, on the 8th instant, in London.

Mr H. G. Latilla (the chairman) said that operations during the year had resulted in gold being produced to the market value of £844,840 from 549,863 tons of ore mined and treated. Mine working costs, including realisation, gold tax and development expenditure, but not amortisation, averaged 10s. per ton. Working costs for November, including gold premium tax, but excluding development expenditure, had been reduced to 7s. 8½d. per ton. The ore reserves, computed at over 5½ million tons, averaging 3.72 dwts. per ton, showed a substantial increase, although a slightly lower value, mainly attributable to the proved tonnage on the New Dainsu Concession lately acquired.

The fourth unit of treatment plant had come into operation at the end of January. Since then an average of approximately 53,000 tons of ore had been treated monthly. Further modifications and some slight additions were expected to provide a progressive increase in output, and they had reason to believe that in the near future a monthly tonnage in the neighbourhood of 75,000 tons would pass through the mill. That increased tonnage would offset the lower grade of ore to be treated but would, they believed, at least maintain the monthly profits round about the present figure of a little over £50,000.

All the ore mined to date had been by mechanical shovels, from the crush zone section. They felt quite satisfied with the year's work and had no doubt that shareholders would agree with them.

They regarded the future with optimism. As stated in the report, a first interim dividend of 15 per cent., free of tax, had been declared in respect of the current year. The warrants for that dividend would be posted on January 16th. It was not necessary to obtain sanction for that dividend; although if it were it would meet, without doubt, with entire approval.

Mr J. A. Agnew said that on the New Dainsu Concession the mine railway system had been extended to the Chujah deposits, and

from now on the ore would be drawn from that section, the quantity dealt with being gradually increased up to 15,000 tons per month. As the grade of that ore was about 3 dwts. per ton, the average mill recovery would fall to some extent, but it was expected that it would be offset by the increase in tonnage treated.

Development results in the sulphide zone had been to a certain extent disappointing. That portion of the drive on the 600-ft. level which had been expected to disclose the continuation in depth of the Marlu shoot of ore, would appear to have been driven in the vicinity of a large dyke, which might have affected adversely the deposition of gold in the ore body. A winze was now being sunk, and it was proposed to drive north under the Marlu shoot, when it was hoped that the influence of the dyke would not be apparent. The programme for the exploration of Chujah and Ablifa ore bodies below the oxidised zone was in hand, and any ground of a likely character would be examined. Arrangements were being made for the enlargement of the treatment plant; further thickeners, an additional precipitation press and extra filters would be installed. The capital cost of the whole of those would be relatively very small.

The report was unanimously adopted.

TOBACCO SECURITIES TRUST COMPANY, LIMITED

BOARD'S INVESTMENT POLICY

The eleventh annual general meeting of this company was held, on the 8th instant, in London.

The Rt. Hon. Lord Catto of Cairncatto, the chairman, said that political, economic and financial conditions had in no way improved during the year under review; indeed, they might be said to have deteriorated. He thought, therefore, they might all congratulate themselves that the results disclosed in the accounts were slightly better than those of the previous year.

"Advances to a subsidiary company and dividends receivable" was again reduced by the very considerable sum of £747,294, which was in confirmation of what he explained last year would happen as they developed their policy, now nearly completed, of confining their investments mainly to the parent company and to Tobacco Investments, Limited. They were large shareholders in the Tobacco Insurance Company, Limited, in common with the British-American Tobacco Company, Limited. The bulk of the business of Tobacco Insurance Company was insurances of the British-American Company and its subsidiaries, and complications arose as the Insurance Company grew stronger on certain questions of policy. It was eventually agreed that the best arrangement to both sides was for the British-American Tobacco Company to purchase the whole of this company's investment in the Insurance Company at its current value, which constituted a considerable capital profit to this company direct and through Tobacco Investments, Limited. So much so, indeed, that re-investment of the amount received from the sale was actually returning them income somewhat in excess of the dividends they had previously been receiving from Tobacco Insurance Company, Limited.

With regard to shellac, during the financial year under review they had entered into an agreement with Messrs Ralli Brothers, Limited, which had worked most satisfactorily to an extent which left the remaining stock of a size and value that, in the opinion of the board, need be of no further anxiety.

The report and accounts were unanimously adopted, and a final dividend on the ordinary capital of 11 per cent., less income tax, and a first and final dividend on the deferred capital of 4.5714 per cent., less income tax, were approved.

Miscellaneous Commodities

Oilseeds and Oils.—Dealings in linseed are likely to remain at a low level until the official estimate of the Argentinian

linseed crop is published. The demand for cottonseed has improved; £6 15s. per ton has been paid for Egyptian black cottonseed for December loading to Hull. The price of linseed oil is steady at levels slightly below the highest recorded last week. Trade in cottonseed oil is quiet and Egyptian crude is available at £18 per ton ex Hull for prompt shipment.

Rubber.—Dealings have been on a small scale and price fluctuations have been within ¼d. per lb.; the closing price for standard sheet at 7½d. per lb. shows no change on the week. Reports from New York indicate that buying there is proceeding steadily.

CURRENT STATISTICS

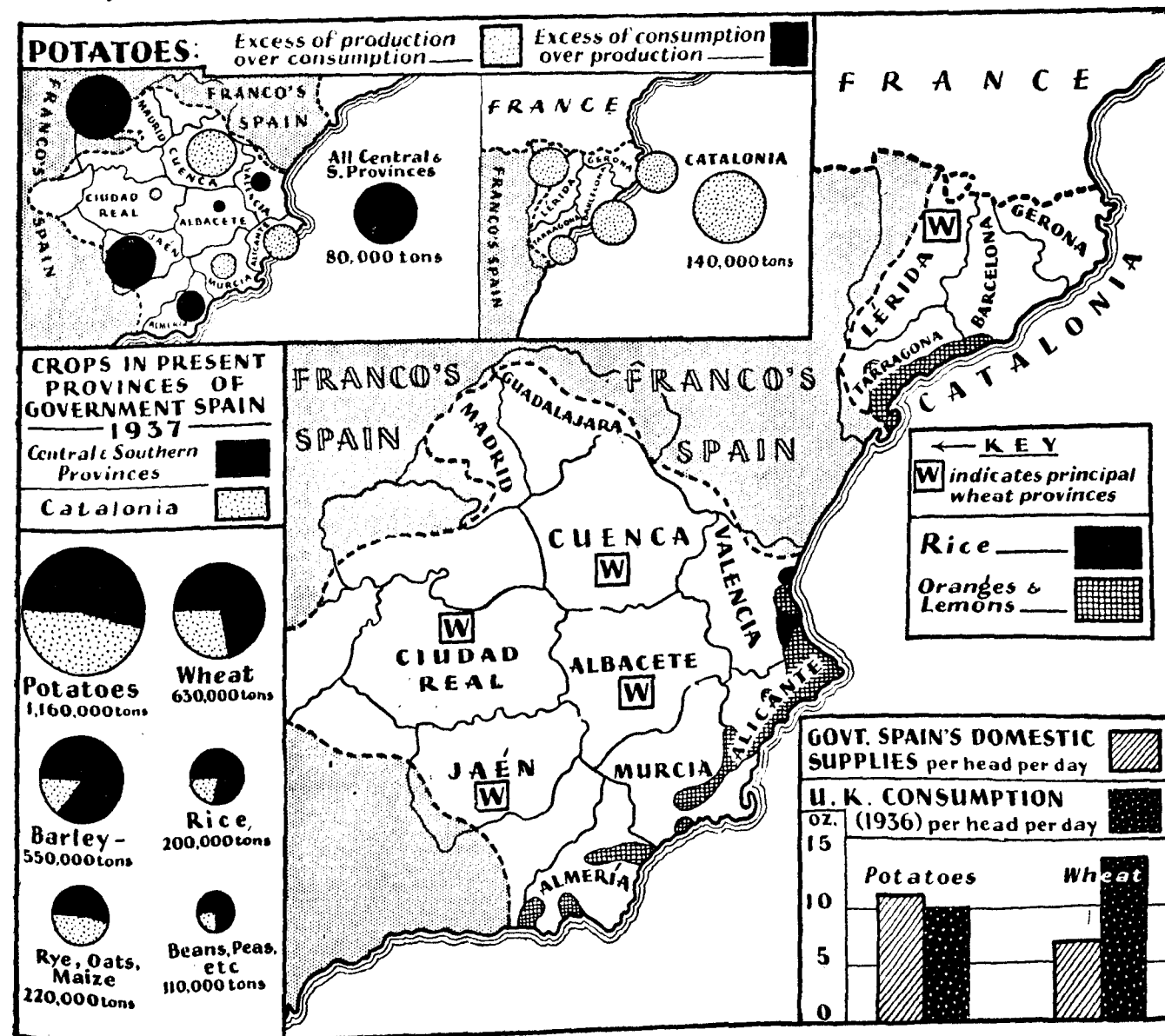
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Food in Government Spain

We present below a series of charts, which should be read in conjunction with a Topic of the Week on page 532. Principal Sources: *Estadística de la Producción de Cereales y Leguminosas 1937* and *Estudio sobre las Modalidades y Épocas de la Producción de Patatas*, published by the Ministry of Agriculture, Barcelona.



Finance

GOVERNMENT RETURNS

For the week ended December 3, 1938, total ordinary revenue was £11,318,000, against ordinary expenditure of £4,707,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £234,137,000, against a deficit of £157,533,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937	April 1, 1938	Week ended Dec. 3, 1938	Week ended Dec. 3, 1937
ORDINARY REVENUE					
Income Tax	341,150	83,183	92,536	1,253	1,674
Sur-tax	62,000	8,590	10,490	210	240
Estate, etc.	88,000	61,440	50,990	1,700	1,400
Stamps	24,000	13,700	13,380	50	800
N.D.C.	20,000	15	11,280	10	360
Other In.	1,250	380	750	40	...
Rev. Duties	536,400	167,308	179,426	3,263	4,474
Total I. Rev.	1,227,950	343,417	387,502	6,512	8,888
Customs	227,950	152,290	153,201	3,813	3,787
Excise	116,150	78,457	78,201	1,532	1,335
Total Cust. and Excise	344,100	230,747	231,402	5,345	5,122
Motor Duties P.O. (Net Receipt)	36,000	11,360	11,209	108	...
P.O. Fund	8,670	10,910	10,630	380	700
Crown Lands Rec. from Sun. Loans	2,400	25	...	...	...
Misc. Rec.	1,330	990	...	...	...
Total Ordinary Revenue	944,650	435,395	446,970	9,200	11,318
SELF-BAL. REVENUE					
Post Office and Broadcasting*	80,442	48,040	48,920	1,270	800
Total...	1,025,092	483,435	495,890	10,470	12,118

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937	April 1, 1938	Week ended Dec. 3, 1938	Week ended Dec. 3, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	176,464	176,422	29,954	28,839
Payments to N. Ireland	8,900	4,891	5,029	257	132
Other Cons. Fund Serv.	5,239	1,992	1,754	10	31
Total...	244,139	183,347	183,205	30,221	29,002
Supply Serv.	702,409	409,580	497,902	14,805	18,035
Total Ord. Expend.	946,548	592,927	681,107	45,026	47,037
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	48,040	48,920	1,270	800
Total...	1,026,990	640,967	730,027	46,296	47,837

* Revenue required to meet expenditure. † Excluding Post Office and Broadcasting and £12,900,000 under Defence Loans Act. ‡ After concessions of £100,000 made during passage of Finance Act. § After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Fire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After reducing Exchequer balances by £184,599 to £2,310,384, the other operations for the week (as shown below, but excluding £4,750,000 issued under the Defence Loans Act and £255,000 issued to sinking funds), raised the gross National Debt by £40,539,000 to about £8,385 millions.

WEEK'S CHANGES IN DEBT

Sales in (£ thousands)		Purchase Price	
Net INCREASES IN DEBT	NET REPAYMENTS, ETC.		
Treasury Bills	36,297	P.O. and Teleg. (Money) Acts	300
Pub. Debt Adv.	4,160	N. Atl. Shipping	33
Nat. Sav. Certs.	50		
Land Sett. Act	150		
Tithe Act	35		
	40,872		333

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to December 3, 1938, are shown below:—

£ thousands		£ thousands	
Ordinary Exp.	681,107	Ordinary Rev.	446,970
Fire issues	3,758	Dec. in blocs	54
Defence Loan	5,750	Fire receipts	10,000
Issues	5,750	Gross bor. 240,062	
		Sink. Ids.	6,471
		Net borrowing	233,591

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1937						
Dec. 3	617.0	301.8	42.6	10.2	961.4	344.4
" 31	889.7*	39.4	55.7	...	984.9	...
1938						
Aug. 20	555.0	296.2	41.9	...	893.1	338.1
" 27	555.0	294.0	45.7	...	891.7	339.7
Sept. 3	550.0	316.9	44.1	...	911.0	361.0
" 10	545.0	324.2	46.0	...	915.1	370.2
" 17	537.0	334.5	48.2	...	919.7	382.7
" 24	526.0	345.5	49.8	...	921.3	395.3
" 30	883.4*	49.2	...	...	932.6	...
Oct. 8	521.0	379.1	49.3	4.0	953.4	428.4
" 15	526.0	383.6	45.8	...	955.4	429.0
" 22	526.0	379.3	41.4	...	946.7	420.7
" 29	522.0	386.1	44.0	...	952.1	430.1
Nov. 5	517.0	405.3	46.1	3.0	971.3	451.4
" 12	517.0	407.2	45.4	...	969.7	452.6
" 19	522.0	407.7	41.7	...	967.4	445.4
" 26	522.0	404.1	45.4	...	971.5	449.0
Dec. 3	517.0	445.4	49.5	...	1,011.9	491.9

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

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1937					
Dec. 3	50.0	84.4	50.0	8	25
" 31	50.0	80.5	50.0	10	11.59
1938					
Aug. 19	35.0	82.2	35.0	10	1.51
" 26	40.0	87.6	40.0	10	1.53
Sept. 2	45.0	74.6	45.0	11	0.87
" 9	45.0	63.1	42.0	11	0.60
" 16	40.0	55.8	37.0	18	10.75
" 23	40.0	58.2	40.0	19	7.07
" 30	45.0	68.8	45.0	25	1.42
Oct. 7	50.0	71.6	50.0	14	3.44
" 14	50.0	72.6	45.0	15	5.57
" 21	40.0	77.3	38.0	13	8.91
" 28	35.0	72.5	35.0	10	9.78
Nov. 4	35.0	67.9	35.0	10	5.87
" 11	35.0	62.7	35.0	10	6.16
" 18	35.0	62.6	35.0	10	11.37
" 25	35.0	69.6	35.0	17	7.80
Dec. 2	35.0	74.8	35.0	17	11.03

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On December 2nd applications at £99 15s. 6d. per cent. for bills to be paid for on any day except Monday of the following week were accepted as to about 18 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Monday at £99 15s. 7d. were allotted in full. £35.0 millions of Treasury bills are being offered on December 9th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Purchase Price	
Number			
46 weeks to —			
Nov. 20, 1937	28,462,204	21,346,653	
Nov. 19, 1938	28,545,628	21,409,222	
Week to —			
Nov. 20, 1937	661,461	497,596	
Nov. 12, 1938	613,269	459,952	
Nov. 19, 1938	618,601	463,951	

BANK OF ENGLAND RETURNS

DECEMBER 7, 1938

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circ.	487,752,301	Other Govt.	218,219,647
In Bank Dept.	68,663,296	Securities	577,064
		Other Secs.	188,189
		Silver coin	...
		Amt. of Fid. Issue	230,000,000
		Gold Coin & Bullion	326,415,597
			556,415,597

BANKING DEPARTMENT

£		£	
Props. capital	14,553,000	Govt. Secs.	66,136,164
Rest	3,300,791	Other Secs.	17,871,033
Public Depts.*	18,628,453	Disc., etc.	21,502,535
Other Depts.	102,944,906	Securities	39,373,568
	35,944,226	Notes	68,663,296
		Gold & Silv. Coin	1,198,348
			175,371,376

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Compared with	
	Last Week	Last Year
COMBINED LIABILITIES		
Note circulation	487,752 + 6,944	5,078
Deposits: Public	18,029 + 4,477	6,887
Bankers'	102,945 + 5,863	3,365
Others	35,944 - 1,246	714
Total outside liabilities	645,270 + 7,084	2,271
Capital and rest	17,854 + 28	23
COMBINED ASSETS		
Govt. debt and securities	295,371 + 5,992	11,573
Discounts and advances	17,371 + 315	8,230
Other securities	22,080 + 816	836
Silver coin in issue dept.	22,188 + 30	177
Gold coin and bullion	327,614 - 40	35
Reserves		
Res. of notes & coin in banking department	69,862 + 23,017	15,114
Proportion of reserve to outside liabilities—		
(a) Banks, dept. only ("proportion")	44.3% + 14.6%	+ 8.9%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.8% - 0.5%	+ 0.2%

COMPARATIVE ANALYSIS (£ millions)

	1937		1938	
	Dec. 8	Nov. 16	Nov. 23	Dec. 7*
Issue Dept.				
Notes in circ.	492.8	478.6	476.1	480.8
Notes in banking dept.	53.6	47.8	50.4	45.6
Govt. debt and securities	219.7	199.8	199.2	229.2
Other securities	0.3	0.1	0.7	0.6
Gold	326.4	326.4	326.4	326.4
Deposits				
Public	11.7	35.0	31.7	23.1
Bankers'	106.3	89.5	92.2	97.1
Others	36.7	35.0	35.0	37.2
Total	154.7	159.5	158.9	157.4
Bkg. Dept. Secs.				
Government	87.2	95.2	91.8	66.1
Discounts, etc.	9.6	12.4	12.2	17.6
Other	21.0	20.6	21.1	20.6
Total	117.8	128.2	125.1	104.3
Banking dept. reserve	54.8	49.1	51.6	46.8
"Proportion"	35.4	30.7	32.4	29.7
Reserve ratio†	50.6	51.3	51.6	50.8

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £188,189; capital, £14,553,000; rest, £3,300,791.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28th last. The latest return of the Bank of Denmark appeared in The Economist of November 12th; Mellie Iran of November 19th; Canada, Danzig, Egypt and Lithuania of November 26th; Reichsbank, Bulgaria, Czechoslovakia, Estonia, Finland, Greece, India, Jugoslavia, Latvia, Norway, Portugal and Sweden of December 3rd.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

ASSETS	Nov. 30, 1937			
	30, 1937	30, 1938	31, 1938	30, 1938
Gold in bars	13.8	19.2	29.3	34.0
Cash	25.9	40.5	27.9	23.2
Sight funds	18.6	17.4	14.4	19.8
Bills and acceptances:				
(a) Commercial bills	123.3	142.5	153.6	158.5
(b) Treasury bills	146.1	54.6	47.5	60.9
Time funds at interest	47.6	51.5	52.1	50.1
Sundry bills & invests.	275.7	237.7	248.2	246.4
Other assets	2.2	13.3	12.9	4.5
LIABILITIES				
Capital paid up	125.0	125.0	125.0	125.0
Reserves	23.2	24.3	24.3	24.3
Long-term commitments:				
(1) Annuity trust account deposits	153.7	153.0	152.8	152.9
(2) Govt. deposits	109.5	102.5	102.0	101.5
Short term and sight deposits:				
(1) Central banks:				
Own account	181.8	100.1	110.9	131.3
(2) For acct. others	2.6	3.6	2.2	1.8
(3) Other deposits	6.8	6.9	6.4	5.9
Sight deposits—gold	8.4	9.2	9.3	9.4
Miscellaneous items	42.3	52.0	52.9	45.4

U.S. FEDERAL RESERVE BANKS

Million \$'s		Dec. 8, 1938	
12 U.S.F.R. BANKS		Dec. 1, 1938	Dec. 8, 1938
		1, 1938	8, 1938
RESOURCES			
Gold certifs. on hand and due from Treas.	9,122	11,318	11,602
Total reserves	9,443	11,679	12,017</

BANK CLEARINGS

LONDON

(£ thousands)

	Month of November			Week ended		Aggregate from	
	1937	1938	Change	Dec. 8, 1937	Dec. 7, 1938	Dec. 8, 1937	Dec. 7, 1938
Number of wkg. days:	26	26	%	6	6	287	288
Town	2,979,818	2,712,718	- 9.0	742,333	685,944	34,714,448	31,569,680
Metropolitan	177,102	172,239	- 2.7	45,876	49,414	2,034,581	1,954,225
Country	323,994	309,653	- 4.4	86,458	93,617	3,589,700	3,466,653
Total	3,481,914	3,194,610	- 8.2	874,667	828,975	40,338,729	36,990,558

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of November			Week ended		Aggregate from	
	1937	1938	Change	Dec. 4, 1937	Dec. 3, 1938	Dec. 4, 1937	Dec. 3, 1938
No. of working days:	26	26	%	6	6	285	286
BIRMINGHAM	10,871	10,248	- 5.7	3,787	3,288	126,253	112,124
BRADFORD	3,622	3,391	- 6.3	853	1,177	48,690	38,093
BRISTOL	5,850	5,731	- 2.0	1,418	1,402	62,406	60,824
HULL	3,881	3,485	- 10.2	990	839	43,934	40,173
LEEDS	3,745	3,762	+ 0.4	1,072	972	48,280	45,743
LEICESTER	3,118	3,033	- 2.7	875	800	36,355	33,582
LIVERPOOL	27,318	21,889	- 19.8	7,286	5,408	332,690	248,831
MANCHESTER	46,294	38,489	- 16.8	13,055	11,754	530,562	442,536
NEWCASTLE	6,693	6,693	+ 0.0	1,734	1,834	72,199	72,647
NOTTINGHAM	2,121	1,986	- 6.3	660	655	24,823	23,744
SHEFFIELD	4,709	4,254	- 9.6	1,763	1,468	53,031	51,564
Total: 11 Towns	118,132	102,961	- 12.8	33,493	29,597	1,379,243	1,169,881
DUBLIN	...	...	...	6,308	5,952	280,428	303,661

† Based on average working day.

‡ 49 calendar weeks.

MONEY RATES

LONDON

	Dec. 1, 1938	Dec. 2, 1938	Dec. 3, 1938	Dec. 5, 1938	Dec. 6, 1938	Dec. 7, 1938	Dec. 8, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Markets rates of discount	7½	7½-15½	15½	7½	7½	7½	7½
60 days' bank's drafts	15½-16	15½-16	15½	7½	7½	7½	7½
3 months' do.	15½-16	15½-16	15½	7½	7½	7½	7½
4 months' do.	15½-16	15½-16	15½	7½	7½	7½	7½
6 months' do.	15½-16	15½-16	15½	7½	7½	7½	7½
Discount Treasury Bills	15½-16	15½-16	15½	7½	7½	7½	7½
3 months'	15½-16	15½-16	15½	7½	7½	7½	7½
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Deposit allwances: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%	%
Nov. 10 ...	12-1	17½-18	9½-10	8½	2½-3	2½-3½	3-3½
" 17 ...	12-1	17½-18	9½-10	8½	2½-3	2½-3½	3-3½
" 24 ...	12-1	17½-18	9½-10	8½	2½-3	2½-3½	3-3½
Dec. 1 ...	12-1	15½-16	15½-16	7½	2½-3	2½-3½	3-3½
" 8 ...	12-1½	15½-16	15½-16	7½	2½-3	2½-3½	3-3½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Dec. 8, 1937	Nov. 9, 1937	Nov. 16, 1937	Nov. 23, 1937	Nov. 30, 1937	Dec. 7, 1938
Call money	114	114	114	114	114	114
Time money (90 days' mixed coll.)	114	114	114	114	114	114
Bank acceptances:—						
Members—eligible, 90 days	12	12	12	12	12	12
Non-mem.—eligible, 90 days	12	12	12	12	12	12
Commercial accept., 90 days	12	12	12	12	12	12

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Dec. 2, 1938	Dec. 3, 1938	Dec. 5, 1938	Dec. 6, 1938	Dec. 7, 1938	Dec. 8, 1938
New York, \$...	4.86½	4.66½-68½	4.67½-68½	4.67½-68½	4.68½-68½	4.68½-68½	4.66½-68
Montreal, \$...	4.86½	4.70½-72	4.71½-72	4.71½-72	4.72½-72	4.72½-72	4.70½-71½
Paris, Fr.	124.21	177½-178½	177½-178½	177½-178½	177½-178½	177½-178½	177½-178½
Brussels, Bel. ...	35.00a	27.65-81	27.76-84	27.78-91	27.84-94	27.76-93	27.67-80
Milan, L.	92.46	88½-89½	88½-89½	88½-89½	88½-89½	88½-89½	88½-89
Zurich, Fr.	25.22½	20.55-63	20.60-64	20.61-78	20.70-84	20.68-73	20.58-68
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl. ...	12.107	8.57½-12	8.59-62	8.60-61	8.61-65	8.60½-61	8.57½-61
Berlin, Mk.	20.43	11.64-70	11.65-70	11.60-73	11.68-75	11.68-73	11.63-70
Registered Marks							
Br. India Rup. ...	†18d.	51-56	51-56	51½-56½	52-57	52½-57½	52½-57½
Hong Kong, \$...	†	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$...	†	7¼-8½	7¼-8½	7¼-8½	7¼-8½	7¼-8½	7¼-8½
Rio, Mil.	†5.899d.	31½-32	31½-32	31½-32	31½-32	31½-32	31½-32
B. Aires, \$...	11.45	17.13½	17.13½	17.13½	17.13½	17.13½	17.13½
Valparaiso, \$...	†51d.	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	17.38	22-23 (f)	22-23 (f)	22-23 (f)	22-23 (f)	22-23 (f)	22-23 (f)
Mexico, Pes. ...	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes. ...	†25.66d.	25½-26	25½-26	25½-26	25½-26	25½-26	25½-26
Moscow, Rbls. ...	...	24.77½	24.77½	24.83½	24.90½	24.87½	24.77½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.233½ since dollar devaluation on February 1, 1934. (a) Rate prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is \$15 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Dec. 2, 1938	Dec. 7, 1938	Dec. 8, 1938
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200 (f)	100-200 (f)	100-200 (f)
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Budapest, Pen.	27.82	23½-24	23½-24	23½-24
Prague, Kc.	§161½	136-137½	136-137½	136-137½
Danzig, Gul.	23.00	24½-25½	24½-25½	24½-25½
Warsaw, Zl.	48.38	24½-25½	24½-25½	24½-25½
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei.	813.8	645-665	650-670	650-670
Istanbul, Pst.	110	575*	573*	573*
Belgrade, Din.	276.32	204-214	205-215	205-215
Kovno, Lit.	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	673.66	370-400	370-400	370-400
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-20	19.85-20	19.85-20
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$...	†28d.	27½-28½	27½-28½	27½-28½
Batavia, Fl.	12.11	8.58-61	8.58-61	8.58-61
Bangkok, Baht.	†21.82d.	22½-23	22½-23	22½-23

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

LONDON—FORWARD

(Closing quotations)

London on	Dec. 2, 1938	Dec. 3, 1938	Dec. 5, 1938	Dec. 6, 1938	Dec. 7, 1938	Dec. 8, 1938
New York cent.	(p) 15½-16	(p) 15½-16	(p) 15½-16	(p) 15½-16	(p) 15½-16	(p) 15½-16
Paris, francs	(d) 110-111	(d) 110-111	(d) 110-111	(d) 110-111	(d) 110-111	(d) 110-111
Amsterdam, cent.	(p) 11½-12	(p) 11½-12	(p) 11½-12	(p) 11½-12	(p) 11½-12	(p) 11½-12
Brussels, cent.	(d) 2-5	(d) 2-4	(d) 4-6	(d) 4-6	(d) 4-6	(d) 4-6
Geneva, cent.	(p) 11-12	(p) 11-12	(p) 11-12	(p) 11-12	(p) 11-12	(p) 11-12

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Dec. 1, 1938	Dec. 2, 1938	Dec. 3, 1938	Dec. 5, 1938	Dec. 6, 1938	Dec. 7, 1938
London:—						
60 days	467½	467½	467½	468½	468½	467½
Cables	468½	468½	468½	469½	469½	468½
Demand	468½	468½	468½	469½	469½	468½
Paris, Fr.	2.62½	2.63½	2.63½	2.64½	2.64½	2.63½
Brussels, Bel.	16.89	16.83½	16.83	16.83½	16.82½	16.84
Switzerland, Fr.	22.73	22.71½	22.69½	22.63½	22.62½	22.64
Italy, Lira	5.26½	5.26½	5.26½	5.26½	5.26½	5.26½
Berlin, Mark	40.07	40.08	40.08	40.09	40.08	40.08
Amsterdam, Guilder	54.38	54.39	54.38½	54.37	54.41	54.39
Copenhagen, Kr.	20.90	20.91	20.90	20.96	20.97	20.89
Oslo, Kr.	23.52½	23.53	23.53	23.59	23.61	23.52
Stockholm, Kr.	24.12½	24.13	24.13	24.19	24.21	24.11½
Athens, Dr.	0.85½	0.85½	0.86	0.86½	0.86½	0.86½
Montreal, Can. \$...	99.250	99.150	99.180	99.180	99.210	99.180
Yokohama, Yen.	27.30	27.32	27.34	27.38	27.38	27.31
Shanghai, \$...	16.10	16.15	16.20	16.30	16.20	16.20
B. Aires, Peso	29.04	29.06	29.13	29.14	29.04	29.04
Rio, Milreis†	5.90	5.90	5.90	5.90	5.90	5.90

Usance: T.T.

† Official.

IMPORTS AND EXPORTS OF GOLD AND SILVER

Week ended December 8, 1938

Imports			Exports		
From	Bullion	Coin	To	Bullion	Coin
GOLD			GOLD		
British S. Africa ...	113,900	...	Finland	1,190	...
British E. Africa ...	16,000	...	Netherlands	...	61,735
British India	165,374	...	Belgium	121,106	...
Australia	45,709	...	France	725	45,897
Germany	438,002	...	Syria	...	8,906
Netherlands	152,868	29,069	United States	3,895,556	4,100,558
Switzerland	5,401	9,165	Other countries ...	970	...
Total*	954,330	38,234	Total	4,019,547	4,217,096
SILVER			SILVER		
Hong Kong	4,000	546,560	Aden and Depend. ...	...	2,060
Germany	280	...	Norway	870	...
Netherlands	1,654	50	Germany	25,785	...
Belgium	16,852	...	United States	1,199,129	...
France	27,225	458	Other countries ...	1,397	624
Iraq	...	2,501			
Other countries	245	600			
Total	50,256	550,169	Total	1,227,181	2,684

(a) No comparable figure.

TRANSVAAL GOLD OUTPUT

Statistics for November 1938 (on basis of £7 7s. 6d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Cost Per Ton	Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Cost Per Ton
<i>Anglo-American Corporation</i>			£	£	£	s. d.	<i>Goldfields</i>			£	£	£	s. d.
Brakpan Mines	135,500	...	255,114	147,102	108,312	...	Stimmet and Jack	117,000	21,611	181,112	...	60,612	20 7-8
Daggafontein Mines	145,500	...	291,107	148,602	142,705	...	Robinson Deep	121,000	27,508	202,189	...	85,519	19 5-0
Spring Mines	154,000	...	308,306	152,454	155,912	...	Sub Nigel	60,400	41,534	305,476	...	206,556	32 9-1
West Springs	86,500	...	132,032	85,032	47,900	...	Vogelstruisfontein	70,000	16,721	122,902	...	35,110	25 1-0
S. African Land and Exploration	55,000	...	111,277	70,190	41,087	...	Rietfontein Cons.	30,000	4,053	29,731	...	11,027	12 5-6
<i>Central Mining—Rand Mines</i>							Lupatards Vlei	53,600	11,686	85,819	...	25,482	22 9-9
City Deep	107,000	21,258	156,525	...	25,900	24 5-0	<i>Johnnies Group</i>						
Cons. Main Reef	174,000	29,858	219,502	...	54,452	18 11-7	East Champ D'or	30,000	...	53,695	...	21,552	21 6
Crown Mines	347,000	81,621	600,552	...	261,311	19 6-6	Government Arcis	206,000	...	354,092	...	175,228	17 7
Durban Road Prop.	218,000	46,558	342,793	...	47,512	21 3-3	Langlaate Estate	106,000	...	109,450	...	10,158	19 0
Geldenhuis Deep	67,800	9,889	72,911	...	105,033	21 9-8	New State Areas	124,000	...	219,876	...	142,656	17 6
Modderfontein B.	89,000	14,765	108,659	...	18,900	15 11-2	Randfontein Estates	390,000	...	437,233	...	113,296	16 9
Modderfontein East	123,000	22,422	164,862	...	57,808	17 11-0	Van Ryn Deep	105,000	...	119,292	...	32,603	16 8
New Modderfontein	191,000	33,504	246,625	...	107,335	14 7-0	Witwatersrand	87,000	...	97,157	...	13,446	19 6
Nourse Mines	81,000	16,121	118,742	...	24,401	23 3-5	<i>Johnnies Group Total</i>	1,048,000	...	1,420,795	...	508,939	17 7
Rose Deep	80,000	12,662	93,175	...	18,421	18 8-2	<i>Union Corporation</i>						
<i>General Mining</i>							East Geduld	149,000	42,435	313,806	115,544	198,262	...
Van Ryn Gold	61,000	...	53,991	...	5,571	16 1	Geduld Prop.	114,500	27,102	201,169	83,632	117,537	...
West Rand Cons.	181,000	...	255,097	...	104,907	16 11	Grootvlei Prop.	60,000	9,900	73,973	66,267	7,706	...
							Modder Deep	49,600	6,684	49,537	40,927	8,610	...
							Van Dyk Cons.	67,500	15,809	117,338	76,601	40,737	...
							<i>Other Mines</i>						
							Glynns Lydenburg	9,000	2,605	19,159	...	5,233	30 11-4
							New Kleinfontein	72,000	13,852	102,133	69,361	32,772	19 3
							Transvaal Gold	27,500	4,330	31,963	...	4,822	19 8
							Witwatersrand Deep	45,000	7,529	55,221	46,360	8,861	...

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
RAILWAYS					Canadian Celanese	75 cts.	\$1 ps.	Dec. 31	\$1-60
Bengal & N. Western	10½	18	Jan. 30	18	Carreras	20½	35	Dec. 2	35
Rohilkund & Kumaon	10½	18	Jan. 23	18	Carr's Flour Mills	3*	...	Dec. 2	3*
BANKS					Central Wagon	7½	10	...	10
National of N. Zealand	2½*	...	Jan. 3	4*	Finlay (James) and Co.	5*	...	...	5*
INSURANCE					Forestal Land, etc.	4-976 3d.	...	Dec. 16	3*
Eagle Star Insurance	7½	30	Jan. 2	30	Goodyear Tyre (G.B.)	12½	22½	Dec. 31	11*
TEA & RUBBER					Goulding (W. & H. M.)	3*	...	Dec. 31	3*
Atmap Rubber	...	4	Dec. 22	5	Greenwood and Bailey	3*	...	Dec. 29	3*
British Indian Tea	2½*	...	Jan. 3	2½*	Harper (John)	3*	...	Dec. 17	3*
Buxa Downs Tea	2*	...	Dec. 21	2*	Hobson (H. M.)	12½	17½	...	17½
Darjeeling Co.	2*	...	Dec. 21	2*	Hundred Securities	44½	...	Dec. 15	...
Dima Tea	2*	...	Jan. 2	5*	Key Glassworks	16½	...	...	21
Singlo Tea	3*	...	Dec. 22	10	Lister (R. A.)	12½	17½	...	16
Sungei Buaya Rbr.	...	6	Dec. 22	10	Mann, Egerton & Co.	7½*	...	...	47½*
MINING					Marston Thom pson	5*	...	Jan. 2	5*
Cam and Motor Gold	28	...	...	32	Met. Country Estates	...	6	...	5
Hongkong Tin	5½	20	...	100	Murdoch (John G.)	2*	...	Dec. 16	Nil*
Killinghill Tin	2½	15	...	60	New Mercantile Inv.	...	4	...	45
Komata Reefs	12½	...	Jan. 6	12½*	Orient Steam	...	2½	Dec. 19	Nil
Kramat Tin	5*	...	Dec. 21	10*	Prince Line	...	...	...	5
New Guinea Goldfields	...	5	Jan. 10	5	Scottish Australian Co.	...	...	...	14
INDUSTRIALS					Seager Evans	25*	25*	...	25*
Abbotts Inv. Trust	1*	...	Dec. 21	1*	Silentbloc	...	2	Dec. 17	2
Ambrose Shallow	2½*	...	Jan. 1	2½*	Sth. Western Invstm.	...	13½	...	15
Anglo-Ecuadorian Oil	...	10	Dec. 22	15	Sussex Brick (Def.)	7½	40	...	40*
Assoc. Motor Cycles	...	10	...	5e	United Wire Works	25*	40	...	13½
Atlas Stove	...	10	...	12½	Westland Aircraft	...	8	...	5
Barclay Perkins	...	10	...	4*					
Beer (G.) and Riden	4*	...	Dec. 8	4*					
Blair and Co. (Alloa)	...	6	...	6					
Bluemel Bros.	7½	10	...	10					
Boots Pure Drug	6*	...	Dec. 31	6*					
Boulton and Paul	2½	10	...	10					
British Tob. (Australia)	12½	17½	Dec. 31	13½					
Bullard and Sons	6½	9	...	9					
Caldwell's Paper	6½	9	...	9					

(e) Also capital bonus 5 per cent. (f) Free of income tax. (d) Includes special dividend 3/4 per cent. (t) Also special bonus 5 per cent. from reserves.

SHORTER COMMENTS

(Continued from page 577.)

Scottish Motor Traction.—Net profit for year to October 31, 1938, £292,430, against £198,858. Ordinary dividend 10 per cent. tax free against 10 per cent. less tax. Written off goodwill £7,582 (£8,950). To contingency reserve £110,000 (£30,000). To general reserve £110,000 (£40,000). Carry forward reduced from £76,081 to £7,148. A free share bonus of one ordinary £1 share for every four held is to be distributed.

British Industrial Plastics.—Net profits year to September 30, 1938, £22,185 (against £31,098) after £9,870 research expenditure, £11,331 depreciation, £752 capital increase expenses, £3,141 legal expenses; £10,000 has been set aside for income tax and N.D.C. Ordinary dividend reduced from 8 to 6 per cent. Carry forward raised from £4,173 to £5,698.

Sulphide Corporation.—Net profits year to June 30, 1938, before tax were £34,874, after £20,945 for amortisation and £53,815 maintenance. Net profit for preceding year £161,177. Preference share-

holders receive 5 per cent. absorbing £30,000. For preceding year 10 per cent. was paid on both preference and ordinary shares. Carry forward to accumulated profits account £4,874.

Ronco, Ltd.—Net profit for year to September 30, 1938, £52,108 against £73,751 for preceding 15 months. Ordinary dividends resumed with a 10 per cent. payment. Carry forward raised from £12,757 to £23,260.

British Overseas Bank, Ltd.—Net profit year to October 31, 1938, £29,823, against £52,454. To contingencies, £20,000 (£50,000). Carry forward increased by £9,823 to £81,424. Deposits £2,464,730 against £3,840,339.

Glass Houghton and Castleford Collieries.—Profits for year to September 30, 1938, fell from £123,193 to £67,612. To depreciation £20,000 (same). Ordinary dividend reduced from 12½ to 4 per cent. To reserve nil (£20,000). Carry forward raised from £4,518 to £8,272.

Raleigh Cycle Holdings, Ltd.—Net profit year to November 30, 1938, £224,383,

against £278,646. Ordinary dividend reduced from 25 to 20 per cent. Carry forward reduced from £3,624 to £3,257.

J. Brockhouse and Company.—Net balance, before tax, year to September 30, 1938, £97,287 against £137,891. Ordinary dividend reduced from 25 to 15 per cent. The 7½ per cent. interim for 1936-37 was on £52,000 less capital. Carry forward reduced from £44,454 to £22,278.

Swan Hunter and Wigham Richardson.—This company has obtained a contract (valued at £1,800,000) for constructing 11 vessels for Turkish merchant service totalling 14,000 tons.

Woolworth (F. W.) and Company.—At a meeting held December 15th it was decided to convert preference and ordinary shares into stock.

D. Smith and Sons (Meeting Adjourned).—Profit year to August 31, 1938, £7,378 against £1,496. To depreciation £3,637 (£3,959). Ordinary dividend nil against 15 per cent. Carry forward £2,849. The meeting held on December 6th was adjourned until January 17, 1939.

THE ECONOMIST

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Transport Reform

THE proposals of the railway companies for the removal of the present legal restrictions on their freedom of charging have now been before the public for three weeks. They are being supported by a campaign of propaganda which must be without equal in skill or intensity, at least as far as private interests are concerned, and it will not be the fault of the companies' publicity departments if the man in the street and the man in the railway carriage are not fully informed of the case in favour of the "square deal." Formal progress with the proposals has been slower. The representatives of the companies have had a further meeting with the Minister of Transport, and their request has been remitted to the Transport Advisory Council for an opinion. In view of the composition of this Council, which has been in session this week, it would perhaps be over-optimistic to expect from it any precise and unequivocal decisions. The railway representatives on the Council will ensure that it does not render an unanimous adverse verdict. But the representatives of road transport, the canals, coastwise shipping, traders and transport labour will be chary of endorsing the railways' case without at least some modifications or provisos. The responsibility for a decision will come back to the Government, pre-eminently to the Minister of Transport; and the set of the wind in these quarters can be gauged from Dr Burgin's statement that the railways had made out a *prima facie* case.

The strength of the railways' arguments on the score of

abstract justice has been generally conceded—explicitly in most disinterested comment, by default in the statements of the road transport industry. But public opinion, especially the opinion of the trading community, has shown itself, as was only to be expected, less interested in abstract justice than in attempting to assess the probable practical consequences that would flow from conceding the railways' demand. The companies themselves, however, while exploiting to the full their strong moral case, have been remarkably coy about revealing what their detailed plans are. At the first meeting the Minister requested the companies to present a second statement amplifying their proposals for action. This second memorandum, however, carried the matter very little further. It gave certain negative assurances. The railways declared that they would not abuse the freedom for which they were asking. "The railways have no scheme in mind," the memorandum declared, "for embarking on an increase of rates, either in general or as affecting any particular industry; equally they do not contemplate making wholesale reductions and plunging into a rate war with other forms of transport." But when the Minister asked to be told some particular features in the present system of regulation which were felt as exceptionally galling the answer was that "the railways regret that they cannot follow the Minister into this field."

These declarations have unquestionably introduced an air of mystification into the whole affair. The public, informed

that the railways intend neither, in general, to raise their rates for those classes of traffic in which their competitive position is strongest nor to cut rates where their position is weak, is naturally left wondering what they *do* propose to do. For if rates are to be left substantially alone, the only way in which the railways can benefit will be by securing a larger proportion of the traffic to be carried at those rates. And how will greater freedom to compete help them to do that if they are not going to use their freedom in the most effective ways? The result is to give the onlooker a feeling, not exactly of suspicion towards the railways, but of being entirely without a guide to the probable consequences of acceding to their request. It is rather a blank cheque that Parliament is being asked to sign, without even a clear indication of whether it is to be the road transport industry or the transport-using public that will have to supply the funds from which the railways are so confident that they can draw benefit. The railways obviously have plans for the exploitation of the liberty they demand. It is only legitimate to ask that they should reveal them.

Since the public is, in effect, invited to join in a guessing competition (with the answer sealed away in four envelopes at Euston, King's Cross, Waterloo and Paddington) we may chance the surmise that the most likely immediate effect of the grant of freedom from restrictions would be the negotiation by the railways, using their enhanced bargaining power, of a far-reaching agreement on demarcation of function with a group of the larger road haulage companies. If a recalcitrant minority of small hauliers were left, it is not impossible that the railways and the large operators would combine either to buy out or to drive out this obstacle to co-ordination, being greatly assisted in so doing by the limitations imposed by the licensing system on entry into the industry. The monopoly of public transport would be re-established with a dual instead of a single head.

This would doubtless be the easiest solution of the transport problem. It would, if the calculations proved to be correct, assume a comfortable existence to the railways and to many road transport operators. And it would involve Parliament and Government in no painful efforts to think out the co-ordination of transport. But it is only reasonable to suppose that the first efforts of the transport industry thus "co-ordinated" would be to attempt to cover the charges on the whole of the capital of the two branches of the industry combined. The community might find itself

called upon to pay for its transport not only the prime costs of moving goods but enough to cover the full "standard revenue" of the railways and a substantial part of the cost of the roads. If so, the net economic effect of the development of road transport would be to saddle the community with the cost of maintaining a very large excess of carrying capacity in return for the doubtful privilege of having free choice between two alternative methods of carrying goods. And it may be added at once that the Labour Party's alternative of setting up a National Transport Board to take over both branches of the industry as they stand would only make matters worse. For, if past precedent and present proposals were followed, the effect would merely be to freeze the capital account at a figure almost certainly higher than the real economic value, for which fixed or semi-fixed interest would have to be paid.

The fundamental fact about transport would seem to be that there has been an over-investment of capital in the industry. The railway system as it existed in 1913 was adequate (some say more than adequate) to carry the transport of the country. Since then, however, a new form of transport has been invented, into which large sums of public and private capital have been sunk. Some of this capital, in one branch or other of the industry, is redundant and has no real economic value. The attempt to pay a full return on all of it, if it can succeed at all, can do so only at the expense of imposing on the community costs of transport greater than can be justified on any economic basis.

If this line of thought is correct, the only ultimate solution is for the community to decide—as, sooner or later, it will have to do—what varieties of traffic it wants to travel by what means; and, having done that, to ascertain what fixed equipment is necessary to accommodate the traffic moving by rail and by road respectively. It does not in the least follow that such of the existing capital as would be found by this means to be redundant should merely be left to starve; the community might well assist in its retirement. But to put the cost of supporting it wholly on transport—and with especial weight on transport that cannot escape to private vehicles—is to impose a very heavy burden, inequitably distributed, on the costs of productive industry.

The final judgment on the railways' proposals will turn upon whether they move, or assist the community to move, in this general direction. And in reaching its decision the public can justly ask the railways to be taken rather more fully into their confidence.

Tunis! Corsica! Nice!

THROUGH an indiscretion which cost Italian journalists their right to work for foreign newspapers, the news leaked out on the morning of November 30th that, when Count Ciano addressed the Chamber on foreign affairs in the afternoon, a band of party members in the visitors' gallery would interrupt his reference to Italy's "natural aspirations" with shouts of "Tunisia." And so they did; adding in their enthusiasm a few cries for Corsica and Nice. Count Ciano was speaking on the day of the French general strike, and the Fascist Party hoped to catch M. Daladier on the wrong foot. The ulterior motive is more obscure. Dictators, it seems, can afford to be wayward, so it is idle to ask how the Duce reconciles the cat-calls of his followers with the agreement to observe the Mediterranean *status quo* which he ratified with Great Britain only a fortnight earlier. Undoubtedly, Fascists harbour ideas of territorial expansion, but how do they expect to further them by clamouring for three cherished French territories, on behalf of any one of which France would most certainly fight? Here is a conundrum. The answer to it must be sought in a survey of Italy's prospects in the three areas.

If former proprietorship be a criterion, her best claim

is that to Nice, which she relinquished as lately as 1860 in order to reconcile Napoleon III (who had given vacillating but useful help in ejecting the Austrians from Lombardy) to the annexation of Central Italy by Vittorio Emanuele and Cavour. Before the surrender, Nice had belonged for nearly five centuries to the Dukes of Savoy. But Provence and, later, Paris, had never abandoned claim to it; thus it had for centuries been a constant battleground between French-speaking and Italian-speaking forces. The cession to France caused considerable heart-burning in Italy. Garibaldi, himself a man of Nice, labelled it "contrary to the rights of man," and accused the French of exercising undue influence on the inhabitants prior to the plebiscite which was to decide their fate. Doubtless his allegation is not unfounded, but, just as in the Saar, the majority was too great to be wholly attributable to pressure. On April 15, 1860, 25,743 Niçois voted "oui," the "nons" numbering only 160. Thus Napoleon III was able forthwith to visit his new territory without fear of bullets or black looks.

As anyone must know who has travelled the Corniche road to Mentone, Nice belongs economically and geographically to the coastal plain of Provence because,

beyond it, the Maritime Alps sweep right down to the sea. The new province was, therefore, easily woven into the texture of French economic life, and, though a separatist party survived the process, its members could not agree whether to work for autonomy or for return to Italy, and it died an early death. To-day, the province is French by sentiment and—in the rare places where this is not a determining factor—out of self-interest. Thinking, as it does, in terms of its tourist traffic and the Blue Train, it shows not the slightest desire to incorporate itself in a State where it would encounter restrictions, capital levies and competition from sunnier resorts.

The Corsicans, though they have been French citizens over a longer period, are less assimilated to Frenchmen, but this does not imply that they are in any way Italian. They are islanders, who talk of "le continent." They pride themselves on being fighters for liberty, made of the stern stuff which produced Columbus and Bonaparte. The Genoese failed to allure them to submission, and, nowadays, they pride themselves upon being, first, Corsican by race and, secondly, French by choice. The names on their war memorial or their map may look Italian, but they pronounce them in harsh accents that would offend the musical ear of the peninsula. Moreover, in character they are a people apart. They are dogged, unlike the Italians, unlike even the Sardinians, and if the Duce were to tamper with their destiny he would encounter hostility of a kind he has never met in Italy.

Tunis, third of the trio, constitutes the most delicate question, first, because Italy, now that she owns an East African Empire, is looking south-east and wants it most of the three, and, secondly, because 95,000 Italian citizens enjoy special rights in the territory, dating back to a treaty of some forty years ago.

The Italy of the Risorgimento considered that she had prior claim to a shore which was only eighty miles from Sicily, and since about 10,000 Sicilian peasants had emigrated there, felt entitled to ask that her consul should be more splendidly received than his fellows. This request was granted in the eighteen-sixties, while national poets sang of a "second conquest of Carthage" and compared Vittorio Emanuele to Scipio. Italy never recovered from the blow of the French occupation in 1881. Not until she was at her nadir after her defeat at Adowa did she consent to the treaty of 1896, which still regulates the right of Italian residents in Tunisia to maintain national schools and to retain Italian citizenship.

The exodus from southern Italy to Tunisia continued unabated, even though the French ruled the territory. In fact, France for many years encouraged it, for she had spent herself in Algeria, and lacked man-power for colonising the rest of North Africa. Most of the immigrants were poor peasants, who had nothing to regret in Italy and some, flattered by French attentions, were ready to accept the nationality of so great a Power. The chief exception to this type was a posse of some 3,000 Sephardic Jews who had migrated *en bloc* from Leghorn, and who, more intelligent than most of their compatriots, soon came to run the banks, clubs and Press of the Italian community and to account for most of its prosperity. These Jews, many of whom were Freemasons, lived on excellent terms with their French neighbours. In fact, all would have lived happily ever after but for the virus of nationalism.

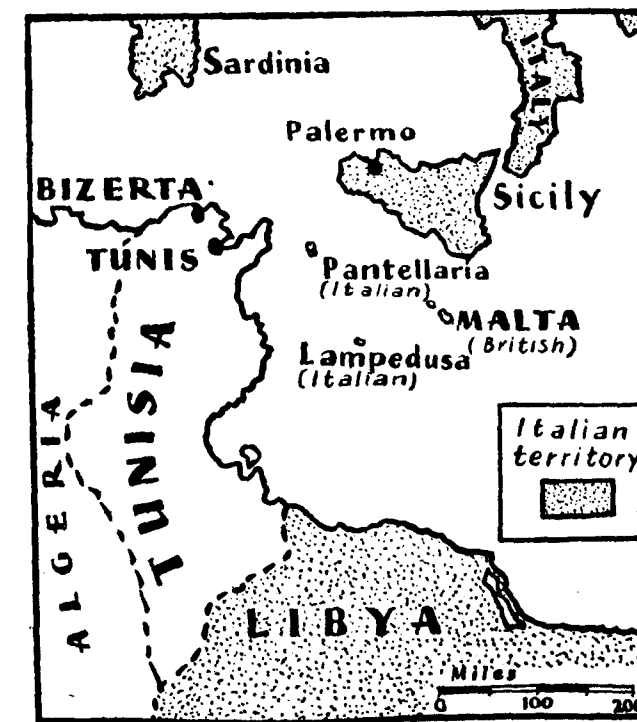
In 1919 the French, alarmed at the rate of increase of Italians over Frenchmen, began to offer financial inducements to such Italians as cared to be naturalised. The device worked well, for where 6 per cent. only of the population had taken French nationality in 1921 the percentage in 1926 was 21. Then the Duce stepped into the arena. He was determined to retain the Italians as Italian citizens, and instructed the local consul to bring this about. Under the able auspices of a diplomat called Bombieri a campaign of Fascisation began in earnest. Fascism blossomed into a new Press, a handsome bookshop and the smartest Consulate in the town. The Italians, including the Jews, were deeply impressed. They began to wear black shirts, to display photographs of the Duce, to sing "Giovinezza," and to treat the French residents as equals instead of as masters. Such was the unsuitable atmosphere in which M. Laval secured the surprising agreement of January, 1935, by which Italians in Tunis were to renounce their rights to their schools in ten years and to their nationality in twenty. All Tunisia was amazed.

That ill-fated agreement won for the Duce an agreeable respite in which to conquer Abyssinia. Once France had paid lip-service to the sanctions policy he was able to disregard the other clauses. Since 1936 his campaign among the Italian community in Tunis has continued unabated. It has been whetted in the home-country by reports of "communist" riots among the Tunisian Arabs, and has in the last two weeks assumed the dimensions of a major international problem. It has received but one setback—the news that the Jews of Leghorn, the backbone of the community, have been so alarmed by Italy's "axis" be-

ITALY, 1859.



TUNISIA, 1938.



haviour that large numbers have in recent months sought permission to become Frenchmen.

Speculation is rife as to why Italy has chosen the present moment to raise her long-standing grievance. Is she being pushed to do so by Germany, who wishes to deflect her attention from lost Balkan markets, or is she making an effort to secure a prize before the Nazis become so strong that they can jettison their weaker partner, or is she adopting the well-worn bazaar technique of asking five times the sum you are prepared to take (in this case a controlling interest in the Jibuti railway, or a reduction of the Suez Canal dues, or belligerent rights for General Franco)? Perhaps all three motives are contributory causes.

If, on the contrary, her tactics are designed to bring about transfers of Mediterranean territory, they are over-optimistic. Italy's strongest argument is, perhaps, the economic. Tunisia has valuable iron ore deposits, producing nearly 1,000,000 tons of hematite ore, a large part of which now goes to the United Kingdom (France having her own supplies in Lorraine). There are also phosphate deposits near Gafsa. The possession of these commodities would help Italy far more than their loss would hurt France. But on the other hand, Italy's share in the trade of Tunisia is very small, amounting to 9 per cent. of exports and 3 per cent. of imports in 1937, while there is a thriving trade between France and Tunis.

In any case, the economic arguments are swamped by the political. France would not give up Corsica or Nice; she could not give up Tunisia without jeopardising her whole Imperial structure. In the first place, her naval and air base at Bizerta (which is only an hour's run from Tunis by car) is the keystone of her North African defence system, covering not only Tunisia but the whole of eastern Algeria. Secondly, though the Moslems of Tunisia, being professional grumblers, often carp at French rule, they infinitely prefer France to Italy because, like the Egyptians, they are well informed about the means which Italy used to conquer Libya. Moreover, they have two other reasons for disliking Fascism: one is that they have received more lenient treatment under the French Left than under the French Right; the other, that they are strongly nationalist and dislike the rival nationalism which is paraded in their streets by the Italian community. Were France to transfer any of them to Italy, she would lose control of all other Moslems in her African Empire. Lastly, if the Italians in Tunisia gain their way by clamorous behaviour, France lays herself open to the same onslaught from the Spaniards in Morocco, or, still nearer home, in Algeria. For these compelling reasons she is bound to fight rather than give in to Italian demands for territory. As likely of fulfilment is the French students' clamour for Vesuvius. While Italy is about it, why not ask for Soho?

Three Decades of Profits

ON later pages of this issue of *The Economist* will be found an extended study by Mr Hargreaves Parkinson of the statistics of profits that have been collected by this journal during the past thirty years and of the generalisations about the behaviour of joint-stock company profits to which the figures give rise. The figures of profits represent one of the chief services that *The Economist* has been able to render to the cause of increasing the fund of knowledge of our economic environment that is available both to theoretical economists and to practical business men. The profits series is not merely one of the oldest of our regular computations, it is one of the few which stand without competitor. Save for the Inland Revenue figures, which compensate for their completeness by being both tardy in appearance and confined to an annual series, there is no other source of information on the long-term course of profits to compare with *The Economist* figures. They richly deserve, after this long interval, the careful rearrangement and analysis which they receive this week.

The thirty years since 1908 have seen considerable changes not only in the practices of the accounting profession but also in the obligations concerning disclosure of information laid upon the directors of companies by the law, though the intention of the Companies Act of 1929 has to some extent been defeated by the great extension of holding, sub-holding and sub-sub-holding companies. What is meant, in actual practice, by profits in 1938 is something rather different from what was meant thirty years ago. Moreover, the actual inhabitants of that economic menagerie collectively labelled "joint-stock enterprise" vary from year to year both in species and in variety. It is impossible, in illustrating the trend of profits throughout any considerable period, to confine the calculations to any unvarying sample of companies. The profits experience of any sample of representative companies that could have been selected in 1908—even if all the companies had survived to 1938—would have been grossly unrepresentative of the movement of company profits in general. In point of fact, the sample of companies on which *The Economist's* figures are based varies from year to year and

is automatically determined by the identity of the companies whose reports are published. Each year's experience can thus only be compared directly with that of the previous year, and in order to obtain a comparable series of figures over any longer period of time recourse has to be taken to the statistical device of the "chain" index. With these imperfections both of the underlying data and of the statistical technique that has to be employed upon them, thirty years is as long a period for drawing comparisons as can be hazarded with any approach to accuracy. The shorter the period, however, the greater the accuracy; and it is proposed to publish in future a quarterly index of company profits which should be a valuable guide to the relatively short-term fluctuations in the earning power of British industry and commerce.

The fundamental difficulty in any study of profits, however, is not statistical. It consists in finding any generally accepted definition of profits themselves. Even if it were possible to assume that company directors and accountants, in drawing up balance sheets, had no other object at heart than the scientific enlightenment of the public, insoluble problems of definition would arise; difficulties would be encountered, for instance, in the treatment of specific and general reserves or in knowing at what point the provision of funds for depreciation begins to take on the character of concealed reserves and hidden profits. Since so many of these questions can only be decided on an estimate of the future, divergences of view are quite unavoidable. When, on top of these difficulties, directors are concerned to conceal trade secrets and the ingenuity of accountants is used to hide, rather than to reveal, the true state of affairs, it becomes an impossible task to arrive at any consistent meaning of profits that will apply to a majority of companies in any one year, or even, in some cases, to the same company in successive years. The statistician, in the present state of affairs, can do little more than throw in this hand and take as his definition of profits what directors, in their wisdom and in their knowledge of commercial and criminal law, choose to declare as such.

Yet profits, especially the profits of public limited

liability companies, play so important a rôle in our economy that there is an overwhelmingly strong case for subjecting them to as large a degree of standardisation as is possible. For reasons that are obvious, the compulsions of the law are of very little assistance in matters of definition when, with the best will in the world, circumstances manifestly alter cases—though that is not to say that the law could not go very much further in compelling disclosure, even if it cannot define exactly what it is that is to be disclosed. More could perhaps be done by the authority of the Stock Exchange. The success of the New York Stock Exchange in persuading American corporations to render their reports in more or less standardised form, with subsidiaries fully consolidated and at quarterly intervals (to English ears it sounds like a Utopian recital) should serve as encouragement to the authorities in Throgmorton Street. But in the last analysis neither the Law Courts nor Capel Court can force reform unless those who govern companies are broadly in favour of it. The only real solution is to be found in a growth among company directors of the realisation of their obligations in this matter to the community. By steady pressure the professional associations of the accountants might contribute greatly to this end.

One of the fundamental principles of our economic system, which is most unlikely to be affected for some generations to come by the slow encroachment of other notions, is that those who direct industry and commerce do so in the expectation of profits (the English language would be more direct if it were possible to say that the undertaker is a profiteer). But the receiver of profits is necessarily a residuary legatee. Most forms of business consist of the setting off of more or less variable receipts against more or less fixed expenses. Even many of the industrial expenses usually regarded as prime costs, or variable expenses, such as wages or the cost of materials, are, in fact, difficult to vary in the short period. The sums available for the remuneration of capital are thus inevitably a residuary margin, which bears the full brunt of changes in the relation between costs and receipts. Moreover, capital in the form of debt, such as debentures, has to receive its fixed interest before profits, in the sense of *The Economist* figures, are struck. Profits are thus the residuum of a residuum—and the profits applicable to equity capital, which are the perquisites of the governors of industry, and by that same token the main motivating force of the system, are crowded still further to the margin. It is therefore inevitable that profits should fluctuate widely between periods of good and bad trade; expressed as a ratio of nominal capital, profits as a whole appear to be nearly two and a half times as high at their peak as at their

trough, while the earnings on ordinary capital fluctuate within a range of well over 300 per cent. What is more, there is good reason to apprehend that this instability of profits is getting worse, since many items of industrial costs are becoming progressively more rigid, while the fluctuations in the general conditions of trade upon which receipts depend are getting larger.

Since profits—or, more accurately, the prospect of profits—directly regulate the volume of investment in new industrial equipment, this instability of profits is a serious weakness in the economic system. Two methods of reducing it would appear, in theory, to exist. The first would be to reverse the tendency towards the fixity of industrial costs, so that business enterprises could adjust themselves more readily to changing conditions. This has often been advocated, and as often shown to be impracticable without a fundamental abandonment of many of our most cherished social conceptions. The other remedy—admittedly only partial—would be to encourage industry to raise its capital so far as possible by the issue of equity securities. If debentures and preference shares can be dispensed with, two of the elements which give ordinary earnings their high gearing are removed. Such a change would, of course, reduce the possibility of the construction by promoters of "star-ypointing pyramids" of holding companies, in which an ever-swelling volume of money ostensibly invested at fixed-interest or on preferential terms is precariously controlled by an ever-dwindling proportion of ultimate equity. But though financial architecture might be the poorer, the financial community would be the sounder as a result.

In recent years profits have been somewhat out of fashion. A whole philosophy of economics has grown up on the double belief that they provide an inexhaustible fund for the rest of the community to raid and that their restriction is on every ground to be desired. In very large part, this belief arises from the confusion of profit-earning with the maldistribution of wealth. But if it was ever true that all profit-earners were rich men, it is certainly not true to-day, and is becoming less and less true with the growth of the institutional investor. Moreover, so long as the bulk of the investment of new capital follows the prospect of profits, any undue depression of profits will react adversely on the whole community. There is no paradox at all in the statement that any policy aiming at the improvement of the standard of living of the wage-earners should make it one of its first objectives to ensure the maintenance of an adequate level of profits. That it should appear a paradox is merely an illustration of the fog of misconception that overhangs the rôle of profits in the economic system.

Power over Opinion

NEWS is in the news. At home, Mr Kingsley Martin puts out a pamphlet in the old style,* catching up widespread fears about the use of the Official Secrets Acts against journalists; while, in Parliament, Mr Mander alleges pressure by Ministers and advertisers upon editors. Abroad, it is the controlled Press of the totalitarian States that offers and accepts the gambits of diplomacy, leaving only the end-games to be played out by statesmen. Last September, it was the fact that the people of Germany were cloistered in forced ignorance of what was going on which most menaced peace; and it was only when news of the mobilisation of the British fleet and President Roosevelt's appeal seeped through that mute acceptance was replaced by claustrophobic alarm. Here there is constant

vigilance for the freedom of the Press. In many other lands the State is in charge.

In England news and views are still free. But none more than the English should appreciate the power of propaganda. Herr Hitler himself has declared that "English poison raining down from God's clear sky" sapped the resistance of war-time Germany; and the 5½ million English leaflets that fluttered down behind the German lines in October, 1918, served as exemplars for the propaganda principles of the Führer's struggle for power. "A lost battle is a battle which one believes lost," said Joseph de Maistre. "A battle won is a battle that we can persuade the enemy he has lost," say the strategists. Both in the political arena and on the battlefield the propaganda arm, which has gained vastly in fire-power by the advent of wireless, the cinema and national journals, is in the first line of both attack and defence.

* "Fascism, Democracy and the Press." By Kingsley Martin. New Statesman. Pamphlet, 32 pages. 6d.

Mr Mackenzie has told the whole story of the new weapon.† The record runs from the defeat of German news on the world front between 1914-18 to the emergence of dictatorship and diplomacy resting upon propaganda backed by the entire resources of three nations. Russia, Italy and Germany control opinion by censorship and seek converts, commerce or conquest by exporting news; their young people are drilled and hypnotised. Post-revolutionary Russia was so vast and its millions of people so primitive that government by propaganda was inevitable; and Marxism was so dogmatically international that to export revolution to workers and Chinese was axiomatic. Fascism in Italy was not at first for export; education, as in Russia, was shanghai'd; and a decalogue of unswerving duty was imposed upon the people. But "Fascism is on the agenda for all countries," said Signor Mussolini eight years ago; and, as the vision of the Mediterranean as *mare nostrum* grew, Italy's power over opinion in the Levant, Africa and Spain advanced.

The Nazi campaign, within and without the Reich, is better-known. In the last war blockade and propaganda broke Germany. To-day the Four-Year Plan and the Ministry of Enlightenment and Propaganda, which spends £20 millions a year, are intended as safeguards. At home, education is pinched within the tenets of race and duty, while abroad the *Auslandsorganisation*, the D.N.B. news agency and *Transocean-Nachrichten* win trade, adherents and territories. In the dictatorships, censors and Press control are essential, as the people of Japan, Spain, Poland, Turkey, Greece, Hungary, Roumania, Portugal, Bulgaria, Iran, Syria, Palestine, Iraq, Brazil and Siam, as well as those of the great propagandist Powers, now know. Only the British Empire (apart from India, Palestine and parts of Canada), the United States, Holland, Belgium, France and the Scandinavian countries enjoy free news.

Mr Mackenzie has looked at this sorry scene with an analytical eye. He sees propaganda as a science with seven rules: ceaseless repetition, like the blaring anti-Semitic slogans of Nazism; colour, like the cartoons of Raemaker; a kernel of truth, like the German anti-Czech allegations last September; a slogan, like "Liberty, equality and fraternity," "Hang the Kaiser," or "Buy British"; a specific target, like Labour and Pacifist groups for Communist agitation in Britain, or Austria's minorities for the Allies during the War; concealment of motive, like armament manufacturers' serpentine publicity; and timing, like Herr Hitler's outbursts. Mr Mackenzie might have added an eighth—a gospel: the creed of ancient Islam, the faith of the Ironsides, the fervour of Jacobinism, the cult of Stalin and the proletariat, the myth of the Roman Duce, and the worship of German blood.

Mr Bertrand Russell has gone deeper, in an acute and learned study‡ of the ways in which men seek power. Only men among animals continue to strive when the primary needs of survival and reproduction are satisfied, and it is the desire for power and glory which inspires their activity when safety, comfort, fame or fortune has already been achieved. Power takes many forms; and Mr Russell tells a parable: of military and police power which is like the physical force used to hoist a pig with a rope round its middle squealing into a ship; of the power of persuasion seen when the proverbial donkey follows the proverbial carrot; and of the power of regimentation which is like the enterprised performing animals. He applies these Aesopian variety. It is the rise of Herr Hitler. The poor pigs are the throughout concentration camps. The carrot is the Nazi tions to any un the donkey the middle class. "The per-experience of any are the millions that make the Nazi could have been seleconverts a minority; force and pro-had survived to 1931." By A. J. Mackenzie. Gifford.

In point of fact, the sample o.s.s. By Bertrand Russell. *Economist's* figures are based vari-

paganda put them in power; force, propaganda and habit keep them there.

To Mr Russell the task of democratic civilisation is to tame power; to use it for social co-operation, not conflict; to elevate power like that of Buddha, Christ, Pythagoras and Galileo above the might of dictators, demagogues and bosses; to set up ring-fences of civil liberty, public ownership and control, and free education against the usurpation of force which is natural but disastrous. But, like Mr Mackenzie, he finds the vast power of propaganda at the centre of his political puzzle. Official propaganda can prevail almost against all reason; Kings' heads on coins, armies marching, flags flying, bugles blowing, these are old tricks; education on the Fuehrerprinzip, control of the Press, the radio, the cinema and the hoarding, these are new ones.

But both Mr Russell and Mr Mackenzie see light in the darkness. "The propagandist is a man who canalises an already existing stream. In a land where there is no water he digs in vain," said Aldous Huxley. "Propaganda is only successful when it is in harmony with something in the patient; his desire for an immortal soul, for health, for the greatness of his nation, or what not," says Mr Russell. Dictators must deliver the goods; they must, in the long run, hand over actual carrots. "The more the expectation of victory has been used to stimulate war-like ardour, the greater will be the reaction when it is found that victory is unobtainable." If official propaganda, which has no competition, inculcates belief in false propositions of which time will prove the falsity, it is in as bad a position as the Aristotelians in their contest with Galileo. "Lies need competition if they are to retain their vigour"; and the ultimate limit to the power of creeds is set by "boredom, weariness and the love of ease." Citizens under absolute rulers to-day are called upon by their newspapers, radio sets and superiors to live constantly at high tension, at a fanatic heat; yet the sentiment *cela est bien dit, mais il faut cultiver notre jardin* is natural to most men. "Spiritually they are sucked dry," says Mr Mackenzie. It was appropriately to the Foreign Press Association that the Prime Minister pointed out on Tuesday that no form of Government ever remains the same.

Yet no democracy to-day can afford to rely on the hypothetical spread of scepticism and weariness in the States whose power over world opinion is already an economic and military menace; or to wait upon breakdown after economic unwisdom. Germans and Italians are still loyal and enthusiastic, and their way of life is their own business. But Britain, France and the United States cannot go unarmed; their navies, armies, air forces and civil defences are slowly growing; economic weapons to protect trade are being devised. Only the propaganda arm is weak in all these countries. Its oppressive use at home would be fatal; here Mr Martin and Mr Mander are right. As Captain Liddell Hart once put it:

What is of value in England, and worth defending, is its tradition of freedom—the guarantee of its vitality. So many talk patriotism without thinking what their end is. Our civilisation, like the Greek, has, for all its blundering ways, taught the value of freedom, of criticism of authority—and of harmonising this with order. Anyone who urges a different system, for efficiency's sake, is betraying the vital tradition.

But propaganda overseas is an inescapable defence, if only to tell the world the truth about ourselves. Foreign language broadcasts, exhibitions and thrifty goodwill are not enough. Mr Mackenzie's plan is for the democracies to "consolidate the loyalty of their own citizens by progressive social policies"; to make themselves strong against military attack; and together to form a united propaganda front for peace and liberal ways, using all the arts and science of this modern trade to inform rather than to mislead. His plea is persuasive. Peace and democracy merit publicity in these days of idle boasting; and good news is always worth telling.

Topics of the Week

Mr Chamberlain Speaks.—"To-night I have nothing startling to say to you and nothing confidential." The Prime Minister's speech at the Foreign Press Association's dinner on Tuesday was the old story of appeasement told once more without apology. Again, with astonishing lack of understanding, he rebuked the critics of his policy of concessions as men resigned to the ultimate disaster of war. But there was a new note of exasperation, and it was provoked, not as is commonly the case by his opponents at home but by his Munich colleagues. Apart from the reproof administered to certain scurrilous German attacks upon Lord Baldwin, news of which caused the Nazi diplomats and journalists to boycott the dinner, Mr Chamberlain made no specific charges. But he spoke with deep feeling about the checks, disappointments and setbacks he had suffered; he proclaimed the transitory character of forms of government; he declared that in the history of nations attempts at domination had never been long successful; and he told the world that Britain was determined to be strongly armed and ready to meet her obligations—just as two days later he spoke of the power of our great financial resources in any possible war with Germany.

* * *

"As long as I am where I am, I will never leave off trying." The ring of sincerity in the Prime Minister's voice was unmistakable; but his patience is seemingly wearing thin. And for good reason. The Fuehrer told him at Munich that his territorial ambitions were ended; and now Memel threatens to shatter yet another pledge. Italy's Tunisian demands have shown what the consequences of appeasement can be; the British Government have to admit that Italian reinforcements are still going to General Franco; at no point since September has a dictator's hand been held out to meet Mr Chamberlain half way; the controlled Press of the totalitarian States has not abated its barrage of boasts and vaunting claims; and Herr Hitler has brought the whole world to its feet in shocked horror by the Jewish pogroms. Hopes are no longer high. The Prime Minister will go to Rome next month determined to cut a new step in the slow climb to peace. But, meanwhile, his attitude and that of his Cabinet has stiffened: Mr Stanley and Mr Hudson have been speaking of carrying the trade war into the enemy's camp; and many Ministers have spoken of the sad disillusionment which the last two months of German recalcitrance have brought. No better commentary could be made on Mr Chamberlain's words on Tuesday and on their diplomatic background than the audience's own response. They clapped the mention of the Anglo-Eire Agreement; they applauded the Anglo-American Agreement; they cheered to the echo the Prime Minister's statement that Britain's relations with France went far beyond legal obligation "since they are founded on identity of interest." The Munich trinity—the Czecho-Slovak settlement and Germany's two declarations of peace with Britain and France—was greeted with utter silence.

* * *

The river of appeasement is frozen at the source, and Mr Chamberlain himself has lost the confidence which brought him flushed and smiling from his plane to the microphone on September 30th. But this is no time for defeatism. The choice has never been, as the Prime Minister sometimes suggests, between appeasement and certain war; the true alternative to the Munich policy is a diplomacy based on strength, firmness and justice, before which the fires of aggression might pale. Even now, when British opinion and policy have assumed a new note of sharpness, Dr Schacht has hurried to London. It is not too much to suppose that he comes with something like an olive branch in the matters of trade and Jewish migration; and Dr Schacht has worked wonders before. But there will have to be a revolutionary change in the dictators' policy if Mr Chamberlain is not to find himself faced at Rome with blackmail which this time he will be unable to pay.

* * *

Belligerent Rights for Franco?—In certain organs of the British Press that are firm in their support of Mr Chamberlain's policy, there have been hints, during the last few days, that the next instalment of "appeasement," payable when Mr Chamberlain visits Rome next month, may be a British concurrence in the Italian view that the time has now come for granting the Spanish Nationalists belligerent rights. Considering that the signature of the Anglo-Italian agreement is "predicated upon" the hypothesis that a "settlement" has already been achieved in Spain, it is difficult to see how, in strict logic, Mr Chamberlain can now admit that there is a war going on in the Peninsula which would justify the grant of belligerent rights to anybody! As evidence of a "settlement" Mr Chamberlain accepted an Italian assurance that 10,000 Italian troops had been withdrawn. That sort of thing, he has told us, is what he had meant by a "settlement" all along. Fortunately, however, in the matter of belligerent rights, the Prime Minister has not left himself so free a hand to give subsequent interpretation of his own plain words. He is bound by his own British plan for the withdrawals of volunteers which was proposed last July and has been accepted by all concerned, except General Franco. Now, in this plan, the conditions in which a grant of belligerent rights to the two parties in Spain is contemplated are exactly and explicitly laid down. It is not contemplated until at least 10,000 foreign troops have been withdrawn from the side with the smaller number of foreign troops in its service, and a proportionate number—proportionate, that is, to the verified totals on each side—has been withdrawn from the side with the larger number. To-day the facts are that the Spanish Government has disbanded and is in process of evacuating *all* its foreign troops, and has given facilities for inspection to test whether it has been as good as its word, whereas the Insurgents have given no facilities for inspection, have not even pretended to have evacuated more than 10,000 Italians, and have not even accepted the British Plan except subject to reservations that make nonsense of it. This equivocation and intransigence have proved to be bad policy; for the foreign troops whom General Franco has retained have not succeeded in breaking through the Republican front. It is easy to see why, now, General Franco's eagerness to obtain belligerent rights has become so desperately urgent. He knows now that he cannot defeat the Republican forces in the field, and that his only hope of victory lies in starving them into surrender. His eagerness is itself suspicious, as the Spanish Nationalists themselves have not nearly enough ships to establish an effective blockade of the Government; is it to be presumed that foreign destroyers would "volunteer" to help him? The right British policy is to refuse to consider his demand until he has executed his part of the British Plan from A to Z. We hope Mr Chamberlain will stand firm on his own plan.

* * *

Uncertainty in France.—There are clear signs of renewed confidence in France, on social, political and financial grounds alike. But the crisis is by no means past. M. Daladier boldly confronted the reassembled Chamber a week ago with a call for confidence in his policy as a whole, and he secured a majority of 315 votes to 241. The drawn-out chain of strikes came to an end early this week, when the seamen at Havre resolved to return to work. And M. Reynaud can claim that, since his decrees were published, some 6 milliards of francs of French capital have come home. Yet none of these successes is unqualified. In the Chamber the Popular Front has indeed been broken, but no alternative has yet emerged. The Premier's majority is a chorus of dissonances; in the Cabinet deep divisions on foreign policy exist, widened by Herr von Ribbentrop's recent visit, the Anglo-French declaration of amity, Italy's claims on Tunis and General Franco's drive for belligerent

rights; and, ominously, some 47 Left wing Radicals and Republicans abstained from the vote of confidence. There is no unbroken backing for M. Daladier, and if France is to be governed by a Cabinet avowedly of the Right M. Daladier will not be the man to lead it, unless he is content merely to take orders. It is still doubtful, too, whether M. Reynaud, whose plans are pleasing to neither the extreme Right nor the extreme Left, will be proved to have been successful in wooing the timid owners of capital. The Finance Committee of the Chamber approved his Budget for 1939 on Tuesday and accepted his decrees. But the reflow of capital for which he claims credit was in the main the repatriation of technical funds for technical reasons that have now gone. And nothing is yet known of the wider consequences of his plans. The situation has greatly improved, but the way is not yet clearly open for political stability and economic revival.

* * *

Steel Prices.—The reductions in steel prices published at the end of last week, which are to apply for the first half of 1939, turned out to be much as expected. The actual percentage reductions are shown in a Note in the Industry and Trade Section on page 620, and except for some varieties of pig iron and billets, the reductions are, on the average, rather smaller than had been expected. The steel-consuming industries will, of course, be thankful for any mercies, however small. But the reductions now contemplated are not nearly enough to remove the conviction, which is almost universal outside the ranks of the steelmakers themselves, that the high prices charged for British steel are a severe handicap on the competitive power of British industry. The Federation has made an effort to base its prices upon an ascertainment of costs of production. In any such attempt much depends upon whether the costs chosen to serve as a guide are those of the most or least favourably placed plant. Moreover, in an industry where fixed plant is as important as it is in steel, a great deal depends upon the rate of production which is assumed for the purpose of calculating costs. According to some remarks made by the deputy-chairman of the South Durham Steel and Iron Company, Ltd., on Wednesday, the Federation is following an enlightened policy in these respects; that is to say, they are selecting relatively efficient companies and assuming a reasonable rate of production. Mr Talbot complained that, as the result of these methods, "the new selling prices are in no way correlated to the average cost of production of the industry." If this is so, it speaks in the Federation's favour. But if the new prices, which remain considerably above the prices at which steel could be bought from abroad were it not for the tariff, really are based not on the average costs of the industry but on the costs of its more efficient members, the light that is cast upon the relative technical efficiency of the British and foreign industries is even more startling than was generally believed. Some considerations bearing on this point will be found in an article on page 606.

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The leaders of the steel industry are apt to assume an air of injured innocence when their prices are criticised as being too high. Our prices, they say, are based on our costs, and their reasonableness is proved by the fact that the average level of profits now being earned is not excessive for such a cyclical industry. All these facts may be admitted, without touching the fundamental reality of the position. That fundamental reality is that steel prices, which rose by 18 per cent. in comparison with the average of all industrial prices between 1930 and July, 1937, have since then remained stable while average industrial prices (of which they form part) have fallen by nearly 12 per cent. Even after the reductions announced last week, steel prices will be something like 15 per cent. higher in relation to all industrial prices than they were in 1930. In these circumstances costs are irrelevant. A normal industry has to accept what prices it can get in free competition and either adjust its costs to the competitive position or admit that it cannot compete. Costs, in fact, are not the

starting point for a calculation of prices, but the finishing point. Steel is in a peculiar position only because the community has given it the privilege of being exempted from competition. The tacit bargain struck between the industry and the public was that the public would pay rather higher prices for its steel for a period if during that period the industry increased its efficiency sufficiently to provide cheap steel. But, in spite of all the money spent on technical re-equipment, the movement of the price indices suggests that steel is tending, if anything, to fall still further behind. The fact is that no body of producers, given the power to fix its own prices, can resist the temptation to fix them too high. And if our new economic policy means that each industry is to be allowed to determine its own costs and fix its own prices, with neither the check of competition nor any substitute check of rigorous independent inquiry, then indeed we shall be more planned against than planning.

* * *

Scottish Government.—Scotland is too closely related to the rest of Britain in every aspect of its life to withdraw its troops from Westminster, and too poor to stand comfortably on its own feet. Nevertheless, the Government of the Northern Kingdom has been bungled ever since the Union of Parliaments two centuries ago. Despite the existence of a standing committee of Scottish Members of the Commons to examine Scottish Bills, the general direction of Scottish affairs is insufficiently considered in the mere two days devoted annually by Parliament to Scottish estimates; and the actual administration of Scotland is so haphazard, scattered, anomalous and remote that Scots can be pardoned for attributing some part of their country's parlous economic plight to the loose and ill-organised character of British bureaucracy. The lamentable condition of Scotland's Highlands, fisheries, housing, health and staple industries is a poor advertisement for present methods; and the Government's Bill to centralise health, education, agriculture and home affairs for Scotland in the Secretary of State, whose office is now over fifty years old, and to locate the Departments together in Edinburgh, which received a second reading in Parliament this week, is the obvious and necessary first step towards the planned policy which Scotland needs.

* * *

Mr Morrison in Retreat.—The Milk Bill having been abandoned, in the face of a clamour in which the interests of the community played no part at all, the Minister of Agriculture finds other troubles descending upon him. He was treated at Lincoln last week to an astonishing display both of bad manners and poor logic when a crowd of farmers denied him a hearing and abused this Government (which has been far more lavish with aid to agriculture than any other) of treachery to their cause. The latest source of trouble is barley, and the nature of the case sheds a light on the psychology of the present agricultural agitation. Last year there was a shortage of malting barley and good prices were accordingly paid. As a result, the acreage under barley increased, and this increase, coupled with favourable weather, has produced a glut of barley and a slump in prices. The farmer's misfortune is thus compounded in part of his own miscalculation and in part of his bad fortune. (Imports, which are being blamed, as always, have very little to do with the case, since the bulk of them consists of feeding, not malting, barley.) It is very difficult indeed to see how the plight of the barley-growers is, even in minor degree, the fault of the Government. Nevertheless, so firmly has the farming community been indoctrinated with the belief that it has a right to live on the Government's bounty that Mr Morrison is being held responsible for the whole matter. Partly influenced, perhaps, by the imminence of a by-election in a barley-growing district, he has offered a subsidy of ten shillings an acre, to cost about £400,000. This charity (for such it is, since it serves no purpose of the community and carries with it no constructive agricultural idea) has been rejected as an insult. It is true that ten shillings an acre is not very much, when some farmers are losing six times as much. But if there is

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of the

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AKTIEBOLAG

The change of name, which takes effect from the 1st January, 1939, will not entail any change whatsoever in the bank's business operations.



Telegrams: SKANDINAVBANK, Gothenburg, Stockholm, Malmö, etc.

any insult it has been offered by the farmers and suffered by a generous Government. It is doubtful which is the more deplorable spectacle, the growing immoderation of the farmers' representatives in presenting their demands or the growing weakness of the politicians in running away from that defence of the community's interests which, at intervals and in the abstract, they proclaim.

* * *

The Premier's Panel.—The Prime Minister turned a deaf ear a month ago to the critics' call for a Ministry of Supply to co-ordinate the manufacture of arms and expedite output. Instead, he decided to set up a committee of business men to receive representations about delays, defects and difficulties in supply or production, to propose remedies and to recommend general improvements in procedure. This week the panel's personnel has been announced. The members are Mr J. S. Addison, managing director of Courtaulds, Ltd.; Sir George Beharrel, chairman of the Dunlop Rubber Company; Mr Peter F. B. Bennett, president of the Federation of British Industries and chairman of Joseph Lucas, Ltd.; Mr J. O. M. Clark, chairman of J. and P. Coats, Ltd.; Sir Geoffrey Clarke, president of the Associated Chambers of Commerce; and Mr Francis D'Arcy Cooper, chairman of Lever Brothers, Ltd. It is an impressive list of eminent people, but it is not a substitute for a Ministry of Supply, for the chosen six are given no executive authority. The very eminence of the committee's members in other fields will preclude their attention to any but the broadest outlines of the defence programme. They should have been put in charge of contracts, planning and production, or they should have been left at their civil lasts. Advisory bodies are the hall-mark of half-hearted administrative action; and, in the perilous seas of rearmament, Mrs Partington's mop still flies at the Government's mast-head.

* * *

The Lima Conference.—The Pan-American Conference, attended by delegates of the United States and of the twenty Latin-American republics, opened at Lima on the 10th and resolved itself into committees after listening, at the opening meeting, to inaugural speeches from the United States Secretary of State, Mr Cordell Hull, and from the Argentine Minister for Foreign Affairs. The novel feature of this American gathering was that, for the first time, perhaps, since the original proclamation of the Monroe Doctrine more than a hundred years ago, the affairs of the New World were dominated, in American minds, by a menace from the Old World. "The ominous shadow," said Mr Hull to his Latin-American colleagues, "falls athwart our own hemisphere"; and he declared in plain terms that "Mankind is tragically confronted once more with the alternatives of freedom or serfdom, of order or anarchy, of progress or retrogression, of civilisation or barbarism." Whether its results are positive or negative the Lima Conference can hardly fail to be of importance. It would be important if it resulted in the consolidation of a Pan-American united front against the menace of aggression on the part of "the Triangle Powers." It would probably be equally important if the hopes of the United States in this direction were disappointed; for nothing would have such an effect in bringing home to the man in the street, not only in New York and San Francisco but in Chicago and Kansas City too, the reality of the threat to the United States herself. The Monroe Doctrine is a cardinal point of traditional United States foreign policy to which every citizen is sensitive; and public opinion in the United States will not be consoled as the reasons for Latin-American reluctance emerge. There is a Latin-American wish not to jeopardise profitable trade with Germany; there is a wish (in those republics that have large German and Italian elements in their population) not to court trouble on the home front; and finally there is perhaps a secret envy

of the impunity with which Germany, under the Nazi regime, has pursued, in the financial field, her delectable policy of repudiation and confiscation. Mexico has already followed suit—at the expense of the two great English-speaking democratic Powers. Some of her nineteen sisters might one day like to do the same. A guarantee that military force shall never be employed for the purpose of recovering foreign property that has been expropriated by any American Government—this seems to be the form of security on which some at least of the Latin-Americans are now bent, and it is the English-speaking Powers, not "the Triangle," against whom the point of this project is directed.

* * *

Lord Baldwin and the Refugees.—Lord Baldwin is at his best when he is speaking, not on politics, but on the humanities—in both the literary and the philanthropic sense—and there is no one in England who could have made, with greater dignity or with sincerer feeling, the speech on behalf of the present victims of racial and religious persecution which he broadcast on the 8th, as the preface to an appeal for relief funds. Lord Baldwin spoke with particular force about the tragedy of the forcible breaking-up of families and about the plight of children uprooted on the threshold of life and thrown upon the world without home or prospects. The speech, as we have said, was not political; but inevitably the speaker had to explain to the public, to whom he was making his appeal, how these refugees came to be standing destitute on their doorsteps. Refugees do not make themselves. "I have," said Lord Baldwin, "to ask you to come to the aid of the victims not of any catastrophe in the natural world, not of earthquake nor of a flood nor of famine"—he was thinking of the objects of many such appeals in the past—"but of an explosion of man's inhumanity to men." That was the sole reference, in Lord Baldwin's speech, to the political circumstances that had made his appeal a necessity; but it was enough to bring down on his head a deluge of vituperation in the Nazi Press. The passage just quoted was described in the *Lokalanzeiger* as "street Arab talk," and the speech as a whole was declared "to set up a new peak of mendacious 'humanitarian' hypocrisy," while the speaker himself was depicted as armed "with the revolver of humanitarianism" as he went about his gangster's work. This is the kind of invective that betrays the bad conscience of those who stoop to it. Meanwhile, the manipulated Press of the Reich has perceptibly changed its tune. Since Germany wants to be rid of the Jews she is willing, it is suggested, to co-operate with other nations towards the attainment of this German end. It almost looked like a hint that Germany might be willing in the future to allow the refugees to take some fraction of their property away with them; and this would, of course, greatly facilitate the process of re-settlement. But the exchange difficulty rules that out, and the hint materialises in a suggestion that the non-German Jews might conveniently provide the requisite foreign exchange. The organisers of the Lord Baldwin Fund have done well to make it clear that the money subscribed will not be used to fortify the German Government's finances under the guise of extricating Jewish property—that would, indeed, be a piece of "humanitarian hypocrisy."

* * *

Pseudo-Democracy in Yugoslavia.—The Government of Dr Stoyadinovich was returned for a second term of office in last Sunday's general election, its candidates having polled 59 per cent. of the votes cast against 40 per cent. by those of Dr Matchek's Opposition "popular front." Apart from a small increase in Dr Matchek's total, the elections went exactly to plan. A method of voting which requires an elector to declare his preference in a loud voice—in the hearing of Croat "Peasant Guards"

or Serbian officials as the case may be—is almost as effective from the dominant party's point of view as the methods of a modern German plebiscite. The Radical Union carried for the Government Slovenia, Bosnia, Serbia, and old Montenegro; while the Croat People's Party was victorious in Croatia and Dalmatia. Scarcely less expected was the defeat of Serbian Opposition leaders, for the Nationalists like General Zhiykovitch are a spent force; and the democrats, swimming hard against a political tide which set in with the collapse of sanctions in 1936 and reached gale force at Munich, were bound to lose a good deal of private sympathy in a system of public voting. All things considered, the Opposition did very well, and though Dr Stoyadinovich will have an overwhelming majority in the Skupshchina, he cannot delude himself that he has a united nation behind him. But for the time being the issue of federalism ceases to be practical politics.

* * *

The Elections in Memel.—Elections were held last Sunday in the Memel district of Lithuania; and the Nazi German Party, although final results do not come out until to-day, appear to have improved on the 24 seats out of 29 which they already hold. The probable—but not entirely certain—sequel will be a demand—with the whole force of Greater Germany behind it—for a restoration of the Memelland to the Reich; and resistance on Lithuania's part would be so hopeless that she is almost certain to accept Germany's terms—especially as these are expected to include an offer of facilities for the continued use, by Lithuania, of Memel Port. If the Memel question could be divorced from the vastly larger one of Herr Hitler's designs against the liberties of Europe, the German case for the restoration of the Memelland would be a strong one. Memel itself is a German city; and the inhabitants of the rural districts, though Lithuanian in speech, are Protestants by religion and largely German in culture owing to the fact that the Memelland has been an integral part of East Prussia since the Middle Ages. If, at the Peace Settlement, the allocation of this Lithuanian-speaking district of East Prussia had been settled by plebiscite, it might have voted—as the Polish-speaking Masurian district did vote—for remaining part of the Reich. Actually, the Memelland was detached from the Reich, without a plebiscite, in the Versailles Treaty and was wrested out of the hands of a wholly inadequate French garrison, in January, 1923, by a "Jameson Raid" of Lithuanians over the border. As in the case of Vilna the Principal Allied Powers recognised the military *fait accompli*; but for the Memelland they did draft a statute of autonomy. This was accepted by Lithuania, after she had whittled it down as far as she could; but it cannot be said that she has ever observed its terms in the spirit or even in the letter.

* * *

If this were the complete story, then there would be everything to be said for a return of the Memelland to Germany now, so long as this was accompanied (as it may be) by arrangements for Lithuania to retain the full and free use of what is her only port. As things are, however, we may expect to see the *Anschluss* of Memel to the Reich followed by the establishment of a German domination over Lithuania on the Czecho-Slovakian model—and as in the Sudeten question it appears to be the diplomatic aim of extending German influence in other States rather than the racial aim of incorporating Germans in the Reich that is put first in Berlin, for great care is being taken to see that Lithuania falls into the arms of Germany rather than of Poland, and the formal *Anschluss* may even be postponed to secure this result. Just as Czecho-Slovakia provided Germany, in Carpatho-Ruthenia, with a base of operations for launching an Ukrainian national movement under German auspices, so, across Lithuania, Germany will be able to work upon the nationalism of the White Russians in the Vilna district and in the adjoining parts of the Soviet Union. The tentacles of the German

octopus are working their way round Poland now from the north as well as from the south.

* * *

British Capital Abroad.—Sir Robert Kindersley's end-of-term reports on British overseas investments stand alone in their subject. A year ago, reporting progress in 1936, Sir Robert struck a warning note: our overseas investments were being depleted and their quality was falling off. In this month's *Economic Journal* Sir Robert's survey of 1937 is even more foreboding. It is true that he estimates last year's income from dividends and interest on quoted overseas investments at £176,600,000, the highest return since 1930, though considerably below the record level of £212,400,000 estimated for 1929; and income from private and unquoted investments at £21,100,000, compared with £19,600,000 in the preceding year. The total nominal amount of overseas investments in quoted securities he computes at £3,353,000,000, compared with £3,364,000,000 in 1936. But these investigations disclosed disquieting features: income from overseas Governments and local Governments fell from £58,900,000 in 1936 to £54,600,000; and fixed interest receipts from company investments also declined. Conversion operations were, in fact, responsible but, unless some settlement of the problem of defaulted bonds is made, no recovery in interest on Government and municipal loans can, in Sir Robert's view, be expected. There may indeed be some slight rise in overseas investment and income in the current year, since the peak of the latest trade cycle did not come until more than half-way through 1937. But a striking feature of recent investment overseas has been the increasing share of equity holdings; these variable profits have lately expanded most; and Sir Robert contends that by, say, 1939 and 1940 the mining and plantation companies from which an appreciable part of this variable income is drawn may distribute sharply reduced dividends. The movement from bonds to equities, in search of capital appreciation or immediate large dividends, is fraught with danger:

the very conditions that have made investment abroad perilous have caused investors to prefer those forms which in previous years would have been regarded as most speculative.

At present we are deeply anxious about the prospects for our export trades; we ought to be at least equally worried about our overseas investments, because we need the income from them to close the gap in our balance of payments between export receipts and disbursements on imports which, in view of accelerated re-armament, are of growing importance. *The Economist's* Supplement on Overseas Lending published on November 20th last year reached the conclusion that, unless the income from our investments abroad was maintained, some downward adjustment of the standard of living would be inescapable. Sir Robert Kindersley's latest calculations show the same red light.

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From Our Special Correspondents

United States

Inquest on America's Economy

NEW YORK, December 6.—To say that business and financial circles have awaited the opening of the Temporary National Economic Committee's hearings with anxious concern would be no exaggeration. The T.N.E.C. is better known as the Anti-Monopoly Committee, but its terms of reference are so broad, and monopoly by any recognised definition so rare, that the term is anything but descriptive. The formal designation for the Committee is far more apt than the colloquial, for the Committee is authorised to make a comprehensive study of the entire functional structure of the American economy. It appears to be intended to make an inquiry into the business structure analogous to the monumental work of the National Monetary Commission thirty years ago. Considering the unfortunate record of the American economy over the past ten years, during which it has suffered a dizzily alternating sequence of booms and slumps, which have added up to a net retrogression, one might suppose that such an inquiry would be welcomed rather than feared by the sections of the community most vitally concerned. Nevertheless, apprehension rules.

The reason is readily explicable. Joint Committees have a long and familiar history. This particular Committee is composed of 12 members: three Senators, three Congressmen and six representatives of Government departments. Such Committees are often compared with British Royal Commissions, but the analogy is imperfect; for the composition of the groups and the methods of procedure are entirely dissimilar. Under the American system, the Committee or Commission is essentially political, and its methods of procedure are so far from being standardised that its approach to the problems before it depends entirely upon the personalities of the members.

Fears of Inquisition

Commonly the terms of reference are so loosely drawn that the hearings can be diverted into any channel that piques the curiosity or arouses the animosity of the Committee. When a hearing takes this form, it is colloquially termed a "fishing expedition," a "witch hunt," or a "Star Chamber proceeding." These terms are accurately descriptive; for the Committee has certain of the powers or prerogatives of a court, while the civilians who appear before it lack some of the rights or privileges accorded to a defendant in a proper court of law. The result is that one of the most useful mechanisms of government, especially of democratic government, has acquired a pretty bad name. The average business man who might be expected to welcome the opportunity to take the stand before an impartial board of inquiry has come to regard that stand as a sort of pillory to make a politician's holiday. One may deplore this attitude among business men, or one may accept it as *prima facie* evidence of acknowledged culpability. But that is approximately the prevailing attitude. The Joint Resolution authorising the T.N.E.C. was

approved by the President on June 16th; and the Senatorial members were immediately named by Vice-President Garner—Senators O'Mahoney (Democrat from Wyoming), Chairman; King (Democrat from Utah) and Borah (Republican from Idaho). The House members are: Summers (Democrat from Texas), Eicher (Democrat from Iowa) and Reece (Democrat from Tennessee). Except one, all are from States west of the Mississippi. The administration members are: Mr Patterson (Assistant Secretary of Commerce), Mr Frank (Securities and Exchange Commission), Mr Oliphant (General Counsel of the Treasury), Mr Lubin (Commissioner, Bureau of Labour Statistics), Mr Arnold (Assistant Attorney General), and Mr Ferguson (Chairman, Federal Trade Commission). From the first, the Chairman, Senator O'Mahoney, has made formal efforts to assure nervous business men that the T.N.E.C. was no "witch hunt," and while these assurances have certainly relieved the tenseness of apprehension, the fears still stand.

The Hearings Begin

The sessions opened with an elaborate statistical description of the American economy, given by Mr Lubin, of the Bureau of Labour Statistics. His thesis was that the historic trends of American production and income had been broken in 1929, and that since then the economy had been continuously submerged, or subnormal. He was followed by Mr Thorp (now of Dun and Bradstreet, Inc.), with an account of the structural organisation of our economy—individual enterprise, small corporate enterprise and large corporate enterprise. The third part of the exposition was made by Mr Henderson, who offered an interpretative comment on the two earlier statements, with special emphasis upon the function of competition, or the functional consequences of the absence thereof. It would appear that these three statements were in the nature of a general preface, for they throw no direct light upon the future course of the hearings.

In somewhat the same way, this rather extended comment on Joint Committee hearings in general, on the prejudice that has developed toward them on the part of the business community, and on the composition and initial procedures of the T.N.E.C. is intended as a preface to future comment as the hearings proceed. For, on the whole, it seems likely that this Committee will make history. The somewhat cynical forebodings of last summer—that the Committee would stage a pre-election "ghost dance" as part of the campaign—have been completely dispelled. Its protracted preparations, its deliberate methods, and the total absence of announced preconceptions have given it prestige not always accorded such bodies.

The current business indices suggest that the upturn has flattened out. With automobile production up to about 100,000 cars a week, the motor industry has presumably reached something of a ceiling, and, for the present at least, is not exerting further upward influences on the economy. A period of consolidation is not beyond logical expectation, in which it might be expected that industry and trade in general would catch up with those elements that have so far led the recovery.

France

Parliament's Approval

PARIS, December 15.—After a further period of government by decree and an unusually long recess, Parliament has resumed work. Its first meeting with the Government concluded with the carrying of a vote of confidence by 315 votes to 241, nearly the same as the vote recorded at the beginning of October, when full powers were accorded to MM. Daladier and P. Reynaud to prosecute economic and financial recovery by decree. For the first time the Socialists voted with the Communists against the Government, while 29 Radicals and 18 members of the Socialist Republican

Union abstained. Briefly, a Conservative-Centre-Radical majority was disclosed. This was due to three factors: the popularity in the country of the Prime Minister's policy of peace and authority; the confusion and errors of the Left parties; and the refusal of the great majority of the Radicals to destroy the Government's majority.

Meanwhile, M. Reynaud obtained a favourable vote from the Finance Committee of the Chamber for his Budget Bill by making certain concessions, principally on the new taxes. And M. Daladier obtained approval from the Chamber for an expedited procedure for the voting of the Budget. Encouraged by these developments, and by happier economic signs both at home and abroad, the franc is firm, capital is coming back and rates of interest on bonds are still going down. The following table shows the movement of interest rates in recent months:—

	Rediscount Rate of the Bank of France	National Defence Bonds 2 years	Bons de la Caisse Autonome 18 months	Treasury Bonds		
				1 year	6 months	75/105 days
Before Nov. 4	3 %	4.50	4.50	4 %	3.50	3 %
On Nov. 4 ...	3	4.25	4.25	4	3.50	3
" 9 ...	3	4	4	4	3.50	3
" 14 ...	3	4	4	3.75	3.50	3
" 18 ...	3	4	4	3.75	3.25	2.875
" 25 ...	2.50	3.50	3.50	3	2.75	2.375
Dec. 2 ...	2.50	3.50	3.50	3	2.75	2.25
" 4 ...	2.50	3.50	3.50	3	2.75	2.25
" 6 ...	2.50	3.50	3.50	3	2.75	1.75
" 7 ...	2.50	3.50	3.50	3	2.50	1.75

Extra hours of work and new capital will no doubt lead to a revival of business which is indeed already perceptible. But the success of M. Reynaud's liberal methods is not yet assured: will they be adequate to cover the budgetary expenditure? Many critics are clamouring for new and more stringent economic plans. But the Government seems to fear that inflation and a reversal of the present favourable trend in the exchange market would result, if such a plan were launched before financial recovery is accomplished.

Improved Exports

Wholesale prices are still almost stable. The slight rise in November was seasonal; and the index of the cost of living in the same month stood at 124.3 (1930 = 100) compared with 118.6 in August. In general, French prices remain lower than foreign prices, as the following figures show:—

GOLD INDEX OF WHOLESALE PRICES (1913 = 100)

	1935	Averages 1936	1937	Sept., 1938
France	69	76	69	53
Great Britain	64	68	78	69
United States of America	68	69	73	66
Belgium	60	61	71	65
Netherlands	76	75	79	72
Switzerland	90	85	78	73

This means a revival in exports of all categories, which was particularly noticeable in November:—

(Francs 000,000 omitted)

	Nov., 1937	Oct., 1938	Nov., 1938
Imports:—			
Foodstuffs	1,012	1,152	1,099
Raw materials	2,339	2,237	2,216
Manufactured goods	586	489	555
Totals	3,937	3,878	3,870
Exports:—			
Foodstuffs	354	455	509
Raw materials	802	869	925
Manufactured goods	1,229	1,505	1,624
Totals	2,385	2,829	3,058
Deficit	1,552	1,049	812

If trade with the French colonies is excluded, the import surplus in November was no more than 584 million francs against 1,172 millions in November, 1937, and the present deficit is certainly more than met by invisible exports. This improvement, however, is less satisfactory if tonnage is taken into consideration. The import surplus has actually been diminished because imports have fallen from 4,720,000 tons in November, 1938, to 3,453,000 tons last month; and imports of raw materials have notably fallen, from 4,009,000 tons to 2,830,000, largely because of lower coal consumption. These figures are certainly symptoms of the world crisis,

but they are also signs of the rise in French costs and of the social legislation which considerably impeded deliveries from French industry.

Production and Prices

The Statistique Générale has just published its monthly figures showing industrial production in France (1928 = 100):—

	Oct., 1937	Aug., 1938	Sept., 1938	Oct., 1938
Index for seven groups (Groups No. IV, V and IX excluded) ...	86	72	78	...
I. Mines	94	70	90	93
II. Chemical industries	100	96	98	...
III. Paper	177	109	157	157
IV. Textiles	88	...	...	...
V. Leather	70	...	...	...
VI. Iron and steel	88	55	61	65
VII. Engineering	86	69	70	71
Automobile	83	86	99	...
VIII. Building	56	62	62	61
IX. Gas and electricity	126	125	123	...
X. Miscellaneous	113	97	101	...

In the motor industry, 13,892 automobiles were put on the road in October, against 11,246 in September and 11,480 in August.

Wholesale prices:— (1914 = 100)	Nov., 1937	Sept., 1938	Oct., 1938	Nov., 1938	Dec. 10, 1938
General Index	590	648	654	658	654
Domestic products ...	636	669	670	678	681
Imported products ...	506	612	626	623	607
Foodstuffs	591	635	635	637	629
Industrial products ...	590	660	670	678	677

Retail prices (1914 = 100)	Nov., 1937	Sept., 1938	Oct., 1938	Nov., 1938	Dec. 10, 1938
Lighting and heating	113.2	123.2	123.2	123.4	...
Clothing	102.3	100.4	100.7	102.0	...

In the week ended December 3rd, the number of persons unemployed was 367,834 against 367,106 in the preceding week and 337,983 a year ago.

Germany

The State's Needs

BERLIN, December 13.—The wealth and property of the Jews having been either already taken over by the State by tax, fine or levy, or so regulated that the authorities can seize it upon any new pretext, such as the Paris murder, the sceptical German is now asking what will be the next new source to be tapped. Most people seem agreed that "political Catholicism" offers the necessary excuse and that Herr Hitler will be a Henry VIII to the rich Austrian monasteries. Their wealth in land alone would ensure a large annual income (Klosterneuburg Monastery, for instance, owns a great portion of Vienna), and make possible the building of many new agricultural settlements, especially in Salzburg and the other Eastern provinces of the recently annexed State. The forest land they own would also be very useful for the German artificial silk industry. The need for securing this added wealth for State purposes becomes clear when one realises the large percentage

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of the national income which is already being taken by the State. Dr Rudolf Brinkmann, Under-Secretary of State in the Ministry of Economics, recently stated that taxes, Customs duties, social insurance fees, etc., amounted in 1937 to Rm. 23,790 millions. This is the equivalent of 33.5 per cent. of the national income. During the present year these items will show a 22.3 per cent. increase over 1937, which means that the State is eating still more into the national income since the latter has not increased appreciably in the interval. In 1925, the percentage of national income taken by taxes was only 22.2.

The circulation of money and other instruments of credit has increased considerably during the past year, as is shown by the following figures:—

	Total Money in Circulation (in Rm. millions)	Total Reichsbank Paper Holdings (in Rm. millions)
October 31, 1937.....	7,282	5,628
October 31, 1938.....	9,856	7,574

This represents a 35.3 per cent. increase in money, and 34.5 per cent. in the paper holdings and collateral of the Reichsbank; and the annexation of Austria and Sudetenland is not sufficient to explain the increase.

No official statements about the Budget or the Reich's total indebtedness are available. In the many unofficial estimates which have been made, there seems to be general agreement that the total of the direct, consolidated and floating debts amounts to between Rm. 45 milliards and Rm. 50 milliards, which is not an unduly great burden *per capita* in the new Greater Germany of 80 million inhabitants. Many of the larger estimates which have appeared abroad have included indirect liabilities in the form of guarantees for exports, etc. But the exact amount of these is probably not known even to the Reichsbank officials themselves, and many of these debts will automatically disappear in the normal course of business.

Export Difficulties

The unfavourable trend of German export trade, the new Anglo-American Trade Agreement, the announcement of a British export offensive and the efforts of the United States in the South American market have created alarm in the Third Reich. While, as a consequence of the satisfactory exports of last year, imports in the first ten months of this year could be maintained at a level of about Rm. 4,497 millions, compared with Rm. 4,456 millions in the first ten months of 1937, exports in the same period have fallen from Rm. 4,826 millions to Rm. 4,324 millions.

This decline is the more severely felt, because while world prices were rising and the purchasing power of primary producing countries was increasing, German exports could only be maintained by large subsidies, which on the average amounted to some 30 per cent. The German economy can only contribute from internal trade some Rm. 800 to Rm. 1,000 millions for special export subventions, and the State itself has hitherto had to contribute some Rm. 500 to Rm. 800 millions. It provides itself with these sums by the re-purchase of blocked credits and foreign bonds.

Now the Reich sees itself, owing to the political situation, committed to an immense armament programme and, for reasons of internal politics, the Government is carrying through a gigantic building programme. Subsidising exports becomes correspondingly more onerous. In these circumstances it is understandable that the Export Credits Guarantee Bill, introduced into the House of Commons by the President of the Board of Trade, Mr Oliver Stanley,

and the contemplated formation of export organisations and campaign funds in England have called forth great disquiet. It will be hard to parry the British offensive without further financial strain. The German Press, which welcomes the granting on the part of Germany of extensive credits for goods to various countries in South-Eastern Europe, designates the prospective English guarantees as pure political credit.

In Germany itself extensive measures for promoting exports will be taken. While it has hitherto been possible, through the mobilisation of foreign credits and by means of the Austrian and Sudeten German reserves of gold and exchange, to maintain imports, in future still higher exports will be needed to pay for raw material imports. Apart from a war chest that cannot be touched, there can be no appreciable amounts of gold and exchange now available. The chief troubles which face German exporters are too high prices; difficulties in getting raw materials; overlong delivery periods because of excessive State claims upon capacity; official control of raw materials and exchange; and finally political, Customs and exchange difficulties in foreign markets.

Because the claims on German industry made by Government orders of all kinds are overwhelming, there are really only two ways of increasing exports, each of which requires the assistance of the State. The first method involves the reduction of Government orders, whereby capacity would be freed for exports. Nazi politics and the prosecution of a "dynamic" foreign policy make any reduction in Government orders improbable. The second method consists in the reduction of the supply of goods for internal consumption. The supply in the internal market of certain goods is already inadequate, and a further reduction can only be effected by drastic intervention by the authorities.

Dr Schacht's Mission

The visit to London of Dr Schacht, president of the Reichsbank, has important implications, although the visit will be officially designated as private. As is well known, Germany has declined to welcome the Commissioners of the Jewish Relief Organisations, to negotiate about Jewish emigration. The persecution of the Jews in November, however, has prejudiced business relations with foreign countries to such an extent that the Government now sees the need to come to an understanding with other countries about Jewish migration.

It is, in fact, semi-officially admitted that Dr Schacht will discuss the Jewish question in England. Hitherto the German Jews have been turned out practically without means; in future they will be allowed to take with them the tools of their trade to earn a new livelihood in foreign lands. The difficulties of this plan lie in the attitude of foreign countries to the import of German goods in the hands of emigrant Jews.

Possibly Dr Schacht will also discuss the question of an international loan, from the proceeds of which Jewish emigration might be financed. Because Dr Schacht is opposed to involving the Reich in fresh debt to foreign countries, however, the Jewish loan is hardly likely to be concluded.

Dr Schacht will also initiate discussions with the competent British authorities about the revival of international trade. He has set himself the task of expounding in London the idea conceived by Herr Funk of a three-sided trade agreement between Great Britain, the United States and Germany. The chances of such an agreement are not regarded very optimistically, because of the fear that England in return for business engagements will demand political concessions from the Third Reich. As a third object Dr Schacht hopes to bring about an increase in British-German trade.

The introduction of British export subsidies has resulted, according to the German view, in a noticeable setback in the negotiations for an international coal cartel. In the long protracted negotiations between Great Britain, France, Belgium, Holland, Poland and Germany it was in the end possible to work out at least the outline of an understanding, as promoted by the European Coal Export Convention in the summer of last year. While England in the Coal Cartel had a quota of 20.9 per cent., against Germany's 48.4 per cent., England claims in the Coal Cartel a quota of 50 per cent. As base year Germany would like to have 1937 or, at most, the last three years, while on the other hand England wants a ten-year base period. Both demands become intelligible, if it is borne in mind that English exports of coal between 1930 and 1937 fell from 55.76 to 52.09 million tons, while, on the other hand, German exports rose from 20.31 to 38.61 million tons.

Eire

Decline in Population

DUBLIN, December 3.—The following figures show that the balance of trade is improving, although it would be more satisfactory if the reduction in the import surplus were the result of an increase of exports rather than that of diminished imports.

	Imports £	Exports £	Import Surplus £
Oct., 1936–Sept., 1937	43,897,901	23,200,288	20,697,613
Oct., 1937–Sept., 1938	41,741,627	23,006,707	18,734,920

The Registrar-General estimates that the population of Eire in the middle of this year was 2,948,000, which is 20,000 less than a year ago. As the natural increase of births over deaths was 11,402 the emigration must have amounted to about 31,000. This emigration is part of the general movement away from the countryside; another part of the same stream flows to the Irish towns, particularly Dublin, and is responsible for much of the urban housing problem. The gloomy forebodings of the Banking Commission about the housing programme are proving to have been justified, as the Dublin Corporation has announced its inability to proceed with its schemes, unless the Government's financial contribution is substantially increased. An experiment is being made in charging economic rents in certain zones, but, even if this be a complete success, the problem remains very serious, if not insoluble. The trouble is partly caused by the high cost of building, which is itself the result of trade union restrictions.

It is not only in the building industry that the attitude of organised labour is the subject of complaint. The success of the new protected industries is threatened by inflated labour costs. Mr Lemass, who is responsible for the protective policy, has recently warned both employers and employed that they have been abusing the shelter of the tariff, and has expressed doubts whether his industrial programme can succeed in overcoming the numerous obstacles it has encountered.

The study of Mr Lemass's speeches during the last six years would form an interesting study in protectionist psychology. From a tone of unbounded optimism, they have shown the development of increasing dissatisfaction and the growth of a disposition to blame employers, workers and the consuming public for the difficulties he has experienced. He has now reached the stage of stating that, if his policy does not succeed, the Irish people will have been proved "unfit for nationhood." It is possible, of course, that what is wrong is not the people but the policy.

The Plight of Farming

What is really at the root of most of the difficulties of the secondary industries is that agriculture is far from prosperous. Although the agricultural price index has risen during the year from 106.3 to 114.1 farmers' costs have also risen, and production is in many cases barely profitable. The Government has decided to set up a Commission to investigate agricultural conditions, and there is no doubt that this is sound—provided that the right type of commission is chosen. The problems to be solved are technical rather than economic, and there is need of a thorough overhaul of existing methods of production in the light of the most modern advances in agricultural science and technique. If a body of experts is selected with orders to do its work rapidly, there is every reason to hope that the income of the farmers could be improved in the course of a few years, but a commission composed of politicians would probably do no more than recommend relief from rates and other superficial palliatives. Recent utterances of some of the Ministers give ground for the belief that the vital importance of encouraging exports—visible and invisible—has at last been appreciated, and it is not perhaps too much to hope that, on this occasion, the commission will be select in its composition and businesslike in its procedure. Certainly the necessity of reconstructing the Irish agricultural export trade cannot be stated with sufficient emphasis.

Until politicians learn that an individualist economy depends for its working on the maintenance of an equilibrium between costs and prices mistakes will continue to be made. This lesson is being painfully learnt in France, and the time is coming when it will be learnt in Ireland. Unfortunately it is the public that has to pay for this expensive education of its masters.

Hungary

Wealth of the New Areas

BUDAPEST, December 3.—With the restored territories Hungary's area has been increased by 12,400 square kilometres with over one million inhabitants; and the total population now exceeds 10 millions. The density of population in the restored territories is 86 per sq. kilometre, compared with 95 in the rest of Hungary. Fifty-eight per cent. of the new population is on the land, which means that the country's economy is more than ever weighted towards agriculture. The 16,173,000 registered acres of Hungary's territory suitable for agricultural production have been increased by 2,160,000 acres, or 13.3 per cent. To two million acres of forest-land in Lesser Hungary are now added 470,000 acres, a welcome increase of 23.5 per cent.

The increase of arable land in the various branches of agricultural production is as follows:—

Wheat growing land	350,000 acres, an increase of 13.5 per cent.
Rye	164,000 " " " 15.6 "
Barley	190,000 " " " 23.4 "
Oats	90,000 " " " 22.4 "
Potatoes	96,000 " " " 18.9 "
Sugar beet	45,000 " " " 54.7 "

The average wheat production, which is 20 million quintals, increases by 2.5 million quintals, this having been the average wheat production of the restored territory. Hungarian surplus wheat for export, the disposal of which was a matter of great concern in the past (through the maintenance of artificial internal prices Hungarian wheat was unable to compete in the world market), will thus be considerably greater. For this reason Hungary will be linked economically even more closely to Germany, which is the largest consumer of Hungarian wheat.

Industrially, the timber, iron-ore, magnesia, antimony, caolin and limestone stocks in the restored areas will much facilitate the supply of raw materials to Hungarian producers. The number of industrial establishments is very small in the restored areas, for their development was not supported by Czechoslovakian economic policy. According to the Czechoslovak statistical returns for 1930 the manufacturing industry of the territory now restored gave employment to 25,000 workmen, while the number of industrial workmen in Hungary amounts to 275,000. The greatest number of workmen, 9,300, are employed by the industries producing foodstuffs; clay, stone and glass industries employ 4,000 workmen, iron and machine industries 2,700 and the paper industry 1,200. The territory is most valuable from the point of view of the Hungarian consumption goods industries (textile, clothing, leather), for it will provide an attractive new market.

Growth of Industrial Exports

In the first ten months of 1938 Hungary's imports of finished industrial products amounted to 98.8 million pengös (about £3.5 millions at par) and the exports of finished goods to 103.8 millions (about £3.7 millions at par). This is the first time that the exports of finished goods have exceeded imports, proving that Hungary is becoming industrially more and more self-sufficient. The most significant item in this class of export was the 64 million pengös received for machinery and electrical goods and the products of the iron and metal industries. Imports of textile fabrics were 10.3 million pengös, while exports were 10.2 millions.

According to the returns of the Hungarian National Bank for November 23rd, notes in circulation are 740 million pengös, while the liabilities of the State amount to 265 million pengös. Of these liabilities, 74 million pengös were employed to exchange Czechoslovak currency in circulation in the restored areas.

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Books and Publications

Australia's Income

The national income of a country may be measured either by adding together all the incomes received by persons, firms, institutions and governments, or by estimating the net value of all goods and services produced. This book* gives detailed estimates, worked out by the latter method, for Australia in recent years, and also detailed estimates for 1928-29 to 1934-35, calculated by the former method. The two approaches give very similar results, the first yielding a figure about 5 per cent. lower than the second, and the discrepancy is due mainly to evasion of income-tax.

Australia's national income reached a temporary peak of some 768 million Australian pounds in 1928-29. It fell to 528 millions in 1931-32, and thereafter rose every year until, in 1937-38, it reached the vicinity of 814 millions—higher than ever before. Internal prices in 1937-38 were still slightly below the pre-slump levels; and the authors suggest that

real income produced in the last three years has apparently reached a ceiling, and temporarily at any rate seems incapable of further expansion.

The figures quoted exclude transfer payments, such as old-age pensions and interest on war debt. Nor do they include indirect taxation—quite rightly, for the value of the services produced by the Government, and paid for out of tax receipts, is included.

The estimates of "incomes received" are based on income tax returns and on various data relating to the incomes of

* "The National Income of Australia." By Colin Clark and J. G. Crawford. Angus and Robertson. Sydney and London. 12 pages. 3s. 6d.

CAPITAL INVESTMENT IN AFRICA

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wage-earners and others below the level of exemption from income tax. They are more reliable than any previous estimates, largely because the authors have had access to the results of an extensive inquiry (yet unpublished) by Mr S. T. Carver into non-taxable incomes.

The estimates of "production," too, seem to have been carefully made, although a number of somewhat arbitrary decisions, notably about depreciation, have been unavoidable. The authors admit that "shrewd conjecture" is still indispensable, but their book carries conviction (reinforced by their reputations) that the estimates are fairly near the mark.

Australia has what is virtually a census of production every year, and in the past it has been fairly common practice to regard the resulting figure for the net value of the output of goods as indicating the trend of national income. This, the present volume argues, is misleading. The part played by services ("tertiary production") has tended to become more important: and at present it accounts on the average for something like half the national income; and services account for a bigger proportion of income in slump years, when commodity prices are low, than in boom years, when they are high.

One interesting feature of the book is the comparison made between the average income available per head of the working population in different countries (reduced to dollars with the purchasing-power they had in the decade 1925-34). The United States heads the list with 1,397 dollars per head. Great Britain comes fourth with 1,069 dollars per head, and Australia sixth with 1,012. Taxation, both central and local, is low in Australia compared with other countries. During recent years it has stood at about 16 per cent. of the national income, against 25 per cent. in Great Britain.

The authors express surprise at the marked upward trend which their researches reveal in the Australian national income, beginning in about 1921. They attribute it mainly to the diversion of workers, under the stimulus of tariffs, from "primary" production into "secondary" and "tertiary" production. The meaning of their statement that "the years from 1890 to 1920 were years of diminishing returns in primary production" is, however, very obscure. It may perhaps conceal a sound argument for protection, but if so it conceals it very well. The growth of prosperity after 1921 was surely due to technical progress, external borrowing, and high export prices. The fact that real income per worker is still lower in Australia than in Great Britain—the authors guess that it was about 8 per cent. lower in 1937—despite the greater resources per worker, is not a very good argument for seeking greater self-sufficiency.

There are interesting chapters on investment and savings, the multiplier, and national income in relation to future policy. State expenditure on rural investment and on housing proposed as "a counter-measure against possible depression."

Shorter Notices

"An Atlas of Far Eastern Politics." By G. F. Hudson and M. Rajchman. Faber and Faber. 160 pages. 7s. 6d.

Luminous text and simple telling maps set Japan's aggression in China in the full context of Chinese history, geography, economics, politics and strategy. One pole of the world's destiny rests in the Far East, and this book will notably contribute to that understanding of Far Eastern questions which is more and more widely sought.

"International Combines in Modern Industry." By Alfred Plummer. Second Edition. Pitman. 302 pages. 10s. 6d.

Dr Plummer's straightforward survey of industrial associations which cut across State frontiers was first published four years ago. Since then raw material cartels and armament rings have made more history, and the new edition incorporates their activities. Coke, steel and the Vickers combine now have pride of place.

BRITISH INDUSTRIAL PROFITS

A Survey of Three Decades

(By Hargreaves Parkinson*)

THERE are a hundred and one ways of describing profits. They are the goal of business effort, the fountain of dividends, the basis of Stock Exchange values and the raw material of Budget surpluses. They are both the stimulus and the reward of successful business administration. They determine, in the last resort, the location of industry, the organisation of labour and the size of the business unit. They are a lodestone drawing men to great cities or tropical deserts. They are a key to unlock the treasure chests of investors. Without them, black type has no prospectus appeal and company balance-sheet valuations of capital assets have no meaning.

I. The Economist's Figures

FOR the last thirty years *The Economist* has analysed, uninterruptedly week by week and quarter by quarter, the published reports of a considerable number of British companies whose shares, for the most part, are dealt in on the London Stock Exchange. Thanks to the courtesy of company secretaries and our own pertinacity, the size of our representative sample has grown from 775 companies with net profits of under £47 millions, received in 1908, to 2,279 companies with profits of £281½ millions, published in 1937. The last-mentioned figure is equivalent to rather less than one-fourth of the total profits assessed for income tax under Schedule "D," and about 5 to 6 per cent. of the total national income as defined by Professor A. L. Bowley or Mr Colin Clark. The computations of "profits" are obtained, in each case, after allowing for the payment of debenture interest but not of preference or ordinary dividends.

The figures are not identical, however, with those rendered by the companies to the revenue authorities for inland revenue purposes. In the first place, income-tax allowances for "wear and tear" are somewhat arbitrary, and the amounts actually deducted by the companies in their published accounts are likely, over periods of years, to be nearer the true requirements for depreciation and obsolescence. In the second place, the profits figures disclosed to shareholders are subject, before publication, to adjustments by way of allocations from or to unspecified "internal" reserves, whose effect is to iron out fluctuations in real earning power, to some extent, from year to year. Our totals, again, do not necessarily reflect the true aggregate earnings of holding companies, where the latter's subsidiaries make their own reserve appropriations and the parent companies bring in, as profits, only the net balances which the subsidiaries declare as dividends. Finally, taxation and the extent of the provision made for its incidence, frequently in advance, are disturbing factors whose importance has increased with the growth of taxation in recent years.

Subject to such limitations—which are inherent in the nature of the data—the figures may claim to afford a picture of earnings in an increasingly representative cross-section of British industry. The results are the more useful, contemporarily, because they are available as a rule, anything up to two years before the publication of the corresponding inland revenue figures, and, historically, because

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TABLE I: ANALYSIS BY TRADES.

Group	Profits (after Debenture Interest) earned in			
	1913	1924	1930	1935
Industry	(£'000)	(£'000)	(£'000)	(£'000)
(a) Mainly Domestic:—				
Coal, Steel and Engineering (1)...	10,727	10,564	12,330	24,533
Textiles (2).....	*	15,275	4,914	9,106
Food and Drink Trades (3)	4,656	12,054	21,053	19,779
Public Utilities (4)	4,173	8,266	13,347	16,538
Miscellaneous (5)	†(25,390)	52,211	80,900	88,694
Total, Domestic Industry...	†(44,946)	98,370	132,444	158,650
(b) Mainly Overseas (6)	8,612	22,311	18,888	18,138
Total, All Industry	†(53,558)	120,681	151,332	176,788
Commerce and Transport				
Retail Trade (7)	*	6,214	9,729	15,646
Communications (8)	10,126	11,920	7,590	10,585
Total, Com. and Transport	†(10,126)	18,034	17,319	26,231
Finance				
Total (9)	7,257	11,264	18,939	21,028
Grand Total	70,942	149,979	187,589	224,046

Group	Proportion of Year's Total			
	1913	1924	1930	1935
Industry	%	%	%	%
(a) Mainly Domestic:—				
Coal, Steel and Engineering (1)...	15.1	7.0	6.6	10.9
Textiles (2).....	*	10.2	2.6	4.1
Food and Drink Trades (3)	6.6	8.0	11.2	8.8
Public Utilities (4)	5.9	5.5	7.1	7.4
Miscellaneous (5)	†(35.8)	34.8	43.1	39.6
Total, Domestic Industry	†(63.4)	65.5	70.6	70.8
(b) Mainly Overseas (6)	12.1	14.9	10.1	8.1
Total, All Industry	†(75.5)	80.4	80.7	78.9
Commerce and Transport				
Retail Trade (7)	*	4.2	5.2	7.0
Communications (8)	14.3	7.9	4.1	4.7
Total, Com. and Transport	†(14.3)	12.1	9.3	11.7
Finance				
Total (9)	10.2	7.5	10.0	9.4
Grand Total	100.0	100.0	100.0	100.0

* Not shown separately. † Not wholly comparable with later figures, owing to changes of classification. (1) Iron, Coal and Steel; Motor, Cycle and Aviation. (2) All Textile Trades. (3) Breweries, Hotels and Restaurants. (4) Electric Light and Power; Gas; Water. (5) All trades not separately classified in original analyses. (6) Nitrate; Oil; Rubber; Tea. (7) Shops and Stores. (8) Canals; Shipping; Telegraphs and Telephones; Tramway and Omnibus. (9) Financial, Land and Investment; Trusts.

they are the only available source of detailed evidence on such questions as the extent to which profits are paid out in dividends or put to reserve, the dimensions of prior charges, etc. It is proposed, therefore, in the following pages, to use the figures as the basis of a detailed survey

II. The Trend of Profits, 1908-1937

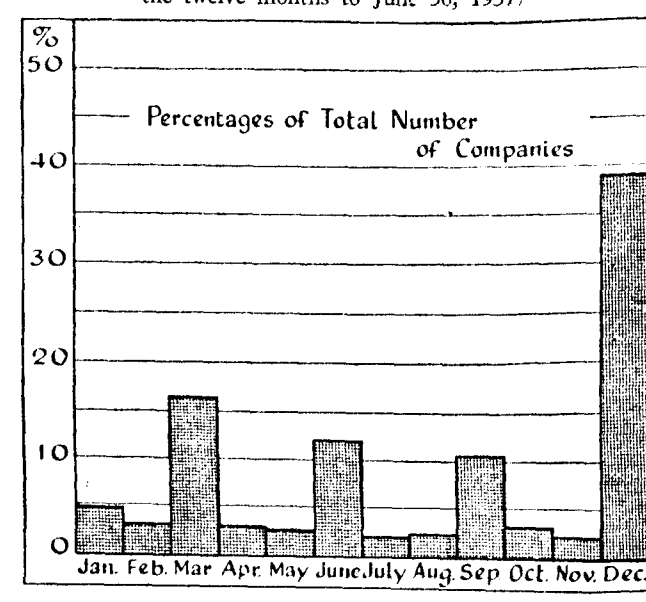
ALTHOUGH the size of *The Economist's* sample of British company earnings has increased progressively during the last thirty years, its internal make-up has remained, in essentials, remarkably similar throughout the period. Table I shows that, at various key dates, before and since the Great War, domestic industry has provided approximately two-thirds of the total profits in each year's sample, while industry carried on mainly overseas has provided about one-eighth to one-tenth and commerce and transport and finance, respectively, about the same proportion. The figures, incidentally, do not include the results of banks, or of home or foreign railways or of gold- or base-metal mining enterprises. The "weighting" of individual groups of industries, within these broad classifications, has varied considerably from time to time, in harmony with the vicissitudes of fortune in different groups of industries. On the whole, trades whose operation involves the employment of large amounts of capital have tended to seek the facilities of the Stock Exchange on a wider scale than those in which individual skill in management and other non-

of the trend of British industrial profits during the past thirty years. The survey will first examine the course of profits from the year 1908 onwards, and subsequently relate their trend to the course of interest rates and Stock Exchange values during the same period.

the purpose of such an enquiry. The resulting figures will have an unknown time-lag; for an interval of weeks or months may elapse between the closing of a company's books and the subsequent preparation, auditing, certification and publication of its accounts. How long is the interval? To answer that question two detailed analyses

CHART I.—DATES ON WHICH BRITISH COMPANIES MADE UP THEIR ACCOUNTS

(based on 2,271 companies, whose reports were issued during the twelve months to June 30, 1937)



have been made of the 2,271 company reports issued during the twelve months from July 1, 1936, to June 30, 1937—a more or less "normal" year, lying midway between recent periods of depression and boom. The results are set out in Table II. The first enquiry, which involved an examination of the accounting date of every company, revealed that company accounting has well-marked periods of peak and off-peak "traffic." If the sample is accepted as representative, it appears that, of every 100 British public companies, 38 close their books on December 31st, 15 on March 31st, 11 on June 30th and 10 on September 30th. In other words, some 74 per cent. of accounts are made up to one of four dates each year, leaving only one-quarter of the whole spread over the remaining 361 days. The diagram above (Chart I) explains why the accounting profession would welcome a measure of "staggering" to obviate the inevitable congestion which occurs, particularly in the early weeks of each year. Using an average weighted by the number of companies at every accounting date, we find that the mean

TABLE III.—LARGE AND SMALL COMPANIES
(Based on analysis of reports published during 12 months to June 30, 1937)

Companies whose profits are	Companies		Profits		Average Profits per Company
	Number	% of Total	Amount (£'000)	% of Total	
Over £1,000,000	39	1.7	99,262	37.3	2,545
Between £100,000 & £1,000,000	431	19.0	118,450	44.4	275
Under £100,000	1,801	79.3	48,821	18.3	27
All Companies	2,271	100.0	266,533	100.0	117

TABLE II.—ACCOUNTING AND PUBLICATION DATES
(Based on analysis of reports published during 12 months to June 30, 1937)

	Dates of Publication				Total, Whole Year
	July-Sept.	Oct.-Dec.	Jan.-March	April-June	
All Companies —					
Total profits (£'000)	28,975	42,135	94,733	100,691	266,533
% of Year's Total	10.8	15.8	35.6	37.8	100.0
Number of companies	382	496	628	765	2,271
Average accounting date*	Apr. 27	Aug. 17	Dec. 21	Feb. 8	Oct. 31
Companies with over £100,000 Profits —					
Number of Companies	58	78	164	170	470
Total profits (£'000)	21,353	30,424	79,836	86,099	217,712
Average accounting date†	May 22	Sept. 12	Dec. 18	Jan. 30	Dec. 5

* Weighted by numbers of companies.
† Weighted by amount of profits.

material factors are proportionately more important. The sample, therefore, tends towards under-representation of groups like retail trading, food and catering and some branches of the textile industry; and, possibly, towards over-representation of steel, engineering and other "capital goods" trades whose profits are liable to wider cyclical swings. To some extent, however, this will be offset by the smoothing-out effect of directorial adjustments before striking profits. And the close correspondence of the totals with the make-up of the Stock Exchange Lists makes them particularly relevant as a basis for generalisations in an investment, as distinct from an industrial, context. In the later war years and immediate post-war years, company profits, being shown after Excess Profits Duty, and Corporation Profits Tax, understated the industrial profits of the period. In 1921, conversely, E.P.D. repayments tended to raise published profits above true earnings.

PUBLICATION AND ACCOUNTING DATES

The essential traits of *The Economist's* figures having been described, their behaviour in the last three decades may now be discussed. The objective is a series of index numbers of profits earned, as nearly as possible within each calendar year. Clearly, a conglomeration of reports published between January and December will not serve

date of reports published in the January-March quarter is December 21st; in the April-June quarter, February 8th; in the July-September quarter, April 27th; and in the October-December quarter, August 17th. The average accounting date of reports published during the twelve months ended June 30th is October 31st of the preceding year.

The present inquiry, however, is concerned not with individual companies, but with aggregate profits. As Table III shows, a small minority of big companies is responsible for much the greater part of each year's earnings. In the period under review a handful of "millionaire-profit" concerns, representing less than 2 per cent. of the total, provided over a third of all the profits; while companies with £100,000 or upwards of annual earnings, representing only a little over one-fifth of the whole by number, secured more than four-fifths of the total profits. A supplementary analysis has, therefore, been made of the accounting practice of these large concerns, and the resulting averages have been weighted by the profits earned, to each accounting date, by every company with a figure of £100,000 or more. This calculation gives December 5th as the mean date to which 82 per cent. of the profits declared during the twelve months to June 30th, 1937, were made up. We may conclude, therefore, that by taking the reports issued during the twelve months to June 30th in any year *x*, we shall get a reasonably accurate basis for indices of profits earned in the calendar year *x-1*.

PROFITS CYCLES

We are now, accordingly, in a position to assemble the data accumulated by *The Economist* since the beginning of 1909. The figures appear in Table IV, and are graphically set out on Chart II. As the constituent companies in *The Economist's* sample are not identical throughout, the profits index has been calculated by using the "chain" method. The year 1935 has been chosen as the base for the index as being the date of the last Census of Production. It is intended to publish a chain index of profits calculated in this manner in each quarterly summary of profits in future, and the use of the 1935 base should tend to facilitate comparison with other indices of British economic life. Incidentally, 1935 is the base year at present employed for *The Economist's* index of Business Activity.

The results of the preliminary survey of the data are striking. They suggest that from 1908 to 1913 profits were rising steadily; that the Great War probably inter-

rupted a cyclical downswing, and raised earnings to a point far above anything previously achieved; that the collapse of trade activity and prices in 1921 brought down earnings, in the course of a single year, to the lowest level since the early days of the War; that the pace of the ensuing recovery was perceptibly checked when Great Britain went back to the gold standard in 1925; that the depression of 1930-32 cancelled all the gains of the nineteen-twenties; and that it was only in 1937 that profits at long last exceeded the level attained during the post-War boom.

The figures bring out at least one fact with startling clarity. Industrial profits are among the most sensitive of phenomena to the fluctuations of the trade cycle. Within two years, between 1929 and 1931, our index of aggregate profits declined by as much as 37½ per cent., from 112½ to 70½ (1935 = 100). During the five recovery years 1932-37, the index rose nearly 100 per cent., from 66 to 131½. So long as profits are susceptible to variations of this magnitude, there can obviously be slight hope of stability in Stock Exchange prices or in the income of individuals or institutions holding ordinary shares, or in the considerable part of the total revenue of the British Government which is drawn—directly or indirectly—from profits.

COMPARISON WITH INCOME TAX RETURNS

In view of the fact that *The Economist's* sample of companies has been increasing in size throughout the whole period covered by the figures, it may be worth while to check its course by that of some other index compiled under different auspices. The most satisfactory index for the purpose is obviously the return of Schedule D profits assessed by the Inland Revenue for income tax purposes. The returns of gross income from pre-war days to the date of the latest return are set out in Table V. As the footnote to the table shows, the Inland Revenue figures include various trades and professions that are excluded from *The Economist's* returns. Other factors—such as changes in exemption levels, the inclusion of weekly wage-earners in the figures for 1908-09 to 1915-16, the use of the "link" method to take account of the exclusion of Southern Ireland from the figures from 1922-23 onwards, the assessment, before the financial year 1926-27, of profits on a three years' average, and, above all, the fact that the last available figures are estimated and not actual—also serve to stress the rough-and-ready nature of any gross profits index which may be constructed from Inland Revenue

CHART II.—CHAIN INDEX OF PROFITS 1908-1937 (1935=100)
(All companies)

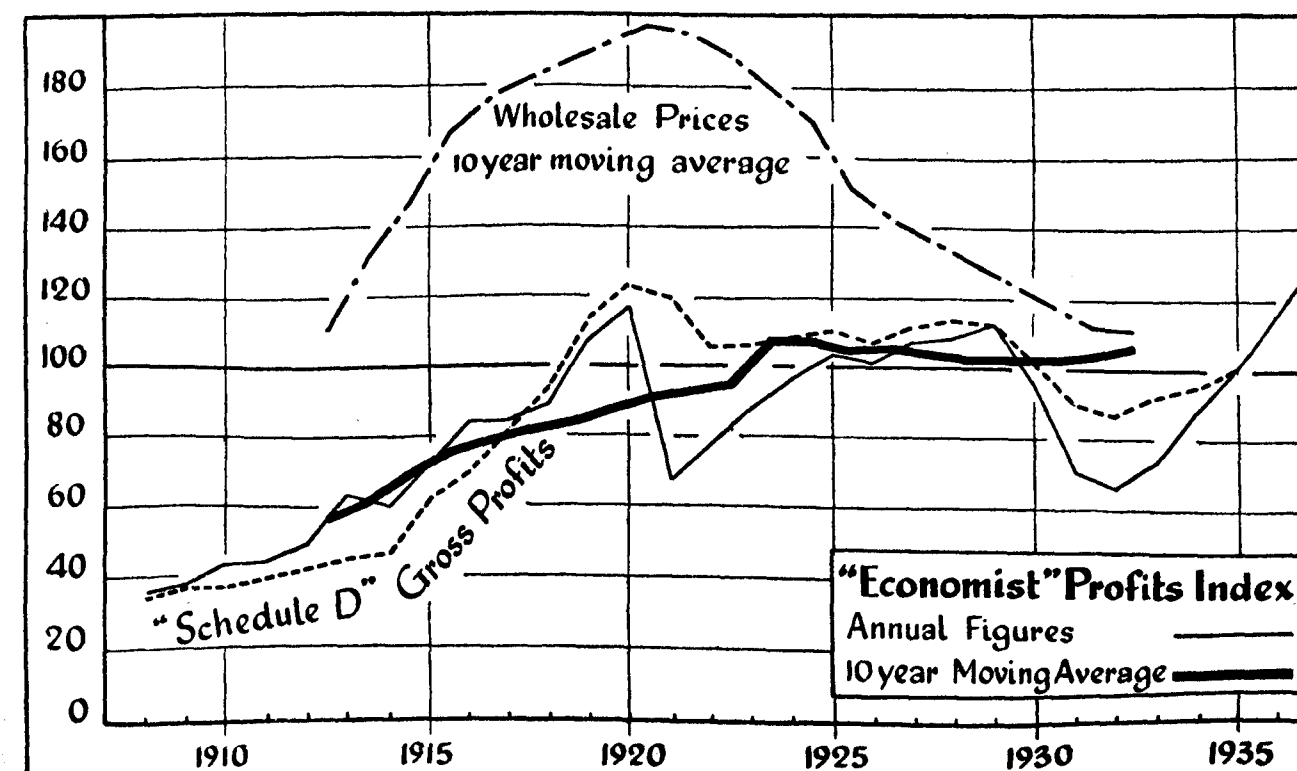


TABLE IV.—PROFITS AND CAPITAL, 1908 to 1937
(All Amounts in Thousand £)

Year in which Profits were Earned*	No. of Companies	Profits (after Debiture Interest)		Chain Index (1935 = 100)	Amount of Paid-up Capital			Preference Dividends	Profits Earned for Ordinary Shares	Rate of Earnings	
		Year Given	Preceding Year		Preference	Ordinary	Total			On All Capital	On Ordinary Capital
1908**	492	27,524	30,431	35.9	153,460	249,952	403,412	6,587	20,937	6.83	8.38
1909	771	44,547	42,671	37.5	199,699	375,631	575,330	9,275	35,272	7.74	9.40
1910	780	52,239	46,158	42.5	201,653	357,327	558,980	9,487	42,752	9.35	11.97
1911	822	57,149	55,046	44.3	210,480	364,074	574,554	10,481	46,668	9.95	12.82
1912	918	67,785	61,178	49.2	236,511	379,032	615,543	10,007	60,935	11.53	16.08
1913	905	70,942	54,709	63.7	236,158	392,704	628,862	12,269	53,857	10.37	13.72
1914	923	66,126	70,394	59.9	245,206	394,344	639,550	13,416	68,799	12.39	17.46
1915	947	82,215	68,518	71.9	268,667	389,719	658,386	12,413	69,654	12.93	17.86
1916	918	82,067	70,774	83.5	245,426	449,522	694,948	13,260	71,151	12.88	17.43
1917	1,473	91,572	90,814	84.2	261,629	505,246	766,875	14,984	94,044	13.67	18.62
1918	1,492	109,025	103,524	88.6	291,769	521,938	813,707	15,250	103,959	14.60	19.92
1919	1,406	119,209	98,508	107.2	294,225	668,322	962,547	20,866	117,661	13.24	17.53
1920	1,353	138,521	126,861	117.0	379,171	750,269	1,129,440	22,066	158,097	6.81	7.75
1921	1,386	80,163	139,644	67.0	428,199	808,103	1,236,302	25,284	90,288	9.05	11.18
1922	1,358	115,572	99,529	77.8	468,952	856,316	1,325,268	26,391	108,646	9.94	12.67
1923	1,406	135,037	120,801	86.9	501,747	876,340	1,378,087	29,249	120,730	10.68	13.91
1924	1,443	149,979	136,637	95.6	528,275	902,303	1,430,578	33,589	145,554	10.81	14.06
1925	1,475	164,881	153,646	102.8	548,820	1,034,816	1,583,636	32,886	140,468	10.84	14.07
1926	1,699	179,143	182,897	100.7	623,262	1,154,221	1,777,483	38,369	158,922	10.70	13.77
1927	1,700	173,354	163,884	106.5	602,013	1,108,897	1,710,910	41,597	156,874	10.56	13.44
1928	1,742	197,291	193,836	108.3	690,841	1,367,036	2,057,877	43,278	144,311	8.68	6.18
1929	1,771	198,471	191,301	112.5	710,616	1,585,929	2,296,545	47,991	157,991	5.73	6.41
1930	2,053	187,589	219,812	95.9	795,938	1,526,152	2,322,090	39,361	118,268	6.69	7.92
1931	2,017	139,437	189,655	70.5	849,242	1,491,593	2,340,835	41,329	118,268	6.69	7.92
1932	1,949	137,083	146,861	66.1	871,921	1,518,528	2,390,449	44,173	148,792	8.04	9.80
1933	1,960	159,597	142,380	74.4	893,349	1,539,626	2,432,975	46,919	177,127	9.05	11.51
1934	2,072	192,965	161,498	89.0	881,675	1,586,998	2,468,673	49,818	216,715	10.62	13.66
1935	2,138	224,046	198,981	115.7	923,589	1,583,571	2,507,160	47,905	250,934	12.10	15.83
1936	2,271	266,533	230,496	115.7	923,589	1,583,571	2,507,160	47,905	250,934	12.10	15.83
1937	2,337	298,839	263,176	131.4	923,589	1,583,571	2,507,160	47,905	250,934	12.10	15.83

* Based on reports published during twelve months to June 30th of ensuing year, in each case. ** Based on companies reporting during six months to June, 1909, only.

data for checking purposes over so long a period. Nevertheless, if the income tax assessments made in 1936-37 are taken as relating to profits earned mainly in 1935, the assessments of 1935-36 to profits of 1934, and so on, and are expressed as an index (income earned in 1935 = 100), it will be found that the income tax figures are something like a smoothed out curve of *The Economist's* figures. No great scientific accuracy can be claimed, obviously, for the Schedule D index, nor is it necessary for the present purpose. All that is required is a rough—but independent—yardstick to test the representative claims of *The Economist's* sample of results.

An examination of the two series, which are contrasted in Chart II, reveals that the Schedule D returns show a considerably smaller drop than *The Economist's* figures (which, of course, are based on annual, and not on "smoothed-out" triennial average profits) in the years between 1920 and 1925, and similarly a less marked setback between 1929-1932-33. Indeed, during the post-war period there is a tendency for the Schedule D

figures to run higher than *The Economist's* figures, which suggests that, on the whole, the more depressed post-war industries have been somewhat overweighted in *The Economist's* index. On the main issue, however, the comparison is reassuring; for it shows that the use of a changing and increasing annual sample of company returns in *The Economist's* index does not vitiate the broad conclusions which may be drawn as to the general trend of profits during the thirty-year period—though the 1908 figure must obviously be less accurate than, say, the 1934 figure, when compared to a 1935 base through a "chain," which leaves room for cumulative distortion.

POST-WAR CHECK TO PROFITS

If a ten-year moving average be taken of *The Economist's* chain index figures of profits, and be charted in such a way that the figure shown for 1912-13 is the arithmetical average for the years 1908-17, the figure for 1913-14 is the mean of those for 1909-18, and so on, the

TABLE V.—INCOME TAX ASSESSMENTS

(Schedule D.—Profits from Businesses, Professions and Certain Interest)

Assess-ments made in	Pre-ferred to cor-res-pond to Earnings in	Total Gross Income* (Mn. £)	Index thereof (Earnings of 1935 = 100)	Assess-ments made in	Pre-ferred to cor-res-pond to Earnings in	Total Gross Income* (Mn. £)	Index thereof (Earnings of 1935 = 100)
U.K.†				G. Britain & N. Ireland‡			
1909-10..	1908	558.6	34.9	1921	1,494.5	119.5	
1910-11..	1909	583.3	36.5	1922-23	1,326.7	106.1	
1911-12..	1910	598.7	37.4	1923-24	1,323.5	105.8	
1912-13..	1911	628.6	39.3	1924-25	1,361.9	108.9	
1913-14..	1912	670.6	41.9	1925-26	1,377.7	110.2	
1914-15..	1913	724.5	45.3	1926-27	1,334.1	106.7	
1915-16..	1914	732.3	45.8	1927-28	1,399.9	112.0	
1916-17..	1915	792.7	62.4	1928-29	1,424.4	114.1	
1917-18..	1916	891.0	70.3	1929-30	1,409.9	112.8	
1918-19..	1917	1,039.1	81.9	1930-31	1,268.7	101.6	
1919-20..	1918	1,197.4	94.4	1931-32	1,121.6	90.1	
1920-21..	1919	1,441.3	113.5	1932-33	1,070.6	85.7	
1921-22..	1920	1,563.4	123.2	1933-34	1,142.4	91.5	
1922-23..	1921	1,516.6	119.5	1934-35	1,186.4	95.0	
				1935-36	1,250.0	100.0	
				1936-37			

* Includes Manufacturing, Productive and Mining Industries; Transport and Communication (including Railways); Finance, Professional and Other Profits; Interest on War Securities not taxed by deduction at the source; Deposit and Other Interest; Dominion and Foreign Securities and Possessions. The figures from 1908-9 to 1915-16 include, while the subsequent figures exclude, assessments made on weekly wage-earners, which were computed at £205.6 millions in 1916-17. † Including the whole of Ireland. ‡ Irish Free State excluded. § Estimate. || Index allows for exclusion of weekly wage earners, by chain method.

TABLE VI.—PROFITS AND PRICES

(a) Yearly averages

Year	Index No. of Profits (1935 = 100)	Index No. of Prices* (1935 = 100)	Year	Index No. of Profits (1935 = 100)	Index No. of Prices* (1935 = 100)
1908	35.9	87	1924	95.6	165
1909	37.5	88	1925	102.8	161
1910	42.5	93	1926	100.7	150
1911	44.3	96	1927	106.5	145
1912	49.2	101	1928	108.3	143
1913	63.7	101	1929	112.5	137
1914	59.9	101	1930	95.9	115
1915	71.9	129	1931	70.5	97
1916	83.5	161	1932	66.1	97
1917	84.2	207	1933	74.4	95
1918	88.6	230	1934	89.0	97
1919	107.2	246	1935	100.0	100
1920	117.0	300	1936	115.7	106
1921	67.0	185	1937	131.4	120
1922	77.8	156			
1923	86.9	154			

* Sterling Wholesale Commodity Prices. From "The Study of Prices" (Layton and Crowther). The figures are based on Jevons and Sauerbeck before 1914 and on *The Economist* in 1914 and after.

(b) Ten-year Moving Averages

Period	Profits	Prices	Period	Profits	Prices
1908-17	57.3	116.4	1919-28	107.0	180.5
1910-18	62.5	130.7	1920-29	107.5	169.6
1911-19	69.5	146.5	1921-30	105.4	151.1
1912-20	76.9	167.2	1922-31	105.7	142.3
1913-21	82.1	176.1	1923-32	104.6	136.4
1914-22	84.4	181.6	1924-33	103.3	130.5
1915-23	88.0	193.3	1925-34	102.9	123.7
1916-24	91.1	196.5	1926-35	103.4	117.6
1917-25	92.8	195.4	1927-36	104.9	113.2
1918-26	95.0	189.2	1928-37	107.4	110.7

disturbing effect of eight to ten-year cycles of profits is eliminated, and the general direction of earnings throughout the period can be perceived more clearly. The moving averages are given in Table VI and shown graphically in Chart II. A glance at the chart shows that whereas the trend of profits was rising steadily during the years before, during and immediately after the war, it subsequently became almost stationary. If the average rate of progress maintained by the figures between 1908-17 and 1918-27—which was almost exactly 3 per cent. per annum—had been maintained throughout, the figure for 1928-37 would have been 127½ instead of 107.4, the figure actually recorded. For some reason, the growth of profits was sharply checked in the post-war period. The effect of wartime inflation of profits on the ten-year average is clearly not, in itself, an adequate explanation. The returns from, say, 1921 onwards are free from that influence, but the average for 1928-37 is only 107.4, and the average for 1927-36 only 104.9, against 105.4 for 1921-30 and 105.7 for 1922-31.

What, then, were the forces which applied the brake to profits after the war? Industrial earnings are the resultant of many differing factors, the most important of which obviously is the prevailing rate of business activity at any given time. The volume of national production, we know, was rising steadily before the war. It was considerably (though unequally) expanded during, and immediately after, the war. In the nineteen-twenties its rise was, on the whole, much more gradual, with many vicissitudes. Only in the 'thirties, after another temporary setback, was its

annual rate of growth again really striking. Messrs G. L. Schwartz and E. C. Rhodes have calculated (London and Cambridge Special Memorandum No. 47) that the output of the factory trades comprised in the Census of Production increased at an average annual rate of 0.9 per cent. between 1924 and 1930, and at an annual rate of 3.5 per cent. between 1930 and 1935. In the former period the net annual rate of increase in profits, according to our chain index, was negligible and in the latter period it was less than 1 per cent. per annum (the recorded figures being: 1924, 95.6; 1930, 95.9; 1935, 100). Profits appear, on the whole, to have risen more than in proportion to the growth of industrial production during the war and the years which immediately preceded and succeeded it, and to have risen in less than due proportion in more recent years.

This brings us to the second basic factor in the determination of industrial profits, whose importance is subordinate only to that of the volume of production. Table VI and the ten-year averages in Chart II show that commodity prices rose sharply when profits were increasing and declined steeply in the period when profits stagnated. Here, it would seem, is one key to the disappointing course of profits in the decade-and-a-half after the war. Rising and falling prices affect profits directly through changes in inventory values and in the proceeds secured by "marking up" selling prices by fixed percentages of prime costs. Indirectly, they tend to modify business psychology, competitive power in export markets and ultimately the volume of production itself.

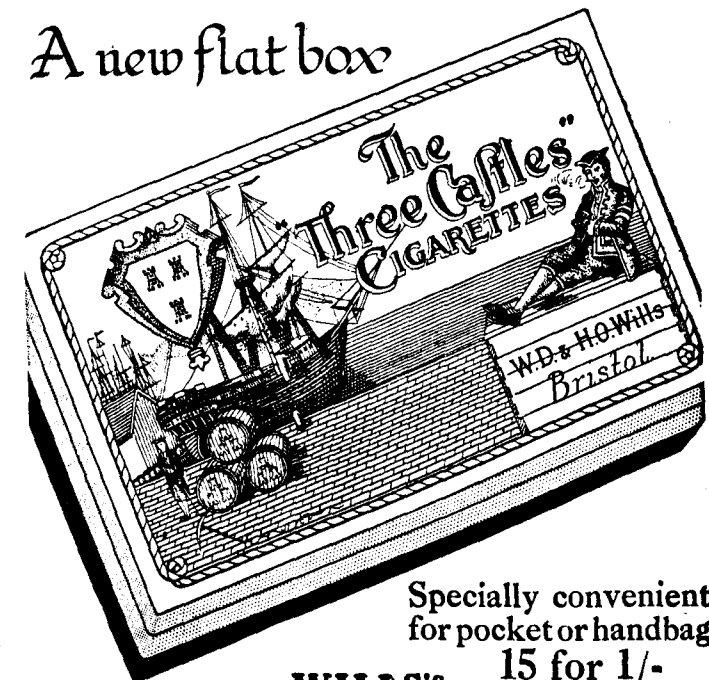
III. Profits and Interest Rates

THE course of profits from the special viewpoint of the Stock Exchange may next be examined. At the outset it is necessary to obtain some common measure between profits and "capital" in the special Stock Exchange sense. Under British law all company securities—shares, stock or debentures—must have a nominal monetary value, and that value is adopted by the Stock Exchange as the base of its quotations. Interest paid on debentures has been deducted in all cases before the striking of the profit figures which form the basis of this Survey. The "capital" on which these profits have been earned is, therefore, the paid up preference and ordinary capital of all the constituent companies taken at par. Of the true capital, in the economist's sense, employed by these companies in their businesses, there is no measure.

What has been the average return on "capital," defined in these legalistic accounting terms, during the last three decades? The data necessary for an answer appear in Table IV, where particulars appear of total preference and ordinary capital, the amounts paid each year in preference dividends, the dimensions of residual profits available for ordinary shareholders, and finally the overall rates of return, per cent., on total capital and on ordinary capital. The course of earnings rates from 1908 to 1937 is shown graphically in Chart III, on which appears also a third curve, showing the trend of interest rates (as measured by the average yield on 2½ per cent. Consols, according to the figures set out in Table VII).

The first significant feature revealed by a comparison of the trend of the chain index of absolute profits, used in the preceding section of this survey, with the trend of earnings rates on total capital and on ordinary capital (in the accountant's sense) is that while all the curves have the same timing for their fluctuations, their trends are not identical. It has already been shown that, over the whole period of thirty years, the trend of absolute profits has been on the whole upwards, though the net rate of progress has been slower in the second than in the first half of the period. The curves of earnings both on total capital and ordinary capital, however, reveal, on the whole, a tendency to rise before and during the war, and to become stationary or actually to decline since the war. The reason is, obviously, that the curves are based on ratios of earnings to "accounting capital," and, since the war, earnings have

tended to increase less rapidly than capital. In other words, British industrial companies as a whole have tended to become more highly capitalised.



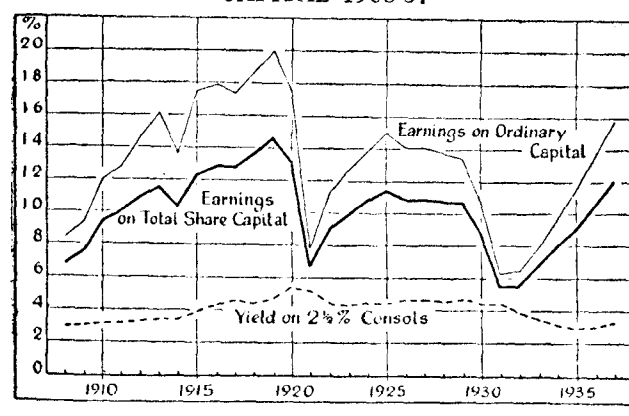
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CHART III.—RATE OF EARNINGS ON SHARE CAPITAL 1908-37



This tendency is clearly shown by the smoothed-out curves of absolute profits and earnings per £100 of total capital and ordinary capital respectively, based on the ten-year moving averages set out in Tables VI (b) and VIII and plotted (on a logarithmic scale) on Chart IV. How far the rate of return on *true* capital in the economic sense has varied during the last thirty years one cannot say. On that point the figures are inconclusive, but there is a strong presumption that the trend has, in fact, been broadly similar to that of percentage earnings on accounting capital. The period covered by our survey is sufficiently

TABLE VII.—AVERAGE YIELD ON 2½ PER CENT. CONSOLS

Year	Average Yield %	Year	Average Yield %
1908	2.90	1924	4.37
1909	2.98	1925	4.43
1910	3.09	1926	4.55
1911	3.15	1927	4.55
1912	3.27	1928	4.47
1913	3.39	1929	4.60
1914	3.41	1930	4.50
1915	3.87	1931	4.43
1916	4.30	1932	3.81
1917	4.59	1933	3.40
1918	4.40	1934	3.10
1919	4.66	1935	2.92
1920	5.35	1936	2.95
1921	5.18	1937	3.31
1922	4.41		
1923	4.29		

lengthy to allow long-term influences to have play. And in the long run there is certainly a tendency for accounting capital and true capital to approximate to each other. In the short run a company's accounting capital is relatively constant, and the apparent earnings return upon it fluctuates mainly under cyclical influences. In the longer run however, if a company's shares are quoted well below or well above their par value on the Stock Exchange, its directors will tend either to write off a considerable part of its accounting capital as having been "lost" or to issue bonus shares which, by "watering" the capital account, bring the apparent earning power ratio nearer to what is considered to be the norm. Thus, in the long run, accounting capital tends to be based on actual earnings which, it

CHART IV.—PROFITS, EARNINGS AND YIELD ON 2½ PER CENT. CONSOLS (Ten-Year Moving Averages)

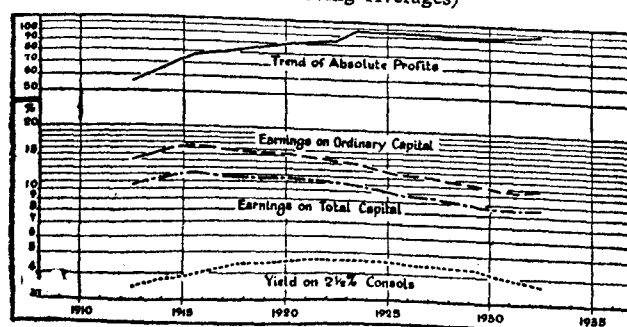


TABLE VIII.—TEN-YEAR MOVING AVERAGES OF (a) RETURN, PER CENT., ON TOTAL CAPITAL, AND ON ORDINARY CAPITAL; AND (b) YIELD ON 2½ PER CENT. CONSOLS.

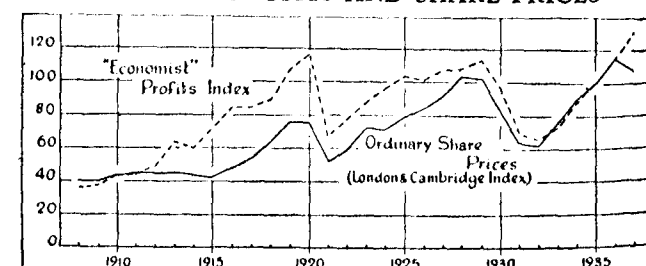
Period	Av. Earnings on			Period	Av. Earnings on		
	Total Capital	Ord. Capital	Yield on 2½% Consols		Total Capital	Ord. Capital	Yield on 2½% Consols
1908-17	10.48	13.96	3.5	1919-28	10.80	13.97	4.6
1909-18	11.17	14.98	3.7	1920-29	10.40	13.32	4.6
1910-19	11.85	16.03	3.8	1921-30	9.94	12.62	4.5
1911-20	12.24	16.60	4.0	1922-31	9.81	12.46	4.4
1912-21	11.93	16.09	4.2	1923-32	9.50	11.98	4.4
1913-22	11.75	15.76	4.4	1924-33	9.18	11.51	4.2
1914-23	11.59	15.42	4.4	1925-34	8.91	11.11	4.0
1915-24	11.62	15.42	4.5	1926-35	8.68	10.77	3.9
1916-25	11.52	15.17	4.6	1927-36	8.66	10.73	3.9
1917-26	11.30	14.79	4.6	1928-37	8.79	10.91	3.7
1918-27	11.10	14.45	4.6				

may be argued, are themselves the best long-term index of the value of true capital.

So far so good. But there is a further influence which, in fact, determines the multiplier used in determining at what figure a given amount of profits shall be "capitalised," and that influence is the trend of general interest rates. When interest rates are high the number of years' purchase at which companies capitalise their earnings level (when they are adjusting their capital account) will be less than when general interest rates are low. Thus, in the long run, the curve of percentage earnings on accounting capital will tend to be a function of interest rates. In fact, interest rates were gradually rising before the war, and they rose considerably during the war years. Since the war, however, their tendency has on the whole been downwards, though their decline was arrested for a time in the nineteen-twenties and was accentuated in the early nineteen-thirties.

That these long-run tendencies have been operative in

CHART V.—PROFITS AND SHARE PRICES



the period embraced by the present inquiry is revealed by the obvious correlation between the interest curves and the ten-year moving averages of the percentage return on total and ordinary capital ratios.

A further point emerges from the figures. It will be observed that, during the whole of the thirty years, the return on ordinary capital—the risk-bearing "equity" portion of the companies' total capitalisation—has been higher than the return on total capital (including preference shares). The disparity between the two, it will be seen, tends to be greatest (a) when profits are high and (b) when interest rates are high. Its existence is due to the effect of "gearing"; that is, to the fact that part of the total capital (i.e. that which takes the form of preference shares) is entitled to an identical monetary return in good times and in bad.* From the investor's point of view, there is an important rider: that the best time to buy ordinary shares is when profits are low. The reason is that the market invariably bases its quotations on prospective earnings yields, and in bad times the effect of "gearing" in prising up the apparent percentage return on ordinary capital is less considerable than in years when total profits are high.

* Actually, total preference dividends tend to fluctuate to some slight extent with current earnings levels, since in bad times a certain number of marginal companies fail to earn or pay their preference dividends. This tendency, however, does not affect the aggregate figures to any serious extent.

IV. Profits and Share Values

To what extent have ordinary share prices followed the upward trend of profits during the last thirty years? The question has high practical importance for investors. Modern theory tends to stress the dynamic rather than the static aspect of Stock Exchange investment. In the long run, it is argued, holders of a portfolio of ordinary shares, spread over a relatively large number of different industries, can look forward to securing substantial appreciation of their capital, which will be denied to holders of fixed-interest capital. This argument is subject to two provisos: first, that the shares are held for a fairly considerable time (the argument is long term, not short term); and, secondly, that the trend of industrial activity and profits shall be generally progressive. The experience of the past thirty years satisfies both conditions. Have the average

TABLE IX.—ORDINARY SHARE VALUES, 1908-37 (London and Cambridge Index of Industrials, 1935 = 100) (a) Yearly Averages

Year	Index No.	Year	Index No.	Year	Index No.
1908	40	1918	64	1928	103
1909	40	1919	76	1929	102
1910	43	1920	76	1930	82
1911	45	1921	52	1931	64
1912	45	1922	59	1932	62
1913	45	1923	73	1933	75
1914	44	1924	72	1934	90
1915	42	1925	79	1935	100
1916	48	1926	84	1936	115
1917	54	1927	91	1937	108

Note.—There have been certain changes in the constituent shares which form the basis of this index during the period shown in the table. In 1908, the total number of shares used was 82; in 1910, 80; in 1911, 79; in 1913, 77. From 1915 to 1924 the Kitchen Index of 20 industrials is used. After 1924 the index is based on 92 industrials.

(b) Ten-year Moving Averages

Period	Moving Average	Period	Moving Average	Period	Moving Average
1908-17	45	1915-24	62	1922-31	81
1909-18	47	1916-25	65	1923-32	81
1910-19	51	1917-26	69	1924-33	81
1911-20	54	1918-27	73	1925-34	83
1912-21	55	1919-28	76	1926-35	85
1913-22	56	1920-29	79	1927-36	88
1914-23	59	1921-30	80	1928-37	90

prices of ordinary shares tended, in fact, to rise *pari passu* with industrial profits?

Table IX shows the course of Stock Exchange prices for representative ordinary shares during the last thirty years, according to the index compiled by the London and Cambridge Economic Service. In Chart V the figures are contrasted with those of the chain index of absolute profits used elsewhere in this survey. The results obviously go a considerable way to confirm the claims of the ordinary share as a progressive medium of investment in an expanding economy. During the past thirty years (taking the yearly average figures of Table IX in every case) the index of ordinary share values has had four separate "highs"—in 1911-13, 1919-20, 1928-29 and 1936—and each peak has been higher than its predecessor. Incidentally, there has been a tendency for rising share values to be arrested in each major Stock Exchange cycle some few months before profits took their downward turn. Cyclical fluctuations in share values have been considerable, but on the whole they have been less extreme than fluctuations in profits.

It is obvious that interest rates have had an important influence on the course of share values throughout the period (as will be seen by a comparison of Charts V and IV). In the period of rapidly rising interest rates, during and immediately after the war, the tendency of holders to demand a higher average income return on their ordinary share holdings resulted in a less well-marked increase in share values than in profits. The same tendency continued, but became less well-marked, in the decade after the war, when interest rates, though still relatively high, were lower than at the peak of 1919-20. Since the War Loan conversion operation of 1932 set the seal on lower interest rates,

however, profits and share values have shown a close correspondence, though the latter turned downwards in 1937 while the trend of the former was still upward.*

IS THE "EQUITY THEORY" JUSTIFIED?

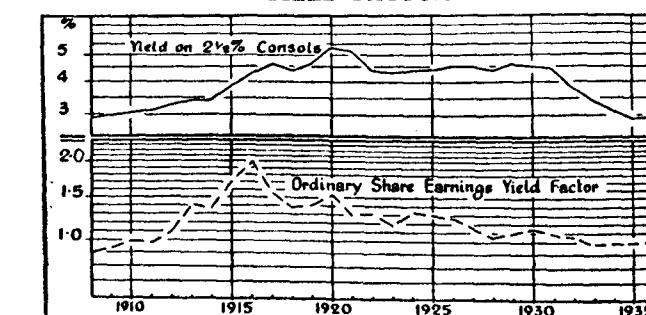
The conclusion which is suggested by the facts elicited in this section of our survey is that while ordinary share values do reproduce broadly in the long run any persistent upward tendency in industrial profits (and to that extent

TABLE X.—"EARNINGS YIELD RATIOS" (Chain Index of Profits ÷ Index of Share Values)

Year	Yield Ratio	Year	Yield Ratio	Year	Yield Ratio
1908	0.90	1918	1.38	1928	1.05
1909	0.94	1919	1.41	1929	1.10
1910	0.99	1920	1.54	1930	1.17
1911	0.98	1921	1.29	1931	1.10
1912	1.09	1922	1.32	1932	1.07
1913	1.41	1923	1.19	1933	0.99
1914	1.36	1924	1.33	1934	0.99
1915	1.71	1925	1.30	1935	1.00
1916	1.99	1926	1.27	1936	1.01
1917	1.56	1927	1.17	1937	1.22

are a more progressive medium of investment than debentures or preference shares in periods of prosperity), the average level of interest rates is a factor of secondary, but very considerable, importance in determining their course. This will be apparent if "earnings yield ratios" are calculated by dividing the profits index, in each year, by the ordinary share index. The "earnings yield" is the return, by way of earned profits, on a share or group of shares purchased at the prevailing market price. Thus, if both indices are standing at 100 (as in 1935), the "earnings yield ratio" is 1, but if the profits index is 131½ and the share index 108 (as in 1937), the ratio is 1.22 (i.e. 131½ ÷ 108). If these ratios, calculated throughout the period covered by the two indices (see Table X) are compared logarithmically with the curve of interest rates (Chart VI), the correlation between the two is readily apparent. Thus the survey suggests the following rules: A rising profits trend will produce a more than proportionate rise in ordinary share prices if interest rates are simultaneously tending to decline (as they were, for example, in 1932-33). It will produce a less than proportionate rise if interest rates are also rising (as in 1915-20). The argument in favour of long-term investment in ordinary shares depends on the assumption that, in the future, conditions in both respects will continue to be favourable—in other words, that profits will continue, on

CHART VI.—INTEREST RATES AND THE EARNINGS YIELD FACTOR



the whole, to rise (even though, e.g., the population may become stationary or begin to decline), and that interest rates will continue, on the whole, to fall. The course of profits will itself be a function not only of general business activity, but of the trend of commodity prices as a whole.

* It is necessary, in making comparisons of this order, to contrast the trend of ordinary share values with that of "absolute" profits rather than with earnings on a given amount of ordinary capital in the Stock Exchange sense. Every index of share values which is correctly computed must take account of capital bonuses and "rights," whose effect over a period of years is to increase the nominal amount of a given Stock Exchange holding.

THE BUSINESS WORLD

Monopoly as an Investment

LAST winter many people found diversion in a game with the name of "Monopoly." The object was to win a "token" fortune, while the remaining players achieved "token" bankruptcy. The moral, if any, seems to be that in the game of monopoly there are more blanks than prizes—that monopoly, in fact, is not a good investment risk. That conclusion, in the wider context of Stock Exchange business, in real pounds, shillings and pence, is the thesis which the present article sets out to examine.

At the first glance, investors might be tempted to assume that the securities issued by a company holding an ostensible monopoly in any essential public service must necessarily be almost gilt-edged. The public, it may be argued, cannot dispense with the service offered; and none but the company can provide it. In fact, the abuse of monopoly in Tudor and Stuart times was largely responsible for the hedging about of many modern monopolies by all manner of stringent restrictions. It is not always possible to tell exactly where monopoly begins and ends. Indeed, there is some element of monopoly in a very large number of industries and perfect competition exists in hardly any. But for the purpose of this article the word can be restricted to those businesses whose monopoly status derives, directly or indirectly, from the law. The legislature, broadly, permits monopolies, in this sense of the word, to exist only in the public interest, where something more vital is at stake than the profit-earning capacity of the monopoly itself. A patent, for example, is a monopoly granted for a limited term, not primarily to reward the patentee but to encourage the making of new inventions. Some industries must be carried on by monopolies, otherwise they cannot be carried on at all. The supply of water through pipes to one's house is a service which clearly cannot be left to the play of unrestricted competition. In theory, admittedly, the grant to a company of the benefits of monopoly status should be required by the assumption of the obligation not to exploit it. The majority of those companies whose monopoly rights are more complete than the mere possession of a patent and have required more detailed application to the legislature, are subject to some statutory limitation of dividends. There is no exact name to distinguish this group of companies, enjoying a legal monopoly and subject, in return, to limitations on their dividend policy. For convenience, however, they may be called public utilities, and it is with them, rather than with the wider field of monopolies as a whole, that we are mainly concerned here. The constitutional and financial theory of the matter is that, for example, the water supply companies are made for the consumer, not the consumer for the companies. Their reward, therefore, ought to be just sufficient to cover the capital essential to the carrying on of their operations—and no more. If the working profits of the public utilities run above this minimum, a sliding scale commonly comes into operation, under which a lion's share of the surplus profit is passed on to the consumer by way of lower charges, and only a very small part can be retained to finance increased dividends.

Is this type of monopoly a good investment? Obviously, recognition of a monopoly, conducting a public service, involves, under these conditions, a serious limitation of equity possibilities, on which modern investment practice, in general, is apt to lay considerable stress. Only a minor

part of the fruits of the business genius of Lord Nuffield would have accrued to the advantage of shareholders in Morris Motors if the business of motor manufacture had been scheduled by the State as a monopoly and treated as such. On the other hand, monopoly should be a bull point for the fixed-interest investor. If revenue is assured year by year, and is immune from the risk of the violent fluctuations which affect many commercial enterprises—then its risk premium should be minimised and it should be possible for a public utility concern to raise capital for its requirements at a correspondingly low cost.

How far are these general conclusions borne out in practice? The following table relates to the junior stocks of a number of British enterprises falling within the category of "monopolies" as the term has been defined in this article. The table shows the amount of the particular class of capital outstanding, the percentage dividend paid according to the last report, and the current Stock Exchange valuation:—

Company or Authority	Class of Capital	Amount of that Class Outstanding	Date of Last Accounts	Rate of Div. Paid (%)	Par Value of Shares or Stock	Present Stock Exchange Quotation
Gas Light & Coke... Newcastle-on-Tyne	Ord.†	19,169,963	31/12/37	5½	£1	23½
Gas... S. Metropolitan Gas.	Ord.	2,430,267	31/12/27	5½	£1	22½
	Ord.	6,709,895	31/12/37	5½	£100	104½
L.M.S. Ry. London Pass. Transport Board	Ord.	95,202,441	31/12/37	1½	£100	13
Cable & Wireless Holding	"C"	25,698,802	30/6/38	4	£100	74½
	Ord.	6,883,103	31/12/37	4	£100	36½
Metropolitan Water Board	3% "B"	31,851,874	31/3/37	3	£100	86
Port of London	5% 1950-70	6,975,000	31/3/38	5	£100	114
Central Electricity Board	5% 1950-70	9,934,209	31/12/37	5	£100	110½

† 5% Basic ordinary stock.

The total capital represented in this table is £204.8 millions, and the average dividend paid in the latest period of operation is 2.98 per cent. The latter figure is far below the average equity payment for ordinary commercial enterprises in the same approximate period. *The Economist's* records show that some 549 companies, whose reports were published in the quarter ended December, 1937, paid average ordinary dividends of 11.2 per cent. In the three succeeding quarters companies numbering 646, 805 and 374 declared average ordinary dividends of 10.2, 9.4 and 9.1 per cent. respectively.

The three undertakings at the head of our list are representative of the gas industry as carried on in its most favourable economic setting—i.e. by old-established companies of considerable size in densely populated areas. The dividends paid by these companies under their "sliding scales" are, it will be noted, the highest shown in our table. The gas industry which, since its inception early in the nineteenth century, has been consistently operated as a public utility, providing a public service under private capital ownership, has operated on the whole to the satisfaction alike of consumers and investors. Demand has been characterised by a long-term expansive trend, and by comparative freedom from short-

term fluctuations. Even so, the growth of large operating units has been the exception rather than the rule. The typical unit has remained small and highly localised, and within recent years efforts to secure the physical amalgamation of plants into larger units on any large scale have been hampered by statutory restrictions with which certain prominent members of the industry have expressed open dissatisfaction. And although every gas company still enjoys a monopoly, in the sense that no other concern may produce and market gas in its particular area, it has ceased to be a monopoly in the broader economic sense, in view of the development of electricity as a serious competitor. This form of competition is likely to increase rather than to decrease in intensity in the future. Though the gas industry is fully capable of rendering a good account of itself in such a situation, its earnings position to-day might have been less satisfactory but for the increasing contribution made to receipts by the chemical and residual products side of its business, whose development was certainly not within the cognisance of the legislature when the statutory regulations relating to the industry were first framed.

The last three undertakings in our specimen list are public boards concerned with three essential services—the provision of water in metropolitan areas, the construction and operation of facilities in the Port of London, and the running of the National Electricity "Grid." Financially, these undertakings have the typical "Public Board" organisation. They have no equity stock, but the immunity of their receipts from serious annual fluctuation confers on their stocks something akin to gilt-edged status. In the case of the Metropolitan Water Board and the Port of London Authority, this enviable position has been validated by long experience; in that of the Central Electricity Board the trend of receipts, under the Board's development programme, is still dynamic, but the position of all the Board's stocks is treated, under that programme, as being assured.

It is the position of the remaining three undertakings shown in our table—and of certain others of which they may be regarded as typical—which has caused most questioning of the advisability of applying "monopoly" treatment to services which, though of a public utility character, are subject to outside competition and are liable to fairly intensive short-term fluctuations in receipts. The L.M.S. Railway is the largest of the four groups into which the main line railways of this country were amalgamated under the Railways Act of 1921. That Act, for the first time, introduced the principle of standard dividends into railway operation by its provision that the return on capital should be limited, broadly, to that achieved in the last complete pre-war year, 1913. The London Passenger Transport Board, created under an Act of 1933, had a standard dividend limitation imposed on its junior or "C" stock, with the proviso that if, after two years of grace, the Board failed for more than two years in succession to pay the standard dividend of 5½ per cent., holders of 5 per cent. or more of the stock might apply to the Court for a Receiver. The ordinary stock of Cable and Wireless also had standard dividend limitations.

In the event, not one of these undertakings (and not one of the three other main line railway groups) has succeeded so far in attaining its standard receipts. That is the same thing as saying that none has succeeded in maintaining its earnings at their earlier level; for the standard was based in every instance on the actual earnings of a datum period. Since there is no suggestion that the administration has not been efficient, the investor is forced to the conclusion that the monopoly powers which the legislature believed to be inherent in the activities of these undertakings have, in fact, proved insufficient to protect their revenues against hostile forces from outside. The nature of those forces is well-known to all investors. The L.M.S. Railway undoubtedly enjoys a monopoly in the sense that, e.g. there is no other railway whose lines run from London to the Kyle of Lochalsh. But it has no monopoly of transport facilities between those or any other two points. Actually, the standard revenue provision of the 1921 Act was introduced at a time when competition from road transport was on the point of becoming acute. The London Passenger Transport Board is nearer to being a monopoly

in the wider sense, though it has no power to prevent competition in its area from the privately owned motor-car—or the pedestrian. The Cable and Wireless group had, and has, a monopoly of its own cable and wireless stations and installations, but its sphere of operation is international, and competition there is keen and unceasing.

On the whole, investors must needs conclude that there are monopolies and monopolies. A true monopoly undertaking, administering a permanently indispensable public service, may offer sound stock for the conservative investor, though its equity interest may be negligible. But a public utility which, in fact, is vulnerable to competition from other services, may become a bad investment risk if the principle of maximum dividends is injected into its capital structure. The result may be that in bad times, stockholders have no protection against a fall in earnings well below the standard rate; whereas in good times so soon as earnings reach the standard, the law operates to prevent stockholders from obtaining compensation for their earlier losses. If revenue can be raised to the standard level by an increase in charges—well and good. That possibility may exist in the case of London Transport. But as yet no satisfactory remedy from the stockholders' viewpoint has been devised. The right to apply for Receivership on failure to obtain the standard dividend is peculiar to the London Transport Board, and the omens are against its being introduced in any future instance. The alternative of reducing the standard dividend, which has been adopted in the case of Cable and Wireless, scarcely survives scientific investment analysis. For if the standard dividend is relatively low, the stock to which it applies is unlikely to reach or maintain a par quotation, with the result that future increases of capital will have to be raised by way of senior fixed-interest stocks. In the long run, such a policy can scarcely make for a sound and balanced capital structure. Altogether the question of the correct financial treatment of monopoly and quasi-monopoly public utilities is likely to be a source of considerable future difficulty in Parliament and in the City.

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The Steel Industry's Efficiency

THE prices determined by the British Iron and Steel Federation for 1939 are the subject of comment elsewhere in this issue of *The Economist*. It is not intended in this article to engage in the controversy over the rightness or wrongness of the new prices. That controversy turns, fundamentally, on the question whether the British steel industry is technically as efficient as its competitors in other countries and whether it is making sufficient progress in that increase of efficiency which has many times been promised. The degree of technical efficiency of any industry is difficult to establish with any precision; but the difficulties are unusually great in the case of steel, owing to the complicated nature of the technical processes involved. All that is possible is to seek what glimmering light is shed by established facts; and none of the figures that follow can be regarded as setting up a conclusive case or as providing more than a general indication of the ruling tendencies.

There can be no doubt that since the grant of tariff protection in 1932 an enormous impetus has been given to the technical re-equipment of the industry. Ten years ago there was a very high proportion of obsolete plant in all sections of the industry, and, though much of this still remains, a growing proportion of the total output is now produced in modern and, in many cases, fully integrated plant. Old plant is coming more and more to be regarded as a standby. International comparisons are difficult to make fairly, since the circumstances differ from country to country. In the United States the industry provides for a larger total demand, and it is economic to build very large plants with capacities running into several million tons a year. The considerable distances to be travelled by land also give transport considerations an importance in America that they do not have here. Germany acquired a lead in technical efficiency as a result of the period of intense capital re-equipment following the mark inflation, but this lead was disappearing by 1932. Since then capital equipment has been directed not so much towards the attainment of technical efficiency as of self-sufficiency—as, for instance, in the Hermann Goering works at Salzgitter, which are to use low-grade ore and so reduce dependence on Swedish and other imported ores. Nevertheless, when all these national divergences have been taken into account, it is possible to hazard two estimates: first, that the technical efficiency of the British industry is still considerably behind that of other countries; and secondly, that a great deal has been done since 1932 to increase its efficiency.

These judgments are supported by an examination of known facts about the different sections of the industry. One obvious measure of efficiency is fuel economy. There has been a reduction between 1929 and 1937 of 4 per cent. in the average consumption of coke per ton of all varieties of pig iron and ferro-alloys (27.74 cwt. to 22.77 cwt.). In the case of basic pig iron, which is the variety chiefly used in steel-making, the reduction has been 15 per cent. (26.76 cwt. to 22.73 cwt.—the earlier year in this case is 1930). The cost of production of metallurgical coke has also undoubtedly fallen, though precise figures are difficult to quote because of the complicating factor of demand from outside the steel industry both for coke and for coke-oven gas. There has, however, been a notable tendency for the size of coke-ovens to increase and for more of them to be located at the steel works, both of which tendencies can be taken as increasing efficiency. Thus, of coke-ovens ordered in the four years 1934-37, ovens representing a capacity of 17,725 tons a day were for steel works and only 9,773 tons for collieries. The proportion of new ovens to the total can be estimated from the fact that the average amount of coal carbonised in coke ovens in 1937 was about 62,000 tons a day. A large proportion of coking capacity is still, however, obsolete. Out of a total capacity of rather more than 22 million tons

per annum, only 6,720,000 tons consists of installations capable of over 20 tons per oven per day (i.e. efficient modern plants), while about 10,125,000 tons is still in ovens of less than 10 tons per oven per day and as much as 4,300,000 tons consists of the entirely obsolete waste heat ovens. In the consumption of raw coal, similar progress has been made. If, as a rough-and-ready measure, the consumption of raw coal (or the coal equivalent of coke) in steel and iron works other than blast furnaces is compared with the output of steel ingots, it will be found to have fallen from 0.925 tons of coal per ton of steel in 1929 to 0.688 in 1937—a decline of 25.7 per cent.

Improvements are thus being made in fuel economy. But the British figures are still a long way behind those of other countries. The consumption of coke per ton of pig iron and ferro-alloys in 1936 was 19.6 cwt. in Germany and 19.0 cwt. in Belgium. In the United States consumption of coke per ton of pig iron, excluding ferro-alloys, was 18.06 cwt. in 1937. The British figure for 1937 (including ferro-alloys), as already quoted, was 22.77 cwt. If a similar comparison could be made of the consumption of coal burnt raw, it would probably be even less favourable to Great Britain. Fuel economy, indeed, has only recently received the attention it deserves in this country. In the most modern practice, coal is not used except in the first process of producing coke. In the succeeding stages, according to a table prepared by Mr F. Kennedy, the gas from coke ovens and blast furnaces is more than sufficient to dispense with coal.

The size of plant is not an infallible guide to its efficiency; but it is, nevertheless, a good rough indication. The following table shows the average size of blast furnaces in this country by districts:—

U.K.: BLAST FURNACE OUTPUT PER FURNACE PER ANNUM BY DISTRICTS, 1930 AND 1937
(000 tons)

	1930	1937
1. Derby, Leicester, Notts, Northants, Essex ...	43.1	70.1
2. Lancs (other than 10), Denbigh, Flint and Cheshire ...	41.1	57.6
3 & 9. Yorks (incl. Sheffield) other than 5.....	58.0	75.7
4. Lincs.	58.9	70.6
5. N.E. Coast	24.6	31.2
6. Scotland	33.4	49.7
7. Staffs, Shropshire, Worcester and Warcs. ...	114.2	136.2
8. S. Wales and Monmouth	65.9	85.3
10. N.W. Coast	49.4	68.5
Average	49.4	68.5

The improvement is obvious, but so is the small average size of plants in many districts. Some districts (especially districts 1 and 6), where a large proportion of the total output consists of foundry and forge pig iron (not used for steel) are never likely to go in for large integrated plants of high capacity, nevertheless, the fact remains that the average size of British blast furnaces is still almost certainly too low for maximum efficiency. In the case of open hearth steel furnaces the proportion of total capacity represented by furnaces large enough to produce more than 75 tons per heat has risen from a quarter to a half. This is rapid improvement, but the proportion is still small.

Further light can be gained from figures of output per head. The average steel ingot production per year per man employed has varied as follows (in thousand tons):—

1930	75	1934.....	79
1931	65	1935.....	85
1932	64	1936.....	76
1933	77	1937.....	83

Part of the increase between 1930 and 1935 was merely due to higher total production, as the labour force was more fully employed. Conversely, the drop since 1935 may be due to the use of older plant. But there was probably some genuine increases in efficiency. A measure of production in the different sections of the industry can be given by comparing the index numbers of employment and production.

The following figures are indices of the production index of each branch divided by the employment index*:—

	Pig Iron	Tinplates	Wrought Iron and Steel Tube Strip
1929	127	145	...
1930	115	134	...
1931	104	118	...
1932	113	123	...
1933	143	126	107
1934	157	123	109
1935	169	117	135
1936	184	134	175
1937	177	158	155

The effect of the new pig-iron capacity and of the tardy improvement in tinplate can be clearly seen.

The story is, in rough outline, the same in the case of rolling mill practice. Some figures recently given for the cogging, billet and slab mills at the Templeborough works of the United Steel Companies show that the percentage of cobbles (rejected material) has been cut in three between 1933 and 1937 and the weekly mill record increased by about 42 per cent. But on the other hand, it was stated in the Import Duties Advisory Committee's report that, in 1936, 33.2 per cent. of the total production of semi-finished products was rolled elsewhere than in the producer's own works; after making full allowance for the specialist functions of the re-roller, this is an unduly high percentage.

* The indices of employment are those of the Ministry of Labour and are on the basis 1923 = 100. The base year for the indices of production varies, that for pig iron being 1923, for tinplates 1920 and for tube strip 1933. The resulting figures are thus not, strictly speaking, index numbers, but they suffice to show the trends.

Finance and Banking

British Overseas Bank.—Mr A. C. D. Gairdner, whose retirement will be universally regretted, was able to give further details at this week's meeting of the changes referred to in this bank's report. As some of the assets had become difficult of realisation, arrangements had been made for a deferred deposit of a sufficient amount, together with the bank's liquid assets, to cover the outside liabilities of the bank. This deposit and the cash it represents will figure in future balance sheets of the bank, but until the cash is actually required—which has not yet been the case—it has been placed at call with the banks making the deposit. Thus it neither earns nor costs any interest, and it is best regarded as a guarantee, or rather, in Mr Gairdner's words, as a shield behind which the bank's not readily realisable assets can be dealt with to the best advantage. A further change has taken place, affecting the ownership of the bank's share capital. Hitherto the "B" shares, amounting to £1,000,000 of paid-up capital, have been held by Williams Deacon's Bank, the Union Bank of Scotland and the Prudential Assurance Company. These have now been transferred to trustees, who will hold them for the benefit of the "A" shareholders, consisting of the general public and representing a further £1,000,000 of paid-up capital. Any future profits, therefore, which normally would have accrued to the "B" shareholders, will be available for the benefit of the "A" shareholders. The advisory directors, who largely represented the interests of the "A" shareholders, will disappear. The result is that the interests of the bank's depositors are fully protected, while those of the "A" shareholders are looked after, as far as possible. Meanwhile the various interests who held the "B" shares have cut adrift from the foreign field covered by the B.O.B., and they can hardly be blamed for doing so. Owing, no doubt, to technical delays, the deferred deposit only became available after the date of the bank's latest balance sheet. Otherwise it would have told a very different story, for, in place of attenuated cash holdings, it would, as Mr Gairdner pointed out, have shown cash in excess of deposits. As matters stand to-day, the

bank has a heavier shield than it requires. This shows that the interests of the depositors are not only protected against current difficulties, but also have a substantial margin of safety against future contingencies.

Perhaps the biggest departure in rolling mill practice undertaken in the last decade is the new continuous strip mill at Ebbw Vale. Although several authorities consider that the expansion of continuous strip rolling capacity in the United States of America was overdone (these plants cannot economically be put down with a capacity of less than about 250,000 tons a year) there is little doubt that the sheet rollers in this country were far too slow in adopting the new technique. By the time (December, 1937) that Richard Thomas, Limited, purchased Armco, Limited, from the American Rolling Mill Company (the originators of the continuous strip process) fifteen years had elapsed since the first of these mills was erected, and most other main steel-producing countries had installed them.

A final measure of the amount of modernisation undertaken can be derived from figures of capital expenditure. The I.D.A.C. committee estimated in 1937 that thirty-seven public concerns, accounting for 86 per cent. of the total output of steel in 1936, had a total capitalisation—after very heavy writings off in the preceding decade—of about £126.7 millions (of which 24 per cent. debentures, 25 per cent. preference shares and 51 per cent. ordinary shares). It has been authoritatively estimated that the total expenditure on capital requirement over the period 1934-38 was about £30 millions, which, in relation to the capitalisation of the chief companies, is certainly an impressive figure. The British industry has not in the past either made financial provision for the depreciation of its plant at the rates accepted in America or Germany or made actual replacements rapidly enough to maintain its position. There should be no resting on laurels in the future in this respect, and in any international comparison of costs, care should be taken to include comparable provisions for this purpose.

In many ways the most interesting part of Mr Gairdner's speech was his description of how these difficulties have arisen. The tragedy is that while most of the bank's clients remain sound—and, indeed, in themselves provide most desirable connections from the banking point of view—they are domiciled in countries such as Germany, Hungary and Spain, where exchange restrictions make it impossible for their debts to be regarded as immediately realisable. Mr Gairdner alluded to the gradual recommercialisation last year of the German Standstill Agreement, and indeed from every point of view this is the best solution of the problem. If bills drawn under the Standstill Agreement, and similar arrangements with other countries, can be related specifically to current shipments of goods, then the bank is able to perform its normal function, and the only remaining difficulty is the fact that the liabilities created by such bills cannot be called in. On the other hand, so long as the bank's debtors preserve their standing, there is no need to call in these liabilities or close down the credits against which those bills are drawn. Spain, perhaps, is in a rather different category, for the civil war brought the Anglo-Spanish clearing to an abrupt end, with many debts due to British bankers still outstanding. Here again the standing of the individual Spanish debtors is beyond question, and the one thing needed is peace. In short, the B.O.B.'s difficulties are political, not commercial, due to national exchange restrictions and not to any weakness of the bank's individual clients. They are beyond the bank's power of solution, and they must await a more settled state of the world's political and economic affairs. Meanwhile, the guarantee provided by the deferred deposit will bridge the gap and enable the bank to carry on its legitimate business. In this way both

the B.O.B. and those who are helping it in its time of undeserved trouble are making their own contribution towards the maintenance of sane international finance and trade.

Floating Debt Changes.—During the fortnight to December 10th the Exchequer not only had to provide the half-yearly War Loan dividend of about £35 millions, but also had to issue £8,500,000 under the Defence Loans Act, representing re-armament expenditure covered by borrowing. It is not surprising, therefore, that the floating debt increased by £47.5 millions. The Treasury bill tender issue, however, has shrunk by £15.0 millions, and the whole of this new money, and more, has been found through an

expansion of £61.2 millions in the tap issue of Treasury bills. Actual movements are shown in the following table, which also gives the floating debt position for August 20th:—

	Aug. 20	Nov. 26	Dec. 10
	(£ millions)		
Treasury bills:—			
(a) Tender	555.0	522.0	507.0
(b) Tap	296.2	404.1	465.3
Ways and Means Advances:—			
(a) From public departments ...	41.9	45.4	46.7
(b) From Bank of England	...	...	...
Total	893.1	971.5	1,019.0

It is not easy to explain the big movements of the past

MONEY MARKET NOTES

Foreign Exchanges

THE London market has been very dull. The New York rate has hovered between \$4.68½ and \$4.65½, being quoted on Thursday afternoon at \$4.67½. The Control has been operating both ways, merely so as to counteract fluctuations. There has been a certain amount of liquidation of dollar positions by those who desire to replenish their sterling holdings for their balance sheets at the end of the year. Three months' dollars, however, are at 2½-2 cents premium, equal to nearly 2 per cent. per annum. This leaves a useful profit upon sales of forward sterling against forward purchases, so that if this premium persists until after the end of the year, there may be a fresh demand for spot dollars. Francs have on the whole been offered, and the spot rate rose at one time to Frs. 177½, coming back later to Frs. 177½. Three months' francs also weakened from Frs. ½ to Frs. ¼ discount, returning by Thursday to Frs. ½ discount. Nevertheless, except on Tuesday when it bought a few francs, the French Control has been a seller. Spot belgas moved with the dollar, with little net change on the week. Forward belgas have strengthened, the one month's rate being now practically back at par. This recovery is no more than the reaction from last week's nervousness over the internal political situation. There has been practically no business in guilders, while Swiss francs have followed the dollar, again in an idle market.

The Bank Return

THIS week's return shows a continuance of the Christmas increase in the note circulation, offset to a small extent by some further dishoarding. The note circulation is now only £6.7 millions less than it was last year, and probably the whole of this decrease is accounted for by the dishoarding which

	Dec. 15, 1937	Nov. 30, 1937	Dec. 7, 1938	Dec. 14, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:—				
Gold	326.4	326.4	326.4	326.4
Notes in circulation	502.0	480.8	487.8	495.3
Banking Dept.:—				
Reserve	45.6	45.6	68.7	61.1
Public Deps.	11.4	23.1	18.6	15.6
Bankers' Deps.	103.4	97.1	102.9	99.5
Other Deps.	36.5	37.2	35.9	36.0
Govt. Secs.	95.0	90.2	66.1	68.4
Discounts & Advances	7.8	17.6	17.9	16.8
Other Secs.	20.7	20.1	21.5	21.7
Proportion	30.1%	29.7%	44.3%	41.1%

has taken place during the past twelve months. The Reserve has fallen during the past week as the result of the growth in the circulation. It is £15.5 millions greater than a year ago, but then the fiduciary note issue is £10 millions larger.

No real attempt has been made this week to neutralise the increase in the note circulation, for while the Reserve has shrunk by £7.6 millions, Government securities have only risen by £2.3 millions. Public deposits are £3.0 millions lower, but even so bankers' deposits have fallen by £3.4 millions. It may be that their present level of £99.5 millions is thought to be high enough, but it was noticeable that this week the money market was not over-well supplied with funds.

The Money Market

ALTHOUGH the syndicate last week dropped its tender price from £99 15s. 6d. to £99 15s. 3d. per cent., thereby raising the average tender rate to ¾ per cent., it obtained a 52 per cent. allotment of Treasury bills for which it had to pay this week. The banks were only buying bills sparingly, while the Bank return shows that this week only a very partial attempt was made to offset the currency withdrawals from the bank. All these factors combined to make money less easy. Bond-money, it is true, was relatively plentiful at ¾ per cent., but there was a good demand for loans against bills, practically all of which fell on the clearing banks. There was also a steady demand for money into the New Year, and the rate has hardened since last week from 1¼ to 1½ per cent.

	Dec. 16, 1937	Dec. 8, 1938	Dec. 15, 1938
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:—			
Clearing Banks	1½-¾-1*	1½-1*	1½-1*
Others	1½	5½-¾	5½
Discount Rates:—			
Treasury bills	1½	2½	7½
Three months' bank bills	2½	7½	15½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

Bill rates are also firm. Hot Treasury bills were freely offered at ¾ per cent. The week's general quotation for three

months' bank bills was 1½ per cent., but while this would be shaded early in the week, by Thursday it had become effective.

The Bullion Market

THE bullion market has been relatively quiet. Dealings in gold were limited, partly because of a very languid arbitrage demand, and partly because of a reluctance to add to commitments immediately before the end of the year. This last factor has also been the cause of a certain amount of selling by holders who wished to improve their cash position. On Saturday the price rose to 1½d. premium, but this was due to a special order from the Continent which had to be met in a very narrow market. The Control has not done much. It made no attempt to fix the price, and also abstained from after-fixing offerings. The general note has been one of dullness.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count *	Amt. dealt in †	Cash	Two Mths.
1938	s. d.	d.	£'000	d.	d.
Dec. 9 ...	149 0	1pm	528	20½	19½
" 10 ...	148 11	½pm	270	20	19½
" 12 ...	148 10½	½pm	294	20½	19½
" 13 ...	149 1½	½pm	768	20½	19½
" 14 ...	149 0	par	303	20½	19½
" 15 ...	148 8	par	420	20½	19½

* Above or below American shipping parity. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.
† At fixing.
The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market has also been quiet. Many operators believe that current prices are too high, and when bear-covering lifted the price above the American parity, there was immediate re-selling by American holders. The market is still waiting to see if Washington will announce a reduction in prices at the New Year. In the forward market India has been operating both ways, and there has been some American forward buying. One view is that most of the world's demonetised silver has now been absorbed, while none of the North or South American production now reaches London. This means that London has to operate on a much smaller volume of business than in past years.

fortnight. The French repatriations gave the Exchange Account additional sterling, whose re-investment is undoubtedly reflected in the fortnight's increase in the tap issue. Also the relatively large size of public deposits during the latter part of November probably represented accumulations of Exchange Account cash, which were being held in readiness to cover the heavy expenditure of the past fortnight. This money has again been invested in tap Treasury bills, which is the way in which it is put at the Exchequer's disposal. The origin of that money is partly the support given to sterling during October and November and partly the maturities of tender issues of Treasury bills bought in the open market during September and October. Further maturities of this kind can be expected next month, when they will be superimposed upon the seasonal reduction in the tender issue. For these reasons a better picture of the crisis and its aftermath is found by comparing August 20th and December 10th. This shows an increase in the tap issue of about £170 millions. It is small wonder that the tender issue has shrunk by £48 millions, and the more serious question is what decrease in the Exchange Account's gold reserves is indicated by this enormous expansion in the tap issue.

The Bank and Municipal Bills.—The issue raised last October by the clearing banks' refusal to accept as security for money market loans municipal bills that were ineligible for rediscount at the Bank of England has been settled this week by a considerable widening of the Bank's eligibility provisions. In the past the only municipal bills taken at the Bank as security for market loans or eligible for rediscount were those bills—four issues in all—which were placed through the Bank itself. As soon as the clearing banks adopted this criterion for discriminating between what was, and what was not, acceptable as security for their own money market loans, the Bank's rule clearly became arbitrary, and called for immediate remedy. In future, therefore, the Bank will rediscount or accept as security for market loans all municipal bills issued by virtue of Acts of Parliament giving the local authorities concerned specific powers to borrow by way of bills. This general undertaking is made subject to two conditions. The first is that the bills are drawn for periods of six months or less. The second is that they represent a genuine self-liquidating debt, in proof of which the local authorities concerned must be wholly free of bill indebtedness for at least 60 days in every year. These conditions will call for some amendment in the methods of municipal bill financing. Many issues in the past have been in the form of yearling bills. These will have to be adjusted to the new requirements. Moreover, in certain cases bills have been renewed automatically at maturity. In future this automatic extension will have to be avoided. The amount of municipal bills specifically authorised by Statutes is about £18 millions. The new regulations are evidently intended to exclude bills issued by municipalities under Section 215 of the Local Government Act of 1933. The ruling given on this point confirms the market's doubts that municipalities issuing bills under the provisions of this Act were, in fact, acting *ultra vires*.

Bank of London and South America.—At this year's meeting Lord Wardington made some interesting comments upon the downward trend of British trade with South America. He admitted that the purchasing power of many of these countries had shrunk as a result of the decline in the prices of wheat and their primary products. The falling off in these exports had also forced some of these countries to intensify their exchange restrictions. But Great Britain's share of the import trade of the South American States had also shrunk—in the case of Brazil from 20 per cent. in 1932 to only 10 per cent. for the first half of last year. This Lord Wardington ascribed partly to the growing industrialisation of

those countries, but mainly to the development of trade with Germany financed by aski marks. Germany and Italy had also been granting direct subsidies to exporters. In certain cases the flood of subsidised goods had become a menace to the importing countries themselves, for Chile had established a quota for imported woollen goods while the Argentine Government had introduced an anti-dumping bill for consideration by Congress. There was also competition of a legitimate character from the United States, assisted first by her comparative immunity from political anxieties and second by her geographical proximity. Argentina and Uruguay also held to-day large unabsorbed stocks of cotton textiles. Lord Wardington did not make any definite suggestions for the removal of these difficulties, apart from an allusion to the fact that a new Anglo-Argentine Trade Agreement will have to be negotiated next year. What he has done is to place clearly before the public the nature of the new difficulties with which our exporters to South America are confronted.

Commercial Bank of Scotland.—In the absence of the Earl of Mar and Kellie, Lord Milne presided at the annual meeting of the bank. He pointed out that there had been a slight drop in deposits during the year, but that deposits at the Scottish branches alone showed an increase. Cash, call money and investments amounted to 80 per cent. of the bank's liabilities, which he claimed represented a very strong and liquid position. Commercial bills were £240,000 less than in the previous year. Advances were also lower by £1,160,000, but this drop was fortuitous as during the greater part of the year they had been in excess of the balance sheet figure. The chairman took a guarded view of the future, which was coloured by the prevailing international political uncertainties. He welcomed, however, the Anglo-American Trade Agreement, which in the course of time must bring substantial advantages over a wide field.

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Investment

Non-member Dealings.—Study of the modifications to the proposed alterations to the Rules, which were originally passed on July 25th, and which, in their new form, are now due for confirmation on January 3rd, shows that the Committee for General Purposes have been compelled to bow to the weighty criticisms levelled at the original proposals. In their revised version, the changes governing non-member dealings will meet little opposition for, on the main issues of contention, they leave the position—at least, in principle—unchanged. The standing stipulation remains—that a broker shall not execute an order with a non-member unless thereby he can deal for his principal to greater advantage than with a member. In future, it is specifically enjoined, the broker must be prepared to justify all outside dealings to the Committee if called upon to do so. This, however, merely puts in black and white an obligation which is ever present in the mind of brokers and jobbers alike in all their transactions—the reality of which is exemplified by the appreciable number of dealing queries which are, in fact, referred to or brought to the notice of the Committee. An important change of procedure, however, is involved in the special marking slip on which brokers will, if the alterations are confirmed, be obliged to record, for bargains with non-members, the time of the bargain, and the time and particulars of the quotations obtained in the market, together with the names of the jobber or jobbers involved. The principal object of this provision, no doubt, is to facilitate inquiry into disputed cases. As such, the only objection is that it will involve brokers in a good deal of trouble, especially as it is specifically provided that outside bargains must be marked “without delay”—an injunction involving practical difficulties in times of active business.

* * *

The amended alterations contain two significant restrictions on the applicability of certain commission concessions allowed by the present Rules. A broker doing arbitrage business for a non-member arbitrageur may charge not less than one-half the usual commissions. The new proposal is to limit this to cases where the deal is done with a member of the Stock Exchange. The originally proposed modification was to limit the concession to deals done with a jobber, and this would have impeded an important class of dealings between brokers acting for outside arbitrageurs and brokers having special outside connections. As now drafted the concession will only be withheld in cases where a broker acting for a non-member arbitrageur undoes the bargain with his own outside clients. The new provision that a broker, when transacting business between a country broker and a member of the public, is to be considered as acting as the agent of the latter, is on parallel lines. This secures that one full normal commission shall be paid and eliminates a certain amount of under-cutting, e.g. in dealings with provincial centres. In sum, the proposed alterations, as now modified, hardly touch the fringe of the problem of outside competition and the re-attraction of business to the “House.” It is probable that only a small proportion of the deals which at present by-pass the “House” are within the affected area. Some members assume, therefore, that the Committee may devote further attention to the root problem and propose new methods of approach.

* * *

Uniform Dividend Announcements.—It has been known for some time that the Stock Exchange Committee wished to effect an improvement in the manner in which company dividend announcements are made. It has indeed played its own part by installing new recording apparatus in the “House” itself. The majority of the announcements issued by public companies, *via* the news agencies and the “House” notice boards, are lucid and

give rise to no misunderstanding. But on occasion (investors may recall the *contretemps* which attended the declaration of the Burmah Oil dividend, cash bonus and share bonus last May) considerable confusion and unrepresentative market prices may result. The Stock Exchange Committee has accordingly dispatched, for the consideration of the 7,000 companies represented in the Official Year Book, two specimen statements covering interim and final dividends. In an accompanying letter the Committee show that the avoidance of ambiguity and the inclusion of preliminary profits figures, even where these are provisional, make for a proper market price and serve the investor's interests. The suggested interim dividend statement contains provision for setting out the rate per cent. actual and the amount per share, less income tax at the relevant figure in the pound. This information would prevent any confusion in interim dividend announcements of annual rates with actual interim payments, and would also show the operation of any relief for Dominion income tax. The final dividend statement covers the same points, with additional provision for the full year's dividend. It also provides for cash bonuses, the terms of rights and bonus issues, and includes a comparative statement of net profits for the latest and previous financial years. The latter point is of very considerable importance, since a declared dividend may be the only market factor determining the value of the share concerned for a considerable period prior to the publication of the company's profits. It will rest, of course, with company directors and secretaries to make use of the suggested forms if they choose. But since they have been evolved by the Stock Exchange Committee, in consultation with representatives of the British Banking Association, the Chartered Institute of Secretaries, the Institute of Chartered Accountants, the London Chamber of Commerce and the Society of Incorporated Accountants and Auditors, it will be seen that they are backed by powerful professional opinion. Their adoption as a minimum standard would greatly assist investors and their professional advisers.

* * *

Sharepushing Bill Progress.—The Prevention of Fraud (Investments) Bill concluded its Committee stages this week. Clause 10—the revised version of the offending Clause 9—was approved without major change. Facing critics who wished to strengthen its provisions, the Solicitor-General admitted that the Clause was weaker than in the original form, and accepted Mr Johnston's amendment to add dishonest concealment of material facts to the list of offences. Moreover, offenders under the Clause will not be liable to summary conviction. Hence, the maximum penalty of seven years' penal servitude faces every transgressor under the amended Clause. An amendment to substitute the word “document” for “circular” (which has not been legally defined) in Clause 11 was withdrawn. But provision has been made not to exclude “documents” in the form of newspapers or periodical publications from the definition of “circular,” merely because of their form. It remains, of course, to introduce further amendments, as promised by Mr Oliver Stanley, when the Bill returns to the House. Clause 14, for example, is to be modified to make provision for safeguards for unit trusts. And there is no lack of detailed points which still require stricter definition.

* * *

Back to Fixity.—The Municipal and General group was the first to introduce the fixed trust into this country, and also the first to introduce the flexible unit trust. This week the same sponsors have introduced the New British Fixed Trust. Before the investor leaps to the conclusion that flexibility has been abandoned, and that fixity

Company Notes

Turner and Newall Profits.—The preliminary profits of Turner and Newall for the year to September 30th last must be regarded as very satisfactory, in view of the general setback in the constructional trades during the past year. Net trading profits, after providing for depreciation and income tax have, in fact, reached a new record of £1,361,694 compared with £1,333,489. N.D.C., which is set out as a separate item, requires £84,000, compared with £40,000 for 1936-37, and thus absorbs more than the past year's increase in profits. Earnings for the ordinary stock, as the following table shows, amounted to £1,166,596, against £1,182,391, and the ordinary dividend, maintained at 20 per cent., is covered by slightly reduced earnings of 22.6 per cent.:—

	Years to September 30th		
	1936	1937	1938
Total profit	£ 1,343,527	£ 1,543,876	£ ...
Depreciation	120,418	122,117	...
Income Tax and fees	59,801	88,270	...
Net profit	1,163,308	1,333,489	1,361,694
N.D.C.	...	40,000	84,000
Staff Funds	10,000	10,000	10,000
Preference dividend	101,098	101,098	101,098
Ordinary stock—			
Earned	1,052,210	1,182,391	1,166,596
Paid	847,689	1,065,690	1,065,756
Earned %	23.0*	22.9	22.6
Paid %	17½*	20	20
To reserve	200,000	100,000	100,000
Carry forward	99,069	115,770	116,610

* On £4,843,933 capital.

Perhaps the most instructive feature of the preliminary statement is the stability of the group's earnings during recent years. Technically and geographically, its interests have been extended and the company now serves a range of trades which, in itself, provides a considerable degree of industrial diversification. On the preliminary figures, the £1 ordinary shares finally settled at 77s. 10½d. and the yield, based on the 20 per cent. dividend and Dominion income tax relief of 9d. in the £ on the final dividend of 16½ per cent., is £5 7s. 3d. per cent. gross.

* * *

Bowater's Paper Group Results.—In August, 1937, the Bowater's Paper group reached agreement with newsprint users covering an increase in the contract price of newsprint for 1938 from £10 to £11 10s. per ton. It was then understood that the increase would not fully offset the increased prices of raw materials for which the group had contracted—a point recognised by the provision by the parent and constituent companies of £230,000 as a special reserve to cover increased costs in 1938. The

has been reinstated, he may be advised to study the constitution of the new trust in detail. It may, perhaps, be not unfairly described as a fixed trust enjoying some of the attributes of flexible trust operation—particularly those which (as the Municipal and General group has always claimed) attach to “Cash Funds.” It is certainly not a fixed trust, in the automatic and rigid sense of the earliest creations in this field. It imports a new concept into unit trust affairs—the “Unit of Investment.” For practical purposes, this is the familiar panel of the fixed trust, and consists of 33 industrial, metal, and commodity shares, which appears to be well chosen. The trust is first constituted by depositing one Unit of Investment with the trustee, and calculating the initial price of the sub-units as 1/10,000th part of the cost, adding the preliminary charge of 2½ per cent. and rounding up the price to the next 1½d. Subsequently, however, the offered price is determined by dividing the replacement value of the deposited property by the number of sub-units in issue, together with preliminary charges and adjustments. In other words, valuation is conducted on the general methods adopted for a flexible trust. It follows that “Units of Investment” are not necessarily and automatically bought as a complete whole, but may be constituted or unwound by stages. With the exception of the preliminary charge of 2½ per cent., the trust receives all cash subscriptions, and price adjustments, while the managers are entitled to a charge of ⅓% of one per cent. of the fund each half-year. Rights may be taken up by employing cash holdings, or if realised, the proceeds are added to the trust fund. It would appear that the trust combines the publicity value of a fixed list of securities with well-designed (though technically complicated) provisions to safeguard the investor's interests.

* * *

Building Societies' Interest Rates.—The report of the National Building Society is accompanied by an announcement that the rate of interest allowed on the “B” shares (and also on future investments in completed and uncompleted shares) will be raised next year from 3 to 3½ per cent. Following the announcement of a similar increase on Woolwich Equitable D2 shares, and changes by certain other large societies, the statement suggests that building societies are now finding it necessary to take account of the rise in general interest rates that has been taking place since the beginning of 1937 in order to attract new money. There have been recent signs of intensified competition for building society funds, and it is possible that money withdrawn during the September crisis (moderate though it appeared to be) requires some additional incentive to return. We summarise below certain recent changes in investment rates and conditions announced by the larger societies:—

Society	Class affected	Tax free rate %	
		Old	New
Halifax Permanent ...	No change		
Abbey Road†	No change in rates		
Woolwich Equitable..	D2 shares	3	3½*
Leeds Permanent ...	12-mth. deposits over £500	2½	3
National	“B” shares‡	3	3½*
Huddersfield	Private depts.	2½	2½
Leicester Permanent..	Ltd. co's depts.	2	2½
Co-operative Perm....	Paid-up shares	3	3½*
	3-yr. deposits over £100	3	3½

* As from January 1, 1939.

† Limit on individual share holdings raised from £50 to £1,000, temporarily. ‡ New rate applies also to future investments in completed and uncompleted shares.

In three instances the increases do not operate until 1939, but the Huddersfield Society increased its rates early in 1938. It will be noticed that the Halifax and the Abbey Road Societies have taken no action in regard to rates, though Abbey Road has, as a purely temporary measure, raised its limit on an individual shareholding from £50 to £1,000. And the interest announcement by the National Society (whose shares outstanding are slightly reduced compared with 1937) includes a statement that share investments will be accepted up to a £4,980 maximum.



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latest reports, for the year to September 30th, show sufficient earnings to meet debenture interest and preference dividends, but leave no margin for the equity. And in each case the profits of the three operating companies—Bowater's Paper, Bowater's Mersey, and Edward Lloyd—are supplemented by a credit from last year's allocations against increased costs. From the respective balance sheets it would appear that these reserves are not exhausted. This is a point of some importance, since newsprint prices will be reduced from £11 10s. to £11 5s. per ton from March 31st next, while the contraction in consumption has tended to increase costs, and also to delay the full absorption of high-priced raw materials. These factors suggest that the current year's profits outlook is not expansionary. The results of the five constituent companies need to be consolidated before the actual position of the parent company's equity can be assessed. The group as a whole has £1,800,000 of debentures, £6,700,000 of preference capital, and £1,000,000 of ordinary capital in public hands. The debentures require £63,000 gross; debenture premiums (for Bowater's Mersey) involved a special charge of £24,000 last year; while preference dividends absorb

£413,500 gross. The total sum slightly exceeds £500,000, and appears to have been covered with a small margin, to judge by disclosed profits.

Future Prospects.—It is evident that ordinary dividend prospects remain dim for the current year; that, at least, is implicit in the current price of 11s. for the £1 stock units. But there is no apparent reason why the 6½ per cent. and 7½ per cent. preference stocks of Bowater's Paper should not continue to receive their due dividends. The longer prospect will be determined to no small extent, by the results of the Bowater-Lloyd Newfoundland developments. This company, by acquiring control of International Power and Paper, has, in effect, insured the group against fluctuations in raw material prices and supplies. The first part of the finance was provided by the issue of £1,250,000 4½ per cent. debenture stock last July, which is jointly and severally guaranteed by the constituent companies of the group. At the end of November, however, the company acquired further timber areas, from which it will ship unmanufactured pulp wood, on the understanding that sulphite production at Corner Brook is increased. Reports have been in circulation that the price involved was of the order of \$3,500,000. These developments are highly important. But they do not suggest that Bowater's Paper ordinary shares are likely to return to the dividend list in the immediate future. They are essentially reserved for the speculative long-term holder.

Seager Evans Questions.—The £1 ordinary shares of Seager Evans enjoyed a burst of activity in October which took the price up from 34s. 3d. to 44s. 9d. At the end of that month the board issued a statement that negotiations were in progress, which were calculated to prove to the ultimate benefit of the group. Accompanying the report to July 31st (which has been delayed by two months) comes a statement that the "contemplated plan" is not to be proceeded with for the time being, owing to international factors. It will be recalled that the same reasons were adduced for the abandonment of the Callender's Cable-Crompton Parkinson negotiations a few weeks ago. Fuller explanation of the position, however, is promised for the annual meeting next week. It is also probable that the chairman will find that shareholders are no less interested in other aspects of the report. They will notice, in the first place, that no consolidated balance sheet and profit and loss account is presented this year. The directors, indeed, point out that owing to the larger and more widespread interests which have been acquired, the accounts are presented in a somewhat different form. But the absence of consolidated figures renders interpretation of the accounts extremely difficult. The profit and loss account shows that the parent company's profits during the year to July 31st are halved, from £101,587 to £50,815. But whether this fall is representative of the experience of the group as a whole cannot be divined, despite the statement under Section 126 of the Companies Act, without some inkling of the consolidated earnings of the group. The balance sheet exhibits even more conspicuously the need for a consolidated statement of assets and liabilities. The liquid position at the end of July last shows a significant deterioration, though it may subsequently have improved. Net current assets, which amounted to £117,000 at July, 1937, have been reduced to £21,000. A year ago, Seager Evans itself held £39,968 in cash. By last July, the balance had been reduced to £769, while the creditors' item had been increased from £75,126 to £338,658—the latter figure including an unstated bank overdraft. Apart from the general advisability of including an item for bank overdraft among trade creditors, the report raises questions which are not fully answered by the statutory balance sheet alone. Distillery and trading acquisitions account, so the shareholder is informed, for £300,000 outlay during the past year. But a consolidated balance sheet is essential to show the nature of the assets acquired. Shareholders may also

be inclined to ask how long the Development Account is to be continued. This account is charged with a further sum of £47,000 for expenditure during the past year, though the total amount capitalised is offset by specific reserves. The fall in the ordinary shares from 35s. to 28s. 9d. on the report suggests that these points have attracted the concern of investors.

A.B.C. Setback.—A decline in profits has again been experienced by the Aerated Bread Company. The 1937-38 total profits are the lowest recorded since 1929-30, and they are 13 per cent. lower than a year ago. In this respect, the directors refer to the general depression in trade, to rising costs, and to the effects of the European crisis. The company's profits record, however, does not show that earning capacity in the recent past has been sensitive to trade fluctuations, though the stability revealed may be in part due to the fact that profits are struck after contingencies. But additional difficulties were caused by the inevitable dislocation due to rebuilding of the Camden Town bakeries. The course of profits in the past three years is shown in the following table:—

	Years to end September		
	1936	1937	1938
Total profit	234,935	217,262	189,406
Depreciation	73,120	67,247	66,881
Tax and N.D.C.	45,000	42,000	37,000
Other expenses	2,602	9,145	9,509
Preference dividend.....	36,604	36,009	35,116
Ordinary shares—			
Earned	77,609	62,861	40,900
Paid	48,876	48,075	46,473
Earned %	7.9	6.5	4.4
Paid %	5	5	5
To reserve	25,000	18,500	...
Carry-forward	48,337	44,623	39,050

Although there is some saving on the tax provision, the 5 per cent. dividend is short-earned by about ½ per cent., no allocation is made to reserve and the carry-forward is drawn upon to the extent of £5,573. Certain changes due to the rebuilding programme appear in the balance sheet. A reserve of £110,000 for obsolescence arising from the reconstruction scheme was set aside in previous years, and has now been used for writing down the fixed assets. And as the result of a taxation settlement, a surplus of £50,000 has been released and has been transferred to a new development reserve for reconstructing and modernising branches. Additions to buildings and plant have been on a larger scale than in 1936-37, entailing £207,263 for property, £141,029 for plant, and increasing fixed assets (other than investments in subsidiaries) from £2,714,337 to £2,885,748 net. Since 1929-30 the company has regularly paid a 5 per cent. dividend, and the £1 ordinary shares yield £5 16s. at a current price of 17s. 3d.

Decca Record Scheme.—Decca Record is faced with a capital loss of £503,912 to make good, and has debentures due for repayment next year for which funds are not available. Since its inception in 1929 the company has paid neither preference nor ordinary dividends. The reconstruction scheme now proposed involves changes in all three forms of capital, which consists of £249,290 6½ per cent. debentures, £230,417 in 8 per cent. £1 preference shares and £395,331 in 3,162,648 2s. 6d. ordinary shares. It is proposed to defer repayment of the debentures until 1961, but in compensation to repay them at 110 instead of par, and to raise their interest to 6½ per cent. A cumulative sinking fund, of about 1 per cent. for three years and about 3 per cent. thereafter, is also to be established. These proposals are reasonable and inevitable. As for the shareholders, the ordinary capital is to suffer an 83½ per cent. cut to £64,232 (consisting of 1,284,633 1s. shares), of which £11,521 (or 18 per cent.) is to be

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BALANCE SHEET at 30th June, 1938.

LIABILITIES		ASSETS	
	Frs.		Frs.
Capital	100,000,000-00	Cash in hand and with Bankers	199,010,410-95
Reserves	100,000,000-00	Bills receivable and for collection	274,205,351-13
Current and Deposit Accounts	539,784,731-43	Investments	23,358,923-11
Bankers and Correspondents	223,745,141-13	Bankers and Correspondents	463,559,687-28
Bills payable	143,308,190-24	Loans and Advances	539,449,224-53
Bills held as collateral and for collection on account of customers	407,441,868-37	Premises	21,000,000-00
Dividends unclaimed	208,588-00	Paris, Buenos Aires, Montevideo, Rio de Janeiro, Sao Paulo, Santos, Campinas.	
Re-discount on bills	406,625-22	Furniture and Fittings	1-00
Dividend payable on 1st December, 1938	10,000,000-00		
Balance of Profit and Loss Account carried forward	1,693,433-61		
	Frs. 1,520,583,578-00		Frs. 1,520,583,578-00
Depositors and Sundry Accounts as per contra	Frs. 2,234,610,711-52	Securities deposited and Sundry Accounts as per contra	Frs. 2,234,610,711-52

PROFIT AND LOSS ACCOUNT for the Year ended 30th June, 1938.		Gr.	
	Frs.		Frs.
Dividend at the rate of 10 per cent. per annum net of Belgian tax	10,000,000-00	Brought forward from the Business Year 1936-1937	1,663,818-95
Directors' Fees	856,149-45	Net profit for the year	11,585,764-11
Provisions for Taxes	700,000-00		
Balance forward	1,693,433-61		
	Frs. 13,249,583-06		Frs. 13,249,583-06



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Mather & Platt, Ord.	Rubber Trust
Radiation, Ord.	Harrods, Ord.
Ransome & Marles, Ord.	Woolworth's, Ord.
Bolsover Colliery, Ord.	Linen Thread Co., Ord.
Sheepbridge Coal & Iron, Ord.	Patons & Baldwins, Ord.
Staveley Coal & Iron	Total Broadhurst, Ord.
Stewarts & Lloyds, Def.	B.A.T., Ord.
Amalgamated Metal, Ord.	Imperial Tobacco Co., Ord.
British Aluminium, Ord.	Allied Bakeries, Ord.
International Nickel, Common	Dunlop Rubber, Ord.
Union Corporation, Ord.	L.M.S. 4% Pref. Stock
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'Shell', Ord.	Turner & Newall, Ord.
	Wiggins Teape, Ord.

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transferred to existing preference shareholders. Each existing 2s. 6d. ordinary share is thus cut to 4d. Preference dividend arrears from March, 1933, are to be cancelled, and the nominal value of preference share holdings is to be reduced by 75 per cent. But besides receiving 230,417 1s. ordinary shares, preference shareholders will receive a 10 per cent. cumulative dividend on their new 5s. preference shares (i.e. 2½ per cent. on the old basis), with participating rights to a further 6 per cent., so that the maximum preference dividend represents 4 per cent. on the old preference capital. The exact relationship between the ordinary and participating preference rates of dividend, however, is obscure. A new Article, defining the new preferential rights, says only that the preference shares are entitled to a cumulative 10 per cent. "and in respect of any financial year . . . in respect whereof the company shall pay a dividend to the holders of the ordinary shares to a further non-cumulative dividend . . . of £6 per cent." Apart from this point, it hardly appears that preference shareholders' sacrifices are compensated by an 18 per cent. share in the equity. It is true that about two-thirds of the present ordinary capital was subscribed in cash in 1937, and that the proceeds were used in part to repay loans which otherwise would now rank before the preference shares. But subscription of ordinary shares rather than prior securities was presumably undertaken deliberately, and the solid sacrifices invited from the preference shareholders include a permanent halving of their maximum dividend rights and the abandonment of arrears. That the scheme will divide opinions, however, is indicated by the fact that the Shareholders' Protection Association has announced its approval.

December Kaffir Dividends.—Record outputs and a record valuation price last month have encouraged Kaffir shareholders in a moderate degree of optimism regarding the December dividends. But, for a number of reasons, expanded operations have not been followed by

a corresponding expansion of profits, and the December declarations suggest that directors have decided to be conservative. In several cases, such as Consolidated Main Reef and Durban Deep, where expansion in tonnage has been accompanied by growth in profits, no change has been made in the dividend rate. Modder East provides the most notable increase among the Rand Mines—Central Mining group (whose dividends are set out below), although the increase is scarcely what had been expected in view of the great saving in capital expenditure envisaged in the last report:—

	Dec., 1937	Total, 1937	June, 1938	Dec., 1938	Total, 1938
<i>Rand Mines—Central Mining</i>					
Rand Mines (5/-)	4/-	8/-	4/-	4/-	8/-
City Deep (£1)	1/-	2/-	1/-	1/3	2/3
Consol. Main Reef (£1)...	2/6	5/3	2/6	2/6	5/-
Crown Mines (10/-)	9/6	19/-	9/6	9/6	19/-
Durban Deep (10/-)	1/3	2/6	1/3	1/3	2/6
East Rand Prop. (10/-) ...	1/9	3/6	1/9	1/9	3/6
Goldendhuis Deep (£1) ...	3/-†	5/-	2/-	3/-	5/-
Modder "B" (5/-)	1/3	2/6	1/3	1/3	2/6
Modder East (£1)	3/-	6/-	3/-	3/6	6/6
New Modder (10/-)	2/9	5/9	2/9	2/6	5/3
Nourse (£1)	2/-	4/-	2/-	2/-	4/-
Rose Deep (£1)	1/3	2/3	1/3	1/6	2/9

† Includes 6d. per share bonus from Eastern plant clean-up.

Expansion in the earnings of City Deep and Rose Deep is reflected in small dividend increases, but the high price of gold has not prevented a further cut in the New Modder rate.

"Johnnies" and Union Corporation Dividends.—Despite the decline in profits, Government Areas, in the "Johnnies" group, has maintained its rate at the reduced June level of 1s. 9d., making a total of 3s. 6d. for the year as compared with 4s. 6d. in respect of 1937. With the assistance of another bonus from sale of land, Langlaagte is able to pay 1s. compared with 2s. twelve months ago. Development uncertainties at Randfontein have not affected the usual 2s. 3d. payment, while Witwatersrand Gold has increased its distribution by 6d., though no material change in monthly profits was reported until November, when the total was about £800 above the average of preceding months. The "Johnnies" payments are set out below:—

	Dec., 1937	Total, 1937	June, 1938	Dec., 1938	Total, 1938
<i>"Johnnies" Group</i>					
East Champ d'Or	...	...	-/6	-/9	1/3
Govt. G.M. Areas (5/-)...	2/3	4/6	1/9	1/9	3/6
Langlaagte Estate (£1) ...	2/-*	3/6	1/-	1/-*	2/-
New State Areas (£1) ...	3/-	6/-	3/-	3/-	6/-
Randfontein (£1)	2/3	4/6	2/3	2/3	4/6
Van Ryn Deep (£1)	2/6	5/-	2/6	2/-	4/6
Witwatersrand Gold (£1) ...	2/6	5/-	2/6	2/6	4/6

* Including, respectively, 1/- and 6d. bonus from sale of land, etc.

Thanks to the progressive growth in profits, due to rising revenue and reduced costs per ton, East Geduld is able to pay an additional 6d., making 11s. 6d. for the year as against 9s. 9d. in respect of 1937. The additional receipts on the company's holding of these shares enables Geduld Proprietary to repeat its 1937 distributions; and Modder Deep, which went into liquidation some two years ago, is again paying 6d. The distributions are summarised below:—

	Dec., 1937	Total, 1937	June, 1938	Dec., 1938	Total, 1938
<i>Union Corporation Group</i>					
East Geduld (£1)	5/-	9/9	5/6	6/-	11/6
Geduld Proprietary (£1) ...	7/6	15/-	7/6	7/6	15/-
Modder Deep†	-/9	1/6	-/6	-/6	1/-
Van Dyk (10/-)	...	...	...	-/3	-/3

† In liquidation.

They include a distribution by Van Dyk—a small payment which is a precursor of better things. November's profits of £40,740 compared with £7,610 in June, illustrate the rapid progress of the company.

"Gold Fields" Payments.—It is unfortunate that the recent new issue by Simmer and Jack should have involved postponement of the dividend declaration until next week, because the announcement of this member of the Gold Fields group had been awaited with particular

interest. It has been intimated that a small increase in payments in the near future could be anticipated, with larger additions to come. Despite the expansion in profits of the Robinson Deep and a reduction in the amount required for meeting the "A" shares, the "B" shares dividend remains the same as in the four preceding half-years. For 1939 the rate on the "A" shares will remain at 9d. per half-year, but in respect of 1940 the total will be only 6d. per share, since repayment is due on January 1, 1941. The increase in profits has encouraged more activity in the shares of Rietfontein Consolidated, but the company repeats the reduced payment of June on the increased capital. No surprise would have been created by a small cut in the Luipaards Vlei rate in view of the expansion in capital during the half-year, but shareholders are again to receive 6d. The company, though for some time past administered by Gold Fields, is not actually a subsidiary. The Gold Fields' and miscellaneous distributions are summarised below:—

	Dec., 1937	Total, 1937	June, 1938	Dec., 1938	Total, 1938
<i>Gold Fields Group</i>					
Luipaards Vlei (2/-)	-/6	1/-	-/6	-/6	1/-
Rietfontein Cons. (5/-)...	-/10‡	-/10‡	-/7‡	-/7‡	1/3
Robinson Deep "A" (1/-) ...	1/3	2/6	-/9	-/9	1/6
Robinson Deep "B" (7/6) ...	2/6	5/-	2/6	2/6	5/-
Sub Nigel (10/-)	7/6	15/-	7/6	7/6	15/-
<i>Miscellaneous</i>					
New Kleinfontein	2/-	4/-	2/-	2/3	4/3
Nigel Gold	1/6	3/-	1/9	1/9	3/6
Rand Leases (10/-)	-/9	1/6	1/-	1/3	2/3
Wit. Deep	1/9	3/6	1/6	1/3	2/9

Outstanding among the miscellaneous producers' declarations are the progressive increases by Rand Leases and the further cut in the Witwatersrand Deep rate. The former company is supervised jointly by the Anglo-Transvaal Consolidated and the "Johnnies" undertakings. Witwatersrand Deep is a low-grade mine, whose results in the early part of the half-year were adversely affected by an accident.

Anglo-American and General Mining.—The Anglo-American declarations include, for the first time, "Sallies," which started crushing in July and reported a profit for November of £41,090. The rate of the first announcement is 14½ per cent., or 6d. per share of 3s. 6d. A distribution at this stage had not been fully expected. The shares of the parent company, the Anglo-American Corporation, are to receive 3s., and those of the Anglo-American Investment Trust 1s. 6d., as compared with 4s. in each case twelve months ago. The Anglo-American and General Mining declarations are set out below:—

	Dec., 1937	Total, 1937	June, 1938	Dec., 1938	Total, 1938
<i>Anglo-American Group</i>					
Brakpan (5/-)	1/6	3/-	1/6	1/7‡	3/1‡
Daggafontein (5/-)	1/2‡	2/5‡	1/3	1/3‡	2/6‡
New Era Consol. (5/-) ...	-/9	1/3	-/6	-/6	1/-
S.A. Lands (3/6)	...	...	...	-/6	-/6
Springs (5/-)	1/3	2/7‡	1/3	1/4‡	2/7‡
West Springs (£1)	1/3	2/6	1/3	1/3	2/6
<i>General Mining</i>					
Van Ryn Gold (10/-) ...	1/6†	3/-†	1/3†	1/3†	2/6†
West Rand Cons. ord. (10/-)	1/6	2/6	1/-	1/6	2/6
Do. deferred	85/-	141/8	56/8	85/-	141/8

† Subject to British income tax, less Dominion relief.

The Van Ryn rate is repeated. West Rand Consols ranks among the companies which, despite a continued expansion in profits, is not changing its disbursements.

The Week's Company Profits.—Reports have been issued this week by 55 companies. These companies show net profits of £5,098,000, a reduction of 2 per cent. compared with the £5,208,000 earned in 1936-37. Aggregate net profits of 2,361 companies reporting this year amount to £294,539,000, against £273,800,000—an increase of 7½ per cent. The week's results are discussed in preceding Notes and on page 617 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue, reports of company meetings begin on page 628. Speeches at the annual meetings of the *Bank of London and South America*, the *British Overseas Bank*, and the *Commercial Bank of Scotland*, are discussed in our Finance section. Addressing shareholders of the *Canadian Bank of Commerce*, Mr S. H. Logan stressed that in the past decade Canada had shifted from a mainly agricultural economy to one based on a combination of agriculture, mining and manufacturing. At the *Orient Steam Navigation* meeting Mr I. C. Geddes pointed out that the bigger the ships built for carrying traffic in the season, the greater would be the percentage of passage money absorbed by Suez Canal dues in the off-season voyages. At the *Trust of Insurance Shares* meeting the Rt. Hon. Charles A. McCurdy disclosed that during the crisis units offered for sale by holders did not amount to more than one-half of one per cent. of the total issued by the group. Addressing *J. Brockhouse and Company* shareholders, Mr J. T. Brockhouse said that during the past year the company had taken on more armament work, but domestic trade remained more important. Sir Edmund Davis, at the *Wankie Colliery* annual meeting, disclosed that coal sales had achieved a record, advancing 99,086 tons above the figure for the previous year. At the *Nelson Financial Trust* meeting Viscount Goschen said that on practically all the Trust's holdings of foreign bonds, full or partial interest was being received. Addressing shareholders of *Wiluna Gold Corporation*, Mr John A. Agnew said that large-scale tests on the new roasting method evolved at the Lake View and Star mine were being conducted, and that if results were satisfactory an increased profit of 3s. to 3s. 6d. per ton of ore could be made. At the *National Bank of Scotland* meeting, the Marquess of Lothian drew attention to the very liquid position shown in the balance sheet. Cash, call money, etc., represented about 28 per cent. of deposits and note circulation together. The national importance of a scheme for insuring property against war risks was stressed by Mr Philip E. Hill at the *Second Covent Garden Property* meeting. *Glass, Houghton and Castleford Collieries* shareholders were informed by Mr A. Woolley-Hart that large economies were expected from two new installations. Mr Kenneth M. Chance reported to *British Industrial Plastics* members that in both October and November sales of Beetle powder had exceeded those for any month since March. At the *Agar Cross* meeting, the chairman discussed the effects of certain Argentine exchange decrees. At the *Messina (Transvaal) Development* meeting, the chairman drew especial attention to a new mine of much promise, the Campbell mine.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
DECEMBER 20 DECEMBER 22

ALTHOUGH business has not expanded dramatically this week, the tone of the London Stock Exchange has on balance improved. The motive factors are diverse. The fact that the present

Account is the last complete one before the end of the year tended to encourage bear closing at an early stage, the effects of which were particularly noticeable on Tuesday. At the same time, the moderation of the German attitude towards Memel, Dr Schacht's visit and Sir John Simon's optimistic references to trade, together combined to stiffen the resistance of the market. It was significant, moreover, that the net effect of

Mr Chamberlain's speech was slightly bullish on Wednesday, despite the reading into some of its passages of a certain modification of British policy.

Support for *gilt-edged market* was very small at first and even on Tuesday the recovery was not fully held. In mid-week this atmosphere of dullness continued, but on Thursday a small rally occurred in the Funds, which was attributed in some market quarters to

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the accumulating weight of investment money. Further falls were recorded in Australian issues, pending the closing of the conversion lists for the latest issue.

★

In the *foreign bond market*, German loans were a rather weak feature, and selling of Japanese bonds continued. Quotations for Brazilian issues were marked down, but business was small.

Home rail preference and guaranteed stocks showed sharp recovery on Tuesday when bear closing was encouraged by Dr Burgin's view that the railways had established a *prima facie* case for de-restriction of charges. Support continued on Wednesday, despite the substantial traffic loss, when L. & N.E. debentures and guaranteed issues led further recovery. The latter company's second guaranteed stock also provided a feature on Thursday. Some improvement was recorded in the Argentine railway market, where the debenture stocks responded to buying on the good crop outlook.

★

Dull opening conditions in *industrial shares* were relieved by the brighter tone on Tuesday. The improvement was technical in origin, but it was accompanied by a modest improvement in business. Iron and steel shares recovered at first on hopes that the price cuts would bring an increase in business, and bear-closing together with the higher output figures also helped. There was, however, no strong impetus in the movement, and an easier tendency returned in mid-week. Thornycroft continued in demand. Coal shares were irregular; Powell Duffryn were firm on maintenance of the interim dividend, and there was support for Chinese Engineering on the dividend increase. Engineering issues also made an irregular showing. Motor shares were no better, and the undertone was uncertain. While aircraft shares were unexciting they were firm or better in the early part of the week, but became subdued later in common with other sections. Electrical equipment issues were dull, and supply shares fell at first, becoming steadier towards mid-week. Movements in textile and rayon shares were small. Breweries became a little steadier after a weak start. Seager Evans gave way before and after the report, but Newcastle Breweries rose sharply on the higher profits. Though the firm tone was not maintained throughout the week, tobacco shares were a relatively good market. Provision and catering issues continued irregular, and A.B.C. weakened on the report (discussed on page 613). Store shares followed the general trend of the market. Though the miscellaneous group was firmer on Tuesday, the undertone remained irregular. On the whole, cement shares were a little better. Shipping shares made a mixed showing.

★

In the *oil market*, a dull start was followed by a better tone. Apart from a small public demand for the dividend-payers, business was again confined to professional dealings. Rubber shares were once more in too lethargic a condition to move in sympathy with other sections. Prices were a shade firmer on Wednesday, but the turnover remained negligible. In the tea market also conditions were a little brighter in mid-week, after a very idle start.

The *mining markets* behaved similarly to other groups, though if anything Tuesday's recovery was more marked than in other sections, Kaffirs had been on the down grade, until the improved political outlook on the eve of the Prime Minister's speech induced buyers to come in at the lower levels. Quieter conditions but fairly steady prices returned in mid-week. And as in recent weeks, Paris and the Cape were important factors. West Africans followed the tendency of Kaffirs. No special trend emerged in Rhodesian copper shares, but quotations moved within narrow limits. Other base metals remained subdued.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains†	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 9	5,740	6,635	78.3	122.9
Dec. 12	5,550	6,740	78.3	122.8
Dec. 13	5,510	6,635	79.0	123.0
Dec. 14	5,700	6,010	78.7	123.1
Dec. 15	5,785	6,440	78.8	123.5
1938 High...	...	...	97.2	131.0
Low ...	...	...	Jan. 12 73.7	Feb. 4 119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The tendency for prices to drift slowly is again shown by the Actuaries' index of 151 industrial ordinary share prices, which on Tuesday, December 13, 1938, stood at 61.3, compared with 62.4 a week ago and 63.8 a month ago. The corresponding average yields are 6.13, 6.03 and 5.83 per cent. We give below a selection of the component indices:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Prices 1938 High
	Nov. 15, 1938	Dec. 6, 1938	Dec. 13, 1938	
Banks, etc. (10)	110.7	109.3	108.1	117.0
Bldg. mats. (6)	78.6	72.8	70.9	87.1
Coal (9)	82.3	82.7	79.4	106.7
Elec. mfg. (12)	120.2	118.9	116.9	129.7
Iron & steel (17)	56.0	53.2	51.6	66.4
Motors (6)	35.6	34.5	33.1	39.0
Home rails (4)	35.0	33.3	34.3	71.0

Group	Yield (%)			Prices 1938 Low
	Nov. 15, 1938	Dec. 6, 1938	Dec. 13, 1938	
Banks, etc.	4.24	4.29	4.34	100.6
Bldg. mats.	7.05	7.54	7.74	69.1
Coal	6.25	6.54	6.71	69.0
Elec. manufg....	5.59	5.91	6.00	108.0
Iron and steel....	7.28	7.68	7.93	45.4
Motors	5.99	6.01	6.26	30.5
Home rails	9.66	10.14	9.94	33.3

New York

ENCOURAGED by the slight rally at the end of last week, and by the further rise in the Federal Reserve Board's index of industrial production from 96 to 100, Wall Street opened with a considerable display of strength on Monday. Investment buying was attracted at first, though towards the close the appreciable gains of the morning had been lost owing to tax selling. The tendency towards recovery, however, has been tenacious. On Tuesday, turnover again topped the million mark and the

Dow industrial average showed a rise of nearly one point. After the laggard movements of recent weeks, the technical action of the market was regarded very favourably and provided the incentive for a further rise in turnover, practically to the two-million mark in mid-week. The Dow industrial average broke through a resistance point with a jump of 2½ points to 151.83, and prices closed at the best levels. Rail stocks were strong as a result of favourable October earnings and partly on reports of Federal assistance and a revision of the rating structure. Steel shares were encouraged by the forecast that the decline in steel activity would go little further, and that output would pick up in January.

New York Prices

	Close Latest			Close Latest	
	Dec. 8,	Dec. 15,		Dec. 8,	Dec. 15,
	1938	1938		1938	1938
1. Rails and Transport					
Atchafalpa	37½	39½	Chrysler	29	31½
Balt. & Ohio	6½	7½	Briggs	79	84
B.M.T.	12½	12½	Elec. Autolite	34½	36½
Can. Pacific	5½	5½	Gen. Motors	47½	50½
Ches. & Ohio	32½	35½	Hudson Mtr.	73½	8
G.N. Ry. Pl.	25	27½	Nash Kelvtr.	8½	8½
Illinois Cent.	15½	17½	Packard Mtr.	4½	4½
N.Y. Central	17½	19½	Bendix Avtn.	23½	24½
Northern Pac.	10½	11½	Boeing Airpln.	31½	33½
Pennsylv. R.	19½	21½	Douglas Air.	70½	78
Southern Pac.	17½	19½	United Aircr.	38	41½
Southern Ry.	19½	20½	Air Reduction	64	66½
Union Pac.	89½	92	Allied Chem.	18½	18½
Greyhound	19½	21½	Col. Carbon	96	95½
2. Utilities and Communications					
Am. W. Works.	12	13½	Dupont	144	150½
C. & S.	13½	14	Un. Carbide	86½	90
Con. Edison	28½	30	U.S. Ind. Alc.	25½	25½
Edison Elec.	6½	6½	Allis Chalm.	45½	45½
El. Gas & L.	9½	11	Gen. Electric	114	120½
El. Bond & Sh.	7½	7½	West. Elec.	94	98
Nat. Pwr. & L.	7½	7½	American Can.	27½	27½
N. American	21½	21½	Addressograph.	45	47½
Pac. Gas & El.	28½	28½	Caterpillar	38½	40
Pac. Lighting	41	42	Cont. Can.	38½	40
Pub. Serv. N.J.	30½	31	Ingersoll Rnd.	113½	114½
Stan. Gas & E.	3½	3½	Int. Harvester	101½	106
United Corp.	3	3½	Johns Manvil.	16½	17½
Un. Gas Imp.	11	10½	Am. Radiator	63½	65½
Amer. Tel.	149	148½	Corn Prods.	90½	90½
Internat. Tel.	9	10	I. Case & Co.	23½	24½
Westn. Union	23½	24½	Glidden	53	56½
Radio	7½	7½	G. Am. Trans.	114	118
" B. Pref.	63½	65½	Allied Stores	22½	24
3. Extractive and Metal					
Am. Mol. Mill	20½	22½	Celanese of A.	24½	25½
Beth. Steel	70½	76	Ind. Rayon	14½	14½
Beth. Steel Pl.	109	109½	Colgate Palm.	18½	18½
Republic St.	22½	24½	Eastm'n Kdk.	79½	79½
U.S. Steel	62½	66½	Gillette	58½	57½
U.S. Steel Pl.	116½	116½	Loews	25½	25½
Alaska Ind.	9½	9½	20th Cen. Fox	25½	25½
Am. Metal	40½	40½	5. Retail Trade, etc.		
Am. Smelting	51½	52½	Mont. Ward	50½	53
Anaconda	34½	35½	J. C. Penney	79½	76½
Bolin Alum.	26½	28½	Sears Roebck.	72½	74½
Cerro de Pas.	47½	49½	Walgreen	16½	16½
Int. Nickel	53½	54½	Woolworth	49½	49½
Kennecott	43	43½	Borden	16½	16½
Patino Mines	11½	11½	Gen. Foods.	37½	37½
Tex. Gob. Sul.	31½	32½	Kroger Grey.	20	20½
U.S. Smelt.	62½	60	Nat. Biscuit	24½	25
Vanadium	25	28	Nat. Dairy	12½	12½
Atlantic Refg.	22½	23½	Am. Tob. B.	20½	21
Phillips Petr.	40½	42½	Lorillard	44	44
Shell Union.	14½	14½	Reyn. Tob. B.	27½	27½
Shell Un. P.E.	104½	105½	Nat. Distillers	18½	18
Socony Vac.	13½	13½	Schenley Dis.	18½	18
Stan. Oil Cal.	26½	28½	6. Finance		
Stan. Oil N.J.	50½	51½	Comcl. Credi.	58	59
Texas	44	44½	Atlas Corp.	78	84
4. Manufacturing					
Briggs	29	31½	Com Inv. Tr.	60½	62½
Chrysler	79	84			
Elec. Autolite	34½	36½			
Gen. Motors	47½	50½			
Hudson Mtr.	73½	8			
Nash Kelvtr.	8½	8½			
Packard Mtr.	4½	4½			
Bendix Avtn.	23½	24½			
Boeing Airpln.	31½	33½			
Douglas Air.	70½	78			
United Aircr.	38	41½			
Air Reduction	64	66½			
Allied Chem.	18½	18½			
Col. Carbon	96	95½			
Dupont	144	150½			
Un. Carbide	86½	90			
U.S. Ind. Alc.	25½	25½			
Allis Chalm.	45½	45½			
Gen. Electric	114	120½			
West. Elec.	94	98			
American Can.	27½	27½			
Addressograph.	45	47½			
Caterpillar	38½	40			
Cont. Can.	38½	40			
Ingersoll Rnd.	113½	114½			
Int. Harvester	101½	106			
Johns Manvil.	16½	17½			
Am. Radiator	63½	65½			
Corn Prods.	90½	90½			
I. Case & Co.	23½	24½			
Glidden	53	56½			
G. Am. Trans.	114	118			
Allied Stores	22½	24			
Celanese of A.	24½	25½			
Ind. Rayon	14½	14½			
Colgate Palm.	18½	18½			
Eastm'n Kdk.	79½	79½			
Gillette	58½	57½			
Loews	25½	25½			
20th Cen. Fox	25½	25½			

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

WEEKLY AVERAGES		1938		Nov. 30, 1938		Dec. 14, 1938	
		Low	High	Low	High	Low	High
347 Ind'l.		75.9	117.9	110.6	109.6	112.0	112.0
32 Rails		19.0	31.8	28.6	27.9	29.0	29.0
40 Utilities		57.7	83.2	79.0	77.9	78.3	78.3
419 Stocks		63.7	98.2	92.1	91.2	93.0	93.0
Av. yield %*		8.35	3.30	3.58	3.68	3.52	3.52
		High	Low	High	Low	High	Low

* 50 Common Stocks.

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

Dec. 8	Dec. 9	Dec. 10	Dec. 12	Dec. 13	Dec. 14
123.0	122.4	123.5	123.8	125.1	127.8

1938 High: 136.1 November 12th. Low: 83.6 March 31st.

TOTAL DEALINGS IN NEW YORK

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Dec. 8	740	7,540	226
" 9	700	7,760	179
" 10*	410	4,390	96
" 12	900	8,170	195
" 13	1,090	10,210	223
" 14	1,970	12,440	335

* Two-Hour Session.

Capital Issues

An active week in the new issue market has included offers of 4 per cent. preference stock at par by *North Metropolitan Electric*, and £1 ordinary shares at 43s. 6d. by *County of London Electric*. An appreciable portion of each offer was left with the underwriters, although both are plainly in the highest grade. The 6 per cent. preference shares of *Weston Foods*, issued at 21s., are a high yielding security of a general industrial character. The biscuit trade is competitive, but this group, to judge by its expanding profits record, appears to be setting the pace. On the latest year's profits (which themselves showed a 50 per cent. increase on 1936-37) the dividend on the issue is covered more than 3½ times. The small mixed issue of *Scottish Stamping and Engineering* will probably appeal more particularly to the local investor. Profits have shown a spectacular advance during the past three years, but a somewhat lengthier profits record would have been of assistance to the subscriber. Statements for information have been published on behalf of *Inter-State Royalty Corporation*, *House Property and Investment*, and *A.C.E. Machinery*.

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
December 17	£	£	£
To the Public	3,060,000	...	4,566,250
To Shareholders	982,180	...	1,162,180
By S.I. Introduction	350,000	...	354,375
By Permission to Deal 2,500,192	...	...	6,529,204
Sav. Certs., week ended December 10 ... Dr. 50,000	...	...	Dr. 50,000
Year to date	£	£	£
1938 (New Basis)	295,226,782	270,840,692	...
1937 (New Basis)	517,781,863	456,243,835	...
1938 (Old Basis)	203,395,970	179,989,975	...
1937 (Old Basis)	308,363,196	249,901,547	...

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1938 (New Basis)	211,462,018	53,683,402	5,695,272
1937 (New Basis)	385,986,666	63,148,810	7,108,359
1938 (Old Basis)	152,870,721	24,299,182	2,820,072
1937 (Old Basis)	222,697,525	20,861,522	6,342,500

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	147,037,960	21,395,937	102,406,795
1937 (New Basis)	228,201,672	30,626,882	197,415,281
1938 (Old Basis)	130,498,683	12,654,505	36,837,287
1937 (Old Basis)	167,924,824	19,508,319	62,468,404

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

PUBLIC OFFERS

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937		Prices, Year 1938		Name of Security	Price, Dec. 14, 1938	Change since Dec. 7, 1938	Yield, Dec. 14, 1938	Last two Dividends			Name of Security	Price, Dec. 14, 1938	Change since Dec. 7, 1938	Yield, Dec. 14, 1938
High-est	Low-est	High-est	Low-est					(a)	(b)	(c)				
84 1/2	73 1/2	79 1/2	64	British Funds			£ s. d.							£ s. d.
115 1/2	105 1/2	113 1/2	98	Consols 2 1/2%.....	106 3/4	-1 1/2	3 11 5	13/9	11 1/2	3 1/2	3 1/2	13/9	11 1/2	4 2 0
101 1/2	94 1/2	100 1/2	90	Do. 4% (alt. 1957)	95 1/2	-1 1/2	3 11 0	53/9	50 1/2	5 1/2	5 1/2	53/9	50 1/2	4 3 6
103 1/2	97 1/2	103 1/2	92	Conv. 2 1/2% 1944-49	95 1/2	-1 1/2	2 15 9	90 1/2	71 3/4	3 1/2	3 1/2	90 1/2	71 3/4	5 16 0
106 3/4	99 1/2	104 1/2	90 1/2	Do. 3% 1948-53	94 1/2	-1 1/2	3 2 0	105 1/2	9 1/2	10 1/2	10 1/2	105 1/2	9 1/2	4 0 0
108	105 1/2	105 1/2	100	Do. 3 1/2% after 1961	98 1/2	-1 1/2	3 12 0	96 1/4	£ 79	£ 3 1/2	£ 2 1/2	96 1/4	£ 79	£ 3 1/2
117 1/2	111 1/2	115 1/2	102	Do. 4 1/2% 1940-44	102 1/2	-1 1/2	4 7 10	64 1/2	4 1/2	6 1/2	6 1/2	4 1/2	64 1/2	4 7 6
92 1/2	89	91 1/2	81	Do. 5% 1944-64	109 1/2	-1 1/2	3 2 9	94 1/2	7 1/2	9 1/2	9 1/2	7 1/2	94 1/2	4 7 6
96 1/2	89 1/2	97 1/2	88 1/2	Fund. 2 1/2% 1956-61	87	-1 1/2	3 6 3	89 3/4	72 1/2	8 1/2	8 1/2	89 3/4	72 1/2	3 15 9
101 1/2	92 1/2	97 1/2	80	Fund. 2 1/2% 1952-57	93	-1 1/2	3 5 3	65 1/8	51 5/8	5 1/2	5 1/2	93	65 1/8	4 6 8
116 1/2	109 1/2	114 1/2	98	Fund. 3% 1959-69	95	-1 1/2	3 5 9	41	29	11 1/2	11 1/2	95	41	4 14 9
99 1/2	96	101 1/2	90	Fund. 4% 1960-90	108	-1 1/2	3 9 3	41 1/2	29	9 1/2	9 1/2	108	41 1/2	4 6 6
114 1/2	107 1/2	112 1/2	100	Nat. D. 2 1/2% 1944-48	98	-1 1/2	2 13 6	37 1/2	23 1/2	7 1/2	7 1/2	98	37 1/2	4 7 6
105 1/2	99 1/2	103 1/2	90 1/2	Do. 3% 1954-58	96 1/2	-1 1/2	3 5 7	48 1/2	42 1/2	8 1/2	8 1/2	96 1/2	48 1/2	5 18 0
96 1/2	84 1/2	90 1/2	78	Victory Bonds 4%	107	-1 1/2	3 12 9	161 1/2	137 1/2	10 1/2	10 1/2	107	161 1/2	4 14 0
102	99 1/2	102	90 1/2	S. Africa 5% 1945-75	83	-1 1/2	3 12 6	51 1/3	36 1/2	6 1/4	6 1/4	83	51 1/3	4 14 0
85 1/2	74 1/2	82 1/2	68	Local Loans 3%	98 1/2	-1 1/2	3 3 0	99 1/2	77 1/2	11 1/2	11 1/2	98 1/2	99 1/2	4 10 6
98 1/2	87 1/2	95 1/2	75	Austria 3% 1933-53	63	-1 1/2	3 19 4	28 1/2	24	50 1/2	40 1/2	63	28 1/2	3 10 6
119 1/2	112 1/2	117 1/2	110	India 2 1/2%.....	75 1/2	-1 1/2	3 19 6	10 1/2	10 1/2	40 1/2	33 1/2	75 1/2	10 1/2	2 18 0
109 1/2	105 1/2	108 1/2	97	Do. 3 1/2%.....	89 1/2	-1 1/2	3 18 3	26 1/2	12 1/2	46 1/2	33 1/2	89 1/2	26 1/2	4 0 0
105 1/2	101	104 1/2	90 1/2	Do. 4 1/2% 1958-68	115	-1 1/2	3 9 0	10 1/2	10 1/2	20 1/2	20 1/2	115	10 1/2	3 15 8
118	112 1/2	117 1/2	102	Dom. & Col. Govts.	102	-1 1/2	4 13 2	5 1/2	2	16 1/2	16 1/2	102	4 13 2	4 3 4
103 1/2	93 1/2	103 1/2	88 1/2	Austr. 5% 1945-75	102 1/2	-1 1/2	2 13 9	11 1/2	9 1/2	3 1/2	3 1/2	102 1/2	2 13 9	3 14 1
110 1/2	104 1/2	110 1/2	99 1/2	Canada 4% 1940-60	102 1/2	-1 1/2	2 13 9	11 1/2	9 1/2	3 1/2	3 1/2	102 1/2	2 13 9	3 14 1
107 1/2	103 1/2	107 1/2	95 1/2	Nigeria 5% 1950-60	112 1/2	-1 1/2	3 16 0	20 1/2	16 1/2	4 1/2	4 1/2	112 1/2	3 16 0	2 19 0
114 1/2	110 1/2	114 1/2	97	N. Zealand 5% 1946	97	-1 1/2	5 9 5	16	13 1/2	6 1/2	6 1/2	97	5 9 5	2 19 0
103 1/2	93 1/2	103 1/2	88 1/2	Queens. 5% 1940-60	102	-1 1/2	4 1 6	35 1/2	28 1/2	10 1/2	10 1/2	102	4 1 6	2 18 0
101 1/2	96 1/2	101 1/2	88 1/2	S. Africa 5% 1945-75	107 1/2	-1 1/2	3 14 3	106 1/2	81/3	10 1/2	10 1/2	107 1/2	106 1/2	2 4 0
105 1/2	97 1/2	105 1/2	90 1/2	Foreign Governments	86	-1 1/2	5 7 2	91 1/2	17 1/2	3 1/2	3 1/2	86	91 1/2	3 19 0
91 1/2	84 1/2	89 1/2	78	Arg. 4 1/2% Stc. Bds.	45 1/2	-1 1/2	9 3 0	88 1/2	69 1/2	10 1/2	10 1/2	45 1/2	88 1/2	3 16 0
102 1/2	95 1/2	102 1/2	80	Austria 1930-50	92 1/2	-1 1/2	4 8 6	81 1/2	71 1/2	11 1/2	11 1/2	92 1/2	81 1/2	3 6 8
33 1/2	24 1/2	36	31	Do. 4 1/2% 1934-59	33 1/2	-1 1/2	7 9 3m	267	228	8 1/2	8 1/2	33 1/2	267	2 11 0
89 1/2	84 1/2	87 1/2	75	Belgium 4% (36) 1970	13 1/2	-1 1/2	5 7 0	65 1/2	45 1/2	3 1/2	3 1/2	13 1/2	65 1/2	5 4 0
83 1/2	77 1/2	81 1/2	68 1/2	Bulgaria 7 1/2%	14	-1 1/2	13 6 8	11 1/2	7 1/2	6 1/2	6 1/2	14	11 1/2	4 9 0
28 1/2	15 1/2	19 1/2	13	Brazil 5% (1929)	54	-1 1/2	9 5 3	233	208	6 1/2	6 1/2	54	233	4 13 3
95 1/2	84 1/2	90 1/2	70	Chile 6% (1912)	97 1/2	-1 1/2	13 6 8	137 1/2	119 1/2	4 1/2	4 1/2	97 1/2	137 1/2	7 11 4
101 1/2	97 1/2	101 1/2	90 1/2	Do. 5% (1913)	90 1/2	-1 1/2	13 6 8	137 1/2	119 1/2	4 1/2	4 1/2	90 1/2	137 1/2	5 16 0
108 1/2	101 1/2	105 1/2	20	Czechoslovakia 8%	60	-1 1/2	13 6 8	137 1/2	119 1/2	4 1/2	4 1/2	60	137 1/2	5 16 0
100	92 1/2	99 1/2	84	Denmark 3 1/2%	97 1/2	-1 1/2	13 6 8	137 1/2	119 1/2	4 1/2	4 1/2	97 1/2	137 1/2	5 16 0
102 1/2	99 1/2	102 1/2	90 1/2	Egypt Unified 4%	90	-1 1/2	4 8 11	254	200	8 1/2	8 1/2	90	254	5 7 7
18 1/2	10 1/2	13	9 1/4	French 4% (British)	111 1/2	-1 1/2	5 9 0	27 1/2	21 1/2	2 1/2	2 1/2	111 1/2	27 1/2	5 16 0
66	52 1/2	60	20	Do. 4 1/2% (British)	44	-1 1/2	11 7 4	17 1/2	13 1/2	2 1/2	2 1/2	44	17 1/2	5 7 7
49 1/2	35 1/2	46 1/2	15	Ger. Dawes Ln. 5%	34 1/2	-1 1/2	13 10 0	25 1/2	21 1/2	2 1/2	2 1/2	34 1/2	25 1/2	5 16 0
40 1/2	30 1/2	36	20	Do. Young Lun. 4 1/2%	28	-1 1/2	8 11 6	15 1/2	11 1/2	2 1/2	2 1/2	28	8 11 6	5 16 0
62	47 1/2	58 1/2	20	Greek 5% Stab. Ln.	28	-1 1/2	12 10 0	25 1/2	21 1/2	2 1/2	2 1/2	28	25 1/2	5 16 0
88 1/2	53	60	35	Hungary 7 1/2%	97 1/2	-1 1/2	10 7 6 1/2	5 1/2	3 1/2	4 1/2	4 1/2	97 1/2	10 7 6 1/2	5 16 0
94 1/2	57 1/2	64 1/2	38	Japan, 5 1/2% 1936-65	53	-1 1/2	10 14 4 1/2	218	168	6 1/2	6 1/2	53	218	5 16 0
61 1/2	46 1/2	50	35	Do. 6% (24) red. 1959	56	-1 1/2	8 17 9	221	190 1/2	3 1/2	3 1/2	56	221	5 16 0
83	56 1/2	75 1/2	54	Peru 7 1/2% 1922	65	-1 1/2	8 9 3	193	167	6 1/2	6 1/2	65	193	5 16 0
20 1/2	13	15 1/2	94	Poland 7%	10 1/2	-1 1/2	16 7 6 1/2	11 1/2	6 1/2	4 1/2	4 1/2	10 1/2	16 7 6 1/2	5 16 0
96 3/4	88 1/4	92	75	Roum. 4% Con. 1922	79	-1 1/2	3 16 0	11 1/2	6 1/2	4 1/2	4 1/2	79	11 1/2	5 16 0
118	111 1/2	115 1/2	101	U.K. & Arg. C. 3%	111 1/2	-1 1/2	3 8 2	23 1/2	19 1/2	10 1/2	10 1/2	111 1/2	23 1/2	5 16 0
118 1/2	112 1/2	117 1/2	104 1/2	Brisham 5% 1946-56	113	-1 1/2	3 10 5	16 10 1/2	12 9	2 1/2	2 1/2	113	16 10 1/2	5 16 0
91 1/4	82 1/2	87 1/2	75	Bristol 5% 1948-58	82	-1 1/2	3 13 2	33 1/2	23 1/2	12 1/2	12 1/2	82	33 1/2	5 16 0
100 1/2	97 1/2	100 1/2	90 1/2	L.C.C. 3%	93	-1 1/2	3 11 8	23 1/2	19 1/2	10 1/2	10 1/2	93	23 1/2	5 16 0
104 1/2	100 1/2	104 1/2	94 1/2	Liverpool 3% 1954-64	102 1/2	-1 1/2	3 7 2	23 1/2	19 1/2	10 1/2	10 1/2	102 1/2	23 1/2	5 16 0
				Middx. 3 1/2% 1957-62	102 1/2	-1 1/2	3 7 2	23 1/2	19 1/2	10 1/2	10 1/2	102 1/2	23 1/2	5 16 0
Prices, Year 1938		Last two Dividends		Name of Security	Price, Dec. 14, 1938	Change since Dec. 7, 1938	Yield, Dec. 14, 1938	Last two Dividends			Name of Security	Price, Dec. 14, 1938	Change since Dec. 7, 1938	Yield, Dec. 14, 1938
High-est	Low-est	(a)	(b)					(c)						
115 1/2	97	2 1/2	2 1/2	Public Boards	110 1/2	...	£ s. d.							£ s. d.
119 1/2	108 1/2	2 1/4	2 1/4	C. Elec. 5% 1950-70	109 1/2	...	4 2 0	107 1/2	66 1/2	12 1/2	3 1/2	109 1/2	66 1/2	4 2 0
129 1/2	117 1/2	2 1/4	2 1/4	Lon. Pass. Transport	114 1/2	...	4 3 6	125 1/2	100 1/2	7 1/2	15 1/2	114 1/2	100 1/2	5 0 0
122 1/2	106	2 1/2	2 1/2	4 1/2% "A" 1985-2023	117 1/2	...	4 2 6	113 1/2	88 1/2	7 1/2	20 1/2	117 1/2	88 1/2	5 0 0
84	68	1 1/2	1 1/2	5 1/2% "B" 1985-2023	114 1/2	-1 1/2	5 6 8	43 1/2	30 6	7 1/2	3 1/2	114 1/2	43 1/2	5 0 0
92 1/4	78 1/2	1 1/2	1 1/2	"C" 1950-75	86									

Industry and Trade

The Plight of Shipping and Shipbuilding.—Alarm at the grave outlook for the British shipping and shipbuilding industries is growing. The decline in international trade since last year has led to a marked increase in unemployed shipping tonnage and to a sharp fall in freight rates. The deterioration in shipping, in turn, has led to a severe curtailment of new orders placed with shipbuilders, who were also handicapped by the high price of steel. Both shipowners and shipbuilders, moreover, are suffering severely from subsidised competition, against which they are individually almost helpless. On Wednesday last week representatives of the workers' organisations in shipbuilding met Members of Parliament from shipyard constituencies to discuss the steady fall in orders experienced this year and the present almost complete lack of liner, tanker and cargo ship work. The managing director of Cammell Laird and Company, speaking on the same day at the launch of a submarine, said that his firm had received one small civil order in over twelve months. In twenty years the number of workers in shipyards has fallen from 312,000 to 172,000. In 1929 the shipping tonnage under construction in Great Britain was equal to the tonnage building in the rest of the world. To-day the rest of the world is building twice as much as British yards; and Britain herself is building less tonnage on foreign account than foreigners are building on hers. No wonder that the demand for Government action is growing more insistent. On Tuesday this week Viscount Runciman announced in the House of Lords that a fact-finding Committee, composed of representatives of the coasting, tramp and liner sections of the shipping industry was investigating the problem. The Government, alive to the danger of a further contraction in Britain's mercantile fleet, is now awaiting the industry's recommendations. Clearly, there is a case for speedy action.

The Reduction in Iron and Steel Prices.—The maintenance of iron and steel prices at boom levels throughout 1938, when the trend of free-market prices was downwards and when general business activity was declining, has been severely criticised. The growing disparity between the prices of steel and other industrial products is revealed by the Board of Trade's indices. In July, 1937, when the Board of Trade's index of the prices of all industrial products stood at 116.1 (1930=100), its index of iron and steel prices was 137.6. In November this year, the two indices stood at 111.7 and 138.3, respectively. While iron and steel prices have thus remained practically unchanged since the onset of recession, those of all industrial products have fallen by

no less than 11.7 per cent. Some of the reasons for this disparity are given in a leading article on page 606. The reduction in iron and steel prices from January 1, 1939, announced on December 9th, will reduce this disparity, though only to a moderate extent. In contrast to the current prices which were fixed for the whole of 1938, the new price list is subject to revision at the end of June, 1939. An estimate of the extent of the reduction in the principal products is given below:—

PERCENTAGE REDUCTION IN PRICES OF IMPORTANT MATERIALS			
	%		%
Basic pig iron	7.5	Ship-plates	7.6
Hematite pig iron	9.4	Joists and sections ...	5.7
Billets, untested	6.4	Rails	6.2
Billets, tested	8.2	Black sheets	6.3
Sheet bars	6.4	Galvanised sheets ...	6.8

Like those of steel products, the new prices of basic and hematite pig iron and of scrap used in the manufacture of steel, have been fixed until the end of June, 1939. The cut in scrap prices, from £3 7s. 6d. per ton to £2 19s. per ton, was announced prior to the issue of the new price list for iron and steel.

The Consumption of Steel.—The reduction in iron and steel prices, though welcomed by consumers, is unlikely, by itself, to bring about a major revival in consumption. The extent to which it will reduce costs of production in consuming industries will depend on the ratio of the cost of iron and steel to the total cost of production in individual industries. In the following table we have analysed, for a number of important steel-consuming industries, the ratio of the cost of steel (a) to the total value of their output, and (b) to the cost of the materials (including fuel and electricity) consumed by them. The analysis is based on the results of the 1935 Census of Production:—

STEEL CONSUMPTION AS A PERCENTAGE OF (a) THE TOTAL VALUE OF OUTPUT, AND (b) OF THE VALUE OF MATERIALS

	Total Value of Output	Value of all Materials consumed (incl. fuel & electricity)
Shipbuilding*	11.2	20.5
Mechanical engineering†	16.0	38.6
Electrical engineering	3.6	7.8
Motor cars and cycles (steel products only)	7.8	13.3
Motor cars and cycles (incl. consumption of ready-made parts)	15.9	27.0
Hardware, hollow-ware, metallic furniture and sheet metal trade	22.0	44.5
Chains, nails, screws and misc. forgings	33.1	67.1
Wire	37.4	59.5
Tools and implements	18.7	50.7
Railway carriage and wagon building	21.9	38.2
Railways	9.6	28.6
Aircraft	4.1	11.1
Building and contracting (structural and reinforcement steel)	1.7	3.1

* Excluding steel contained in purchased machinery.

† Including prime movers and boilers (other than marine); marine engineering, textile machinery and accessories, machine tools, printing and bookbinding machinery, agricultural machinery, other mechanical engineering products, constructional engineering, repair work and work done for the trade.

The importance of steel in the cost of production and, hence, the incidence of the cut in prices, varies considerably from industry to industry; but the reductions have been too small to make much impression on the total cost of the major consuming trades, unless they are accompanied by special concessions arising from the standardisation of requirements.

Lancashire Cotton Campaign.—The campaign launched in Lancashire for the purpose of drawing attention to the serious condition of the cotton industry is gaining in intensity. At the request of the trade unions, the employers have agreed to take part in a joint deputation to the Government, and on Tuesday next week there will be a meeting in Manchester of leading employers and trade union officials, when it is expected that a letter will be sent to the Prime Minister asking him to receive the deputation. Meanwhile, representatives of the various branches of the industry are passing resolutions which are being sent to the Government and the Lancashire Members of Parliament. These resolutions urge that all sections of the industry should combine to demand from the Government a more realistic treatment of the problems which confront the cotton industry. Satisfaction has been expressed that agreement has at last been reached between the Joint Committee of Cotton Trade Organisations and the Government with regard to the Cotton Trade Enabling Bill, and it is understood that the revised proposals will be circulated to the trade at the end of this week. It is already pointed out, however, that although an Enabling Bill would assist the industry, the Government should make more determined efforts to find markets for Lancashire goods. Meanwhile, the employers in the weaving section of the industry have definitely refused the demand of the Weavers' Amalgamation for a minimum wage of 8½d. per hour or 35s. for a full working week of 48 hours. The employers announced that in their opinion the difficulties of granting the request were insurmountable. The operatives are dissatisfied with the refusal, and the decision of the employers will be discussed at further meetings of the members of the trade union.

Overseas Trade Maintained.—For six months or more, the monthly value of British imports and exports has varied very little. The value of imports has lain between £70 millions and £80 millions, and that of British exports between £35 millions and £45 millions. The returns for November show that this stability continued

U.K. IMPORTS AND EXPORTS (£000)

	1936	1937	1938	Change between 1937 and 1938
November				
Total Imports	78,680	97,268	78,028	- 19,240
British Exports	38,441	45,183	42,923	- 2,260
Re-exports	4,343	5,306	5,114	- 192
Total Exports	42,784	50,489	48,037	- 2,452
Excess of Imports over Exports	35,896	46,779	29,991	- 16,788
Transshipments under bond..	2,724	3,406	3,106	- 300
Eleven Months ended November				
Total Imports	765,872	935,723	846,948	- 88,775
British Exports	400,254	477,980	432,001	- 45,979
Re-exports	54,596	70,224	56,808	- 13,416
Total Exports	454,850	548,204	488,809	- 59,395
Excess of Imports over Exports	311,022	387,519	358,139	- 29,380
Transshipments under bond..	26,046	34,385	29,756	- 4,629

in that month. Compared with October, imports were smaller by £1 million, British exports increased by £0.5 million, and re-exports fell by £0.3 million. Compared with a year ago, the value of imports in November fell by a fifth, and that of British exports by 5.4 per cent.; the much greater fall in the value of imports, due partly to the fall in prices, reduced the excess of imports over exports by more than a third of that in November, 1937.

Overseas Trade by Commodities.—Quantitative changes in the imports and exports of important materials are shown in the accompanying tables. Of the eighteen items listed in the table of imports, the intake of only five—of which iron ore and scrap, petroleum and lead are the most important—was smaller than in

RETAINED IMPORTS—MONTH OF NOVEMBER

Item and Measure	1936	1937	1938
Wheat	9,293	8,149	9,447
Beef and veal	944	1,034	1,028
Mutton and lamb	317	367	510
Sugar (unrefined)	4,264	3,375	3,752
Iron ore and scrap	535	787	245
Raw cotton	1,533	2,194	837
Sheep's and lambs' wool	538	435	516
Flax, hemp and jute	31,163	29,960	32,941
Crude petroleum	39,786	50,508	34,549
Hides, wet and dry	152	158	169
Wood pulp	215	176	176
Rubber	-17	288	21
Unwrought copper	27,988	39,372	32,134
Pig lead	24,503	37,824	22,761
Tin: Ore and concentrates	4,292	6,637	3,682
Blocks, ingots, slabs and bars	336	680	454
Iron and steel manufactures	90	272	69
Machinery	8,998	11,513	9,784

October. Compared with a year ago, there was an increase in imports of wheat, meat, wool and flax, hemp and jute. Imports of raw cotton showed little change from October, but were only 38 per cent. of those in November, 1937.

BRITISH EXPORTS—MONTH OF NOVEMBER

Item and Measure	1936	1937	1938
Coal	2,920	3,512	3,292
Iron and steel scrap	16,300	8,722	40,654
Pig-iron and ferro-alloys	7,548	14,002	16,085
Railway materials	13,196	17,468	16,595
Total, iron and steel manufactures ..	193,311	198,008	181,228
Textile machinery	4,827	7,561	5,554
Total machinery	31,997	40,275	37,688
Cotton yarns	12,424	11,374	11,911
Cotton piece-goods	154,414	150,686	119,946
Wool tops	4,936	2,957	2,487
Worsted yarns	2,460	1,734	2,409
Woolen tissues	5,178	5,353	4,475
Worsted tissues	3,181	3,108	2,159
Linen piece-goods	7,180	5,247	4,551
Leather boots and shoes	39,685	38,541	34,006
Leather	20,896	18,926	23,384
Paper and cardboard	349,161	386,654	327,529
Locomotives and parts	1,182	766	2,547
Motor vehicles and chassis	9,016	8,217	6,127

Exports were generally larger in volume than in October; only exports of wool tops showed a marked decline compared with that month. Exports of iron and steel scrap, of pig iron and ferro-alloys, of cotton yarns, wool tops, leather and locomotives rose in November compared with the corresponding month of 1937; shipments of the other items declined.

Brighter Prospects for Oil.—When we surveyed the outlook for the oil markets on page 187 of *The Economist* of October 22nd, the scene was dominated by the cut in the price of American (Mid-Continent) crude oil from \$1.22 to \$1.02 per barrel and by the weakness of Gulf export prices. We indicated, however, that Gulf export prices would have to fall a good deal further before the British motorist could expect to reap the benefit in the shape of cheaper petrol. Actually export prices in the Gulf are now slightly lower than they were then; nevertheless, the likelihood of a cut in British petrol prices appears to be receding owing to the gradual improvement on the American market. The consumption of petrol in the United States was stimulated by the persistence of mild weather until well into November, and stocks are now slightly below the level of a year ago, despite the maintenance of refinery operations at a high level. Meanwhile, largely in consequence of the retention of the five-day week in Texas, crude oil stocks are now not far above the economic minimum of 250 million barrels, as calculated recently by the Bureau of Mines. The one really dark spot

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in the picture is the magnitude of gas and fuel oil stocks which, at around 150 million barrels, are practically 25 per cent. up on the year. Prospects are now regarded more optimistically than for some considerable time. Thus, the statisticians of the American Petroleum Institute recently calculated that domestic sales of petrol would be 4 per cent. higher in 1939 than in 1938, assuming the continuance of the present upward trend of business activity in the United States. Sales of light distillate fuel oils (for domestic heating purposes) are expected to rise during the six months to March 31st by as much as 15 per cent. compared with the 1937-38 season. And, with the wheels of industry turning more quickly, sales of lubricants and of heavy industrial fuel oils should begin to pick up in the near future. Stocks of these products would thus be reduced to more manageable proportions. Export requirements of finished products are more difficult to forecast, since the demand of European Governments is incalculable; but there seem to be solid grounds for expecting a marked expansion in total demand for American oil products in the near future. Whether this increase will be followed by an improvement in prices must be dependent in the main upon the level of refinery activity. According to the president of the American Petroleum Institute, the refineries' throughput of crude oil should not exceed a daily average of 3.1 million barrels between now and the end of March. Operations are still rather above this level; but if the necessary adjustment is made, a gradual improvement in the oil markets should result.

* * *

British Coal in France.—The Anglo-French Trade Agreement of June, 1934, provided for a barter arrangement for the exchange, quarterly, of 120,000 tons of coal for 80,000 tons of pitwood. The price of the coals to be supplied under this agreement was not subject to any

specific arrangement; it was to follow the trend of market prices, but provision was made for the quarterly determination of the price of the pitprops by a joint committee representing British coal producers, French coal importers, French pitwood exporters, and British pitprop importers. It was also a part of the specific provisions of the general agreement that the French Government guaranteed to the United Kingdom its then existing percentage (49.5) of the "normal" quota of foreign imports under the French licensing system. This "normal" quota does not include bunker coal, metallurgical coal or supplementary allocations, and because of the exclusion of these classes the "normal" quota applies to only about 50 per cent. of the coal equivalent of the total coal, coke and patent fuel imports of France. Last June representations were made by British coal exporters that these undertakings had not been fulfilled and that licences granted originally for the import of British coals had been transferred to cover imports of fuels from Continental countries. Moreover, it was complained that while British colliery owners had complied with their obligations under the coal-pitwood barter agreement, France had not taken her full quota of coals, the accumulated arrears now amounting to approximately 450,000 tons. As a result of the representations made last June the transfer of licences has been stopped, and Britain's share of the French import trade has increased. It is, however, still considerably less than it was when the French import licensing system was first established in 1931. For the ten months ended October, 1938, Britain's share of French crude coal imports was 34 per cent., compared with just over 50 per cent. in the datum period 1928-30 adopted for the purposes of the licensing system, and her share of the intake of coal, coke and patent fuel was 29.5 per cent., against just over 40 per cent. This development has been receiving the attention of the French and British Governments, and it is anticipated that the position of British coal in the French market will be improved in relation to that of other foreign coals under the revised conditions now in contemplation. The French Government, however, has intimated to the British Government that the exigencies of the foreign exchange position compel it to encourage the consumption of domestic instead of foreign coals; if the French Government's efforts to increase domestic production succeed, the intake of British and other foreign coals may be further restricted.

* * *

Iron and Steel Production in November.—The iron and steel production returns for November, given in the accompanying table, show that the improvement in the industry has been maintained. The fall in the output of pig iron is explained by the fact that November contains one day less than October. Calculated on a daily basis, the output of pig iron rose from 15,142 tons in October to

PRODUCTION AND TRADE IN IRON AND STEEL
(In thousands of tons)

Period	Production		Foreign Trade	
	Pig Iron	Steel Ingots and Castings	Total Imports	British Exports
1913—Monthly Average	855.0	638.6	185.9	414.1
1929 " "	632.4	803.0	235.2	364.9
1932 " "	297.8	438.5	132.7	157.4
1936 " "	643.5	982.1	123.6	183.8
1937 " "	708.0	1,080.3	170.0	214.7
" October	769.6	1,133.6	220.5	206.9
" November	762.3	1,178.3	272.5	198.0
" December	783.8	1,103.8	288.3	196.8
1938—January	761.1	1,081.4	308.7	191.2
" February	693.3	1,057.6	230.4	156.7
" March	714.6	1,115.8	276.8	176.1
" April	661.0	938.6	61.5	168.3
" May	633.9	957.0	35.7	167.5
" June	541.5	776.1	60.9	150.9
" July	507.8	683.2	65.0	135.1
" August	443.0	658.9	50.6	135.1
" September	420.8	754.7	61.8	138.0
" October	469.4	854.0	52.4	139.1
" November	461.5	860.0	65.9	181.2

15,383 tons in November, and that of crude steel from 32,877 tons to 33,077 tons. The number of blast-furnaces in operation rose from 76 at the end of October to 79 at the end of the past month. Both imports and exports of iron and steel materials showed an increase last month; exports, in particular, showed a welcome improvement.

* * *

Copper Supplies and Consumption.—After rising from 191,000 short tons in September to 200,000 tons in October, the world's apparent consumption of copper fell sharply to 178,000 tons in the past month. The improvement in demand in October, which caused the price of standard copper to rise above £48 per long ton, prompted the co-operating copper producers to remove the restriction on output from October 15th. Conversely, the sharp fall in demand in November and December, which drove the price of copper below £43 per long ton, and threatened a further decline, induced the co-operating producers to reimpose restriction, at the rate of 105 per cent. of the agreed tonnages from December 15th, and at 100 per cent. from January 1, 1939. It remains to be seen whether the reduction is sufficient to maintain prices at about £45 per long ton, the level apparently desired by the co-operating producers. Owing to the fall in apparent consumption last month, world stocks of blister copper showed an increase; but this is not yet reflected in stocks of refined copper which remained unchanged at 425,000 short tons, equivalent to less than three months' consumption. A revival of demand in the United States would undoubtedly

arrest the fall in prices, though, at the moment, there are no indications of an early resumption of the re-stocking movement across the Atlantic.

* * *

Brazil's New Coffee Policy.—One year has passed since in November, 1937, Brazil abandoned her fixed price for coffee exports, and the change in policy has met with more favourable results than most observers dared to expect. It is true that the price of Brazilian coffee has fallen considerably; the London quotation for Santos Superior declined from 47s. 6d. per cwt. in November to 27s. 6d. per cwt. in April last. Since then, however, there has been a steady improvement, and at present the price for this grade is about 34s. 6d. per cwt. But this decline in price has been more than compensated for by a marked increase in Brazil's exports of coffee. Exports from Rio and Santos in the first five months of the present season—from July to November—totalled 5.7 million bags, an increase of 2.4 million bags or 70 per cent. compared with the corresponding period of 1937. Part of this increase has been at the expense of other producers of coffee, but the greater part of it represents an increase in demand; in these same five months, world deliveries totalled 11.1 million bags, against 9.5 million bags in the corresponding months of the previous seasons. Brazil has also been favoured by a small world crop of mild coffees, grown largely in other countries; consequently, it is expected that Brazil will be able to dispose, in the remainder of the current season, of increased quantities of her own crop, which is more than sufficient to supply any reasonable expansion in demand.

INDUSTRIAL REPORTS

The event of the week has been the publication of the iron and steel price list which will be in force during the first half of 1939. The reduction has been welcomed by consumers, and while it is unlikely, by itself, to cause a major revival in consumption, the volume of purchases is expected to expand after the removal of uncertainty. In the tinsplate industry output has been sharply curtailed to the lowest level since last August. Reports from coal-mining centres point to the dearth of forward purchases. There has been no expansion of new business in the cotton trade, and the campaign for Government assistance is growing in intensity. The wool textile trade remains fairly active and jute manufacturers remain busy, despite the lull in new business.

Coal

Sheffield.—Collieries are approaching full-time working on the higher quota, and stocks are being accumulated to meet requirements during the period when the pits are shut down for the Christmas holiday. Industrial demand is steady, but deliveries to steel-works are easing in view of the approach of stocktaking. Small coal is moving freely to electricity generating stations. Gas coal is better, and house coal is much more active. South Yorkshire hards are quoted at 18s. to 19s. per ton at pits. There is a fairly good demand for large selected patent-oven coke and graded coke of all sizes, but blast-furnace coke is easy around 22s. per ton on rail at ovens.

Export business continues quiet, and bunkering business hangs fire. Shippers would like to see completed the arrange-

ments for the co-ordination of district prices, giving a better chance to trade through Humber ports compared with Scottish and North-East Coast ports. The suggested levy of 3d. per ton on outputs to provide a subsidy on export coal is welcomed. It resembles the scheme adopted successfully in the Midlands before the passing of the Coal Mines Act.

*

Newcastle-on-Tyne.—Most collieries in the North-East coalfield have sufficient trade to the end of the year, but there is little inquiry ahead, and at the moment there is not as much trade booked for next year as is usual in December. Northumberland steam collieries are well placed for large screened coal, but there is still much difficulty in finding an outlet for smalls. The Durham market is fairly steady, but some collieries need prompt trade.

*

Glasgow.—There is still a scarcity of new business, and the collieries are now having to rely largely on their contract work. Buyers in general appear to be holding off to see whether prices will be reduced. The market, however, remains steady in tone under the control arrangements. Shipping trade has presented no new feature. Only a small inquiry has come forward so far for next year's deliveries, and this branch of the trade is closing the year on a distinctly quiet note, with the tonnages dispatched well down on last year. To date the total shipment figure is 10,115,000 tons, compared with

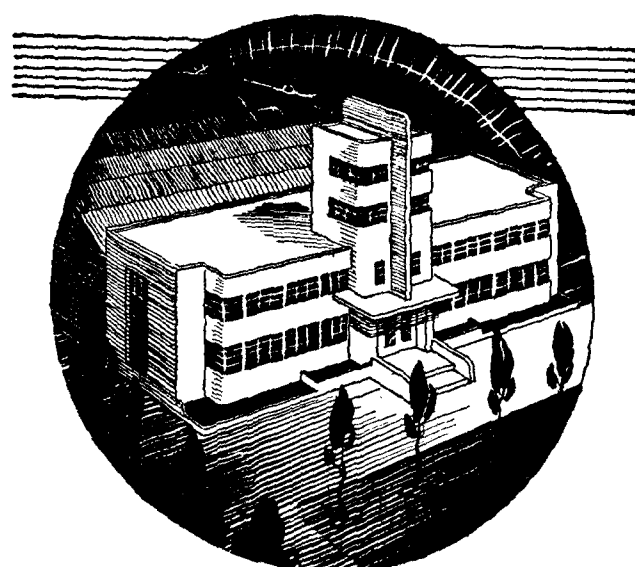
11,589,000 tons a year ago. Land sale trade is moving fairly steadily.

*

Cardiff.—There is no sign of the usual pre-Christmas expansion in the production and supply of South Wales coals, and many collieries are working at a lower percentage of capacity than at any other period this year. Shipments in the foreign and coastwise trades during the past four weeks have averaged nearly 20 per cent. less than in October, and in the week ended December 11th they totalled 360,000 tons, compared with 429,254 tons in the corresponding period last year. The chief cause of the weakness is the contraction in trade with France, but it is also partly due to the expiration of 1938 contracts, and to reduced deliveries to foreign coaling depots. New contracts, however, are being arranged for next year, and those reported this week include an order for 160,000 tons of anthracite duff for Dutch electricity works and another from Greek consumers who have during the last two or three years been obtaining their supplies from Germany. Duff grains and other sized coals are a firm and improved market, but for most other qualities the demand is weak. Prices are nominally unchanged.

Iron and Steel

London.—The announcement of the new prices for the first six months of 1939 has been favourably received by the market, says the official report of the London Iron and Steel Exchange. Although it is yet too early to see the effect the reductions will have in stimulating business it is realised that



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taking into consideration the present costs the steelmakers have gone as far as could be expected to meet consumers.

In the pig iron department a fair amount of inquiry has been put into circulation; but many consumers have still to take delivery of material contracted for in the earlier part of the year. The new prices for foundry iron have yet to be announced and business in that market remains largely in a state of suspension.

The demand for semi-finished steel continues to broaden and should be helped by the price reductions. Whilst some firms still hold substantial stocks, a fair volume of business has been placed with British producing works, most of which have improved their position.

Business in the finished steel section of the market shows signs of improving and after the announcement of the new prices a considerable volume of inquiry developed. The works, however, are not well employed and for the time being are able to give quick delivery. Most of the business is still of a hand-to-mouth character, but some of the inquiry circulating is for delivery well into 1939.

★

Sheffield.—The iron and steel market has accepted the various reductions in the stabilised prices of iron and steel with quiet satisfaction, and there has been some improvement in the volume of business this week. The approach of the holidays, however, has had a counteracting effect, and no great development is expected until they are passed. Complete delivery of many contracts will not have been taken by the end of the year as a result of the recession earlier in the year, so that a good number of consumers may not find it necessary to come immediately into the market.

There has been some buying of basic pig iron on the reduction of 7s. 6d. per ton, but demand for forge and foundry iron, concerning the prices of which no announcement has so far been made, is very limited. Business in hematites shows some improvement at the new quotations—a reduction of 12s. 6d. per ton, plus reduced extras.

Price reductions in steel, ranging from 10s. to 25s. per ton over the first six months of next year, are mainly at the expense of the manufacturers, seeing that raw material costs are in most cases unchanged. There has been a fairly good inquiry this week for basic billets, and some expansion of business is confidently expected. Makers of fine steels are but little affected by the new prices. Structural steel, wire rods and cold rolled strip are in good request.

Output of steel in this area is expanding, and the heavy branches of local industry are fully employed, mainly on home orders, although a fair volume of overseas business is coming to hand.

★

Middlesbrough.—The long-awaited announcement regarding prices of certain classes of pig iron and steel for delivery over the first half of next year was made at the end of last week. The price of foundry pig iron for delivery after January 1st has not yet been an-

nounced, but it is expected to be known early next week; and anticipations are that the reduction will be about 7s. 6d. to 10s. per ton.

East Coast hematite has been reduced by 12s. 6d. per ton, so that the basis price for No. 1 grade of iron, delivered in this district after January 1st, will be 120s. 6d. per ton, less the usual rebate of 5s. per ton to loyal consumers. Basic iron is reduced by 7s. 6d. per ton, but actually this does not come on to the market in this district, the production being consumed at the local steelworks.

The reductions in steel prices vary from 10s. per ton on semi-finished steel up to 25s. per ton on galvanised sheets.

Some large orders for rails, tubes and other heavy steel were secured by makers in this district towards the end of last week, and it is hoped that the reduction in steel plate prices will bring forth new ship orders for the shipbuilding yards. The November output of steel ingots and castings again showed an increase and was actually the highest since May, 1938.

As blast-furnace coke prices are now based on a sliding scale varying with the price of steel, makers will be able to secure their fuel at a lower price next year. The agreed basis price for Durham blast-furnace coke is 24s. 3d. per ton at the ovens. The reduction of 8s. 6d. per ton in the price of heavy steel scrap, operating from January 1st, brings the quotation for No. 1 quality down to 61s. per ton delivered at works. Owing to the approach of the holidays, deliveries of scrap to steelworks are being reduced.

★

Glasgow.—Business in steel materials is quiet and deliveries from steelmakers and others consist mainly of small parcels required by users for their immediate needs. It is anticipated that, after the announcement of price reductions from the beginning of January, there will be increased activity at the plants. Inquiries on the market indicate that there is a large amount of business to be placed. Within the past week some substantial orders have been placed in the West of Scotland with engineering firms, tube makers, and locomotive builders.

★

Cardiff.—The announcement of the reduction in the official prices of billets, blooms, bars and sheets has cleared the air in regard to supplies of tinplates and other finished materials during the first half of the New Year, but it has had little, if any, immediate effect on the volume of business on the Swansea Metal Exchange and operations have been curtailed at several of the works in West Wales. The returns of the tinplate pooling scheme show a further decline in production, and the rate of operations at 40.33 per cent. of capacity for the week ended December 3rd is the lowest recorded since August. The market for black sheets is relatively more active than that for tinplates, and more forward business is being done in pig iron and steel at the new prices. Shipments of tinplates at Swansea last week totalled only 5,500 tons, compared with 8,634 tons the previous week, but owing to the decline in production,

stocks show no increase and those in warehouse and in vans are considerably less than they were at the end of 1937.

Textiles

Cotton (Manchester).—Spinners and manufacturers have experienced another unsatisfactory week, and very few producers have been able to sell their reduced output. In certain quarters there has been increased pressure for contracts and more weakness in prices. Wider fluctuations have occurred in raw cotton prices. The revised estimate of the crop by the United States Government has caused very little interest, the figure of 12,008,000 bales, against 12,137,000 bales a month ago, being about equal to expectations. Farmers have voted to the extent of 84 per cent. in favour of the 1939 control plan. Dissatisfaction is being expressed at the effect of the Farm Act, and it is reported that some changes may be made in the coming session of Congress. Less satisfactory advices have come to hand with regard to the Indian crop, estimates of the output being reduced.

The yarn market has been generally flat. Only hand-to-mouth buying has occurred in American counts. Egyptian numbers have moved off slowly. During the last few weeks there has been increased curtailment of production in the Egyptian branch.

Demand for piece-goods for foreign outlets has again run on small lots to meet urgent wants, bulk lines being decidedly scarce. Only occasional transactions have been arranged for India. The improved demand for Egypt and the Near East has been maintained, there being freer buying of light bleaching descriptions. Irregular operations have taken place in dyed goods for South America and the Continent. Home trade demand has been rather quieter, but negotiations are pending for further Government contracts.

★

Jute (Dundee).—New business in the jute trade has continued quiet. Spinners and manufacturers, however, are busy and the New Year holidays will be very short, the majority of the mills taking only two days off and some only a day and a half. Prices remain remarkably steady, in spite of the fact that there is so little business passing.

Raw jute prices have wavered a little during the past fortnight, but with a very steady undertone. The Indian jute mills have bought 3,500,000 bales of the fibre since July 1st, and it is anticipated that they will require to buy another 2,500,000 bales to meet their requirements for the whole season. Though the imports of raw jute into Calcutta for the five months ended November 30th were 5,350,000 bales, compared with 5,300,000 bales during the same period last season, they are now stated to be falling off, and the total is not expected to reach that of last season of approximately 10,000,000 bales. The final official crop forecast of 6,696,000 bales is to be well exceeded this season, and private estimates in Calcutta expect a yield of about 9,500,000 bales. The total consumption

of the world is likely to be about 10,500,000 bales, so that stocks in the hands of consumers are probably to be further reduced. In spite of this, the Bengal Government has intimated that it will again endeavour to restrict sowings next season.

Daisec-2/3 has varied around £18 10s. per ton and Tossa-2/3 £19 12s. 6d., while yarn prices are firmly maintained at 2s. 2d. for common 8 lb. cops, and hessian cloth prices are unchanged at 2½d. for 10 oz. 40 in. and 2½d. for 8 oz.

THE COMMODITY MARKETS

THE movement of the prices of the principal primary products has shown no definite trend this week. Moody's index of the prices of staple commodities in the United States, for example, stood at 140.4 (December 31, 1931 = 100) on Wednesday, against 140.0 on the corresponding day last week. Consumers are not inclined to cover their requirements for longer periods ahead, though the volume of purchases has sufficed to maintain the prices of the majority of commodities around last week's level.

The markets in wheat and raw sugar were slightly firmer. Raw cotton, too, is slightly dearer on the week and the market in rubber was also a little firmer. The prices of non-ferrous metals, on the other hand, were lower on Wednesday than a week ago.

Metals

Copper.—The price of copper fluctuated within narrow limits and closed on Wednesday 7s. 6d. down at £43 per ton. Owing to the quiet season, the demand was very slow, but the undertone of the market was comparatively steady, a fact which seems to indicate that a revival of buying will lead to an immediate improvement in prices. The November statistics of the American Copper Institute, published this week, showed a considerable deterioration on the preceding month. Both the mines and smelter output were up sharply, while consumption showed a seasonal setback. Nevertheless, the world supply and demand remained in equilibrium, so that the level of world stocks was reduced slightly by 174 short tons to 424,537 short tons. Meanwhile, the restriction of output has been resumed outside the United States, where reports speak of a reduction in mining activity. No serious increase in stocks is, therefore, likely, and as consumption is bound to show a seasonable improvement in the first quarter of next year the outlook remains favourable.

★

Tin.—The price of tin lost £1 to close on Wednesday at £214 per ton. The demand showed a decline this week, but the supply is so limited that the undertone remained firm. The buffer pool has now accumulated about 8,000 to 9,000 tons of tin, but so far no pool sales have been noticeable. A rise in the tin price to about £230 per ton is

anticipated during the next three months, when the market will become dependent on buffer pool releases.

★

Lead and Spelter.—Lead lost 10s. to close on Wednesday at £14 12s. 6d. per ton, while spelter declined by only 1s. 3d. to close at £13 12s. 6d. per ton. The demand for the two metals has fallen to very low levels in the last few days, but supplies were also limited. At the Sulphide Corporation's meeting Sir John Sanderson again mentioned the introduction of the lead scheme and stated that there is every expectation that the effect of the restricted output will bring about an improvement. He added that at the moment international affairs have much more influence on prices than consumption and production figures. It was learned this week that the opposition of consumers and the reservations of the London Metal Exchange to the application for a higher import duty on spelter have delayed a decision and that another month may pass before this question can be settled. This uncertainty naturally tends to have a depressing influence on the zinc market, although it is highly probable that the I.D.A.C. will eventually decide in favour of a higher duty.

Grains

THE Government of India imposed as from December 7th an import duty of 1½ rupees per cwt. on wheat. This action brought a slight easing in the Liverpool market, since it will reduce the Indian imports of Australian wheat. Compared with a week ago, however, prices for wheat are generally a little higher; there has been a good demand for the better grades of American and Manitoba, while Roumanian and Russian wheat have been bought for feeding. Unofficial estimates of the area sown to winter wheat in the United States give a reduction of 10 million acres from the estimates for the 1937-38 crop. The advance in maize prices continued last week, though it slackened off later; supplies are limited except in the United States, where growers do not seem inclined to sell except at considerably higher prices. Barley prices also advanced in sympathy with those of maize by 3d. to 6d. per quarter compared with a week ago.

Other Foods

Provisions.—Bacon prices advanced sharply at the end of last week and the market continued active at the higher level. Butter prices also rose. Trade in meat has been very slow; Irish turkeys are selling at Smithfield at 11d. to 1s. 1d. per lb.

★

Colonial Produce.—The futures market in raw sugar has been firm and prices of refined were raised by 1½d. per cwt. at the end of last week. There has been little change in other markets.

★

Fruit and Vegetables.—Trade has improved during the past week in most lines. Demand for apples, oranges,

pears and nuts was brisk and there was a fair market for the various Christmas specialities. Potato prices were unchanged and business in vegetables was rather better than of late.

★

Milk.—The following table is compiled from statistics issued by the Milk Marketing Board. Compared with a

	Nov., 1937	Sept., 1938	Oct., 1938	Nov., 1938
Prices (per gall.)	d.	d.	d.	d.
Liquid	18	15	17	17.5
Av. manufacturing ..	7.525	6.950	7.199	7.111
Av. pool	15.30	11.84	14.0	15.07
Contract sales (mill. galls.)				
Liquid	50.4	50.6	52.9	51.0
Manufacturing	12.1	24.2	20.6	15.2
Total contract	62.5	74.8	73.5	66.2
Used by farmhouse cheesemakers	0.9	2.8	2.2	1.0

year ago liquid sales in November increased by 600,000 gallons; total sales under contract rose by 3.7 million gallons, and there was an increase of 3.1 million gallons in the quantity sold for manufacture.

Miscellaneous Commodities

Oilseeds and Oils.—The market in linseed has been under the influence of conflicting estimates of the size of the new Argentine crop; prices have remained firm, though there was an easier tendency in the market on Wednesday. The balance of old Plate crop available for export has been reduced to 65,000 tons. Dealings in new crop have hardly begun. A steady trade was done in Egyptian cotton seed at rising prices. The markets for other vegetable oils are quiet.

★

Rubber.—The rubber market remains steady and, after small fluctuations, the price of standard sheet on the spot closed on Wednesday at 8½d. per lb., an increase of ½d. per lb. compared with last week. American consumption continues to improve; the latest figures estimate that deliveries rose from 40,333 tons in October to 46,048 tons in November, while stocks declined by 15,619 tons to 254,318 tons. Reports from the automobile industry are also encouraging.

★

Furs.—On Monday the Hudson Bay Company opened in London the December sales of silver fox, in the course of which a total of approximately 60,000 skins was offered. There was a large attendance both of London and Continental buyers. Most prices rose by about 7.5 per cent. compared with November, but in the cheaper grades up to £4 per skin the improvement in prices was much larger. Most of the offerings were sold. A better sentiment is also noticeable on the free market and appears to be due to the low level of stocks in the wholesale and retail trade after the small demand in recent months. Whether the improvement can be maintained depends primarily on the political position in Europe and the business trend in the United States.

BRITISH WHOLESALE PRICES

	Dec. 7, 1938	Dec. 14, 1938		Dec. 7, 1938	Dec. 14, 1938
CEREALS AND MEAT					
GRAIN, etc.—					
Wheat—					
No. 2, N. Man. 496 lb.	27 3	27 9			
Eng. Gaz. av., per cwt.	4 3	4 3			
Liv. Dec., per cental	4 7½	4 8			
Flour, per 280 lb.—					
Straights, d/d London	22 6	22 6			
Manitoba, ex store	22 6	22 6			
Barley, Eng. Gaz., av. per cwt.	7 6	7 7			
Oats, " "	6 0	5 11			
Maize, La Plata, landed, 480 lb.	27 9	28 6			
Rice, No. 2 Burma, per cwt.	7 1½	7 1½			
MEAT—					
Beef, per 8 lbs.—					
English long sides	3 10	4 0			
Argentine chilled hinds	4 2	4 2			
Mutton, per 8 lbs.—					
English wethers	4 0	4 0			
N.Z. frozen wethers	2 10	2 10			
Lamb, per 8 lbs.—					
N.Z. frozen	4 8	4 8			
Pork, English, per 8 lb.	6 4	6 2			
BACON (per cwt.)—					
English	96 0	98 0			
Danish	95 0	97 0			
Dutch	93 0	95 0			
Irish	89 0	92 0			
HAMS (per cwt.)—					
Canadian	96 0	98 0			
United States	96 0	96 0			
OTHER FOODS					
BUTTER (per cwt.)—					
Australian	104 0	110 0			
New Zealand	106 0	112 0			
Danish	144 0	144 0			
CHEESE (per cwt.)—					
Canadian	71 0	71 0			
New Zealand	69 0	70 0			
English Cheddars	86 0	86 0			
Dutch	63 0	62 0			
COCOA (per cwt.)—					
Accra, g.f.	22 0	21 6			
Trinidad	35 0	37 0			
Grenada	28 0	26 0			
COFFEE (per cwt.)—					
Santos supr. c. & f.	34 0	34 0			
Costa Rica, medium to good	60 0	60 0			
Kenya, medium	78 0	78 0			
EGGS (per 120)—					
English (15-15½ lb.)	18 6	16 6			
Danish (15½ lb.)	14 9	14 6			
FRUIT—					
Oranges, S. African boxes	12 0	14 0			
" Brazilian Rio Pera boxes	16 9	18 9			
Lemons, Naples boxes	10 9	10 3			
" Sicilian boxes	16 3	16 0			
Apples, Amer. (var.) barrels	30 0	30 0			
" Canadian: Nova Scotia (var.) barrels	9 0	10 3			
Grapes, Almeria barrels	25 0	25 0			
Grapefruit, S. African	...	...			
" Jamaica, Seeded	...	...			
" Jaffa, Seedless	6 0	6 0			
" Cyprus, seedless	12 9	12 6			
LARD (per cwt.)—					
Irish, finest bladders	50 0	50 0			
U.S.	44 6	46 0			
PEPPER per lb.—					
Black Lampong (in Bond)	0 23½	0 29½			
" (Duty paid)	0 28½	0 29½			
White Muntok (f.a.q.) (in Bond)	0 31½	0 31½			
" (Duty paid)	0 34½	0 34½			
POTATOES, (per cwt.)—					
English, King Edward, Siltland	5 0	5 0			
SUGAR (per cwt.)—					
Centrifugals, 96, prpt. shipm.	5 10½	6 0			
Refined London—					
Yellow Crystals	19 4½	19 6			
Cubes	23 6	23 7½			
SUGAR (per cwt.)—cont.					
Crushed	21 9	21 10½			
Granulated	20 6	20 7½			
Home Grown	19 9	19 10½			
TEA* (Auction Average) (per lb.)—					
N. India	12 9½	13 16			
S. India	13 24	14 04			
Ceylon	14 9½	15 26			
Java	12 49	11 57			
Sumatra	9 78	10 92			
Africa	11 47	11 86			
Total	13 35	13 64			
TOBACCO (per lb.)—					
Virginia stemmed and unstemmed, common to fine	0 8	0 8			
Rhodesian, stemmed and unstemmed	0 9	0 9			
Nyasaland stemmed and unstemmed	0 7	0 7			
East Indian	0 4	0 4			
Unstemmed	0 5	0 5			
TEXTILES					
COTTON (per lb.)—					
Raw, Mid-American	4 99	5 02			
" Sakellaridis, F.G.F.	7 86	7 55			
" Giza, F.G.F.	7 76	7 60			
Yarns, 32's Twist	9 8	8 8			
" 40's Twist (Egyptian)	9 4	9 4			
Cloth, 32 in. Printers, 116 yds.	16 3	16 1			
" 16+16, 32's & 50's	16 3	16 1			
" 36 in. Shirtings, 75 yds.	22 9	22 6			
" 38 in. ditto, 38 yds.	9 7	9 6			
" 39 in. ditto, 37½ yds.	8 8	8 7			
FLAX (per ton)—					
Livonian ZK	70 10	70 10			
Pernau HD	71 0	72 0			
Slanetz Medium, 1st sort	94 0	94 0			
HEMP (per ton)—					
Italian PC	70 0	70 0			
Manilla, Dec.-Feb. "J2"	20 0	20 0			
JUTE (per ton)—					
Native 1st mks., c.i.f. H.A.R.B.	18/15/0	18/18/9			
Daisee 2/3 c.i.f. Dundee	18/7/6	18/10/0			
SISAL (per ton)—					
African, Dec.-Feb.	16 15	16 15			
SILK (per lb.)—					
Canton	7 3	7 3			
Japan	8 3	8 6			
Italian, raw, fr. Milan	7 3	7 3			
WOOL (per lb.)—					
English, Southdown, greasy	12½	12½			
" Lincoln hog, washed	12	12			
Queensland, scd. super combg.	22½	22½			
N.S.W. greasy, super combg.	13	13			
N.Z., greasy, half-bred 50-56	12	12			
" Crossbred 40-44	10½	10½			
Tops—					
Merinos 70's average	26½	26½			
Crossbred 48's	16½	16½			
46's	16	16			
MINERALS					
COAL (per ton)—					
Welsh, best Admiralty	19 6	19 6			
Durham, best gas, f.o.b. Tyne	18 9	18 9			
Sheffield, best house, at pits	22 0	22 0			
IRON AND STEEL (per ton)—					
Pig Cleveland No. 3, d/d	109 0	109 0			
Bars, Middlesbrough	265 0	265 0			
Steel rails, heavy	202 6	202 6			
Tinplates, per box	21 6	21 6			
NON-FERROUS METALS (per ton)					
Copper—					
Standard cash	43/7/6	43/0/0			
Three months	43/8/9	43/1/3			
Tin—					
Standard cash	43/12/6	43/5/0			
Three months	43/13/9	43/6/3			
Lead, soft foreign—					
Cash	215/0/0	214/0/0			
English, pig	215/15/0	215/0/0			
Spekter, G.O.B.	216/0/0	215/0/0			
Spot	152/6	142/6			
Aluminium, ingots and bars	153/9	143/9			
" rolling billets	17/5/0	16/15/0			
Nickel, home and export	13/13/9	13/12/6			
Antimony, Chinese	94/0/0	94/0/0			
Wolfram, Chinese	54/0/0	54/0/0			
Platinum, refined	52 0	58 0			
Quicksilver	58 0	61 0			
Vegetable oils (per ton net)—					
Linseed, naked	22/10/0	22/7/6			
Rape, refined	32/5/0	31/5/0			
Cotton-seed, crude	18/10/0	19/0/0			
Coconut, crude	15/5/0	15/5/0			
Palm	14/5/0	13/7/6			
Oil Cakes, Linseed, Eng.	8/12/6	8/15/0			
Oil Seeds, Linseed—					
La Plata, Dec.	10/16/3	11/0/0			
Calcutta	12/3/9	12/10/0			
Turpentine	32 9	32 9			

* Weeks ended Dec. 1st and 8th.

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

COMMODITY STATISTICS

Coal

COAL OUTPUT ('000 tons)				
District	Nov. 26, 1938	Dec. 3, 1938	1937	1938
Northumberland	89 6	303 8	11,867 3	11,084 4
Durham	658 8	649 7	27,644 6	26,231 4
Yorkshire	885 8	889 7	37,364 4	35,241 2
Lancs, Cheshire and N. Wales	332 2	352 3	14,637 2	14,115 2
Derby, Nottingham & Leicester	640 2	653 5	27,789 5	26,447 8
Staffs, Worcs, Salop & Warwick	390 9	405 1	16,666 6	16,201 0
South Wales & Monmouth	735 3	692 5	31,685 7	30,166 8
Other English districts*	120 3	124 5	4,578 8	4,547 5
Scotland	618 8	618 2	26,606 2	25,056 6
Total	4,671 9	4,689 3	198,840 3	189,091 9

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton

RAW COTTON delivered to Spinners ('000 bales)

Variety	Dec. 2, 1938	Dec. 9, 1938	Aug. 1, 1937	Aug. 1, 1938
American	23 5	21 7	476	387
Brazilian	5 7	9 1	133	87
Peruvian, etc.	2 6	2 8	55	34
Russia	11 4	7 8	122	103
Sudan Sakel	3 6	2 6	65	66
East Indian	4 6	3 3	109	139
Other countries	3 0	2 2	80	51
Total	54 4	49 5	1,040	867

Metals

SALES ON LONDON METAL EXCHANGE				
	Dec. 7, 1938	Dec. 14, 1938	From Jan. 1 to Dec. 14, 1938	
Copper	10,150	6,500	458,675	
Tin	1,550	1,075	87,490	
Lead	9,150	7,850	371,550	
Spelter	7,550	3,450	277,875	

U.K. STOCKS

	Dec. 3, 1938	Dec. 10, 1938
Copper (Br. official w/houses):		
Refined	3,172	4,321
Rough	24,692	25,143
Tin (London and Liverpool)	9,735	9,665

	Dec. 7, 1938	Dec. 14, 1938
GRAINS (per bushel)—		
Wheat, Chicago, Dec.	64½	64½
Winnipeg, Dec.	60½	61½
Maize, Chicago, Dec.	49	50½
Chicago, Dec.	28½	28½
Rye, Chicago, Dec.	41½	42½
Barley, Winnipeg, Dec.	37	37½
METALS (per lb.)—		
Copper, N.Y., Domestic spot...	10 15	10 02½
Producers' export	10 42½	10 30

METALS—(cont.)
TINPLATE INDUSTRY

	Dec. 4, 1937	Nov. 26, 1938	Dec. 3, 1938
Production—per cent. of capacity	67 60	47 24	40 33
Shipments			
Stocks (warehouse and in vans)	6,964	5,214	3,850
Forty-nine Weeks ended Dec. 9, 1937			
Dec. 9, 1937	282,853	170,419	

Foods

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

	Dec. 3, 1938	Dec. 10, 1938	Dec. 11, 1937	Dec. 10, 1938
From—				
N. America	586	259	9,139	12,022
Argentina and Uruguay	140	56	1,579	2,310
Australia	76	207	3,166	3,515
Russia	69	33	3,573	4,073
Danube and dist.	556	313	3,708	3,859
India	41	31	331	369
Other Countries				
Total	1,468	899	22,315	26,572
To—				
U.K.	502	186	6,228	6,120
"Orders"	99	176	4,118	6,370
France	56	8	285	619
Belgium	127	34	2,525	2,188
Holland	43	13	1,539	1,631
Italy	4	43	377	633
Greece	63	5	479	476
Scandinavia			593	780
Other European Countries	219	149	2,062	2,987
Ex-European Countries	268	240	4,109	4,768
Total	1,468	899	22,315	26,572</

COMPANY MEETINGS

THE BRITISH OVERSEAS BANK, LIMITED

SATISFACTORY PROFITS IN A DIFFICULT YEAR

A DEFERRED DEPOSIT TO ENSURE LIQUIDITY

DIFFICULTIES CAUSED BY EUROPEAN CONDITIONS

MR A. C. D. GAIRDNER'S REVIEW

The nineteenth annual general meeting of the British Overseas Bank, Limited, was held, on the 14th instant, at 33 Gracechurch Street, London, E.C.

Mr Arthur C. D. Gairdner (the chairman) presided.

The Secretary (Mr A. E. Thorne), having read the notice convening the meeting and the report of the auditors,

The Chairman said:—Ladies and gentlemen—May I take it that it is your pleasure that we should consider the report and accounts as read? (Agreed.)

It is my intention to-day to confine myself solely to the material interests of the bank as I feel that this is what you will expect. In the first place, you will no doubt desire me to make some explanation of the paragraph appearing in our report, which I shall now read for the benefit of any shareholder who may not have noticed it:

"As a result of conditions ruling in several of the countries in which the bank has done business, some of the assets of the bank have become difficult of immediate realisation. Arrangements have therefore been made for the provision of a deferred deposit of sufficient amount, together with the liquid assets, to cover existing liabilities of the bank to its creditors and depositors."

The growth of the difficulties to which I have referred has made it urgent that some means should be found of increasing the liquidity of the bank and providing a shield behind which the not readily realisable assets may be dealt with to the best advantage.

With this end in view it has been found possible to arrange for a deferred deposit which, after taking into account the liquid assets, will enable the bank to meet its liabilities to the public at whatever time they may become due. This deferred deposit ranks after the bank's liabilities to its ordinary depositors and other creditors, though, of course, like other deposits, before the capital and reserves. The deposit can only be reduced or completely paid off on an auditors' certificate that it is no longer required. The arrangement has been embodied in a formal agreement and places the British Overseas Bank in a position of unquestionable liquidity.

These negotiations had not been concluded at the date on which we closed our books and the deferred deposit is not, therefore, shown in our figures. The agreement is, however, now in force and henceforth the deposit will appear in our balance sheet figures.

POSITION OF "B" SHARES

Arising out of this there is a further change to which I must refer. The events which have made this protection desirable have brought the two banks who are "B" shareholders to the conclusion that it is undesirable for them as deposit banks to hold an interest in a banking institution whose business lies mainly in the foreign field. They have accordingly decided to terminate their connection with the British Overseas Bank. This change could have been effected in various ways but they, and with them the Prudential Assurance Company, have felt that it should operate in favour of the "A" shareholders, for whose benefit the "B" shares will now be held.

Until such time as the purposes for which the deferred deposit was designed are considered to have been fulfilled, the shares will stand in the names of trustees, who will exercise the voting control attached thereto in the general interest of the bank.

The new position will involve further changes. Obviously the advisory directors become an anomaly as the purpose for which they were appointed no longer exists. There are other changes which may also be desirable, but for the moment the position is completely dealt with by the procedure I have described.

DIFFICULTIES IN GERMANY

You will want to hear something about your property, and I will first deal with the assets which have been giving trouble.

In Germany our commitments, at the date of our balance sheet, amounted to £1,300,000, of which £600,000 represents acceptances

and £700,000 advances. Our difficulty in Germany was brought about by the inclusion in the Standstill of all kinds of obligations, not only those of this country but those of other countries. Had discrimination been shown at the beginning and the banking commitments dealt with on their merits, this would have been to the great advantage of both countries. In so far as commercial acceptances were concerned—and it is not suggested that all acceptances came into this category—all that was necessary was that Germany should have continued to make use of them in the same way as they had always done. Commercial acceptances are the rock on which the trade and finance of all countries is founded, and represent the foreign commerce of all countries who come to London in order to obtain the cheapest form of finance available.

This form of credit was, and is, necessary for Germany, and it is also a form of credit desirable for this country to grant if grave financial disturbance was, and is, to be avoided. Consequently there should be no question of repaying such obligations as if they were investments. The floating balance of bills ought to represent the trade being done at the moment and should fluctuate therewith. In place of this, the Standstill was administered in terms of its least desirable items, and an unsound position was created. This had the effect of forcing Germany to ask for commercial credits outside the Standstill, which were refused or frowned upon.

A CHANGE FOR THE BETTER

After some years this was realised, and last year we saw the first attempt to put matters on a sound banking basis by the re-commercialisation within the Standstill of acceptance credits which had deteriorated. I am glad to feel that I have had some part in bringing about this change, which has already proved successful in loosening the knots tied by the Standstill Agreement. There is no reason whatsoever why it should not be carried to its logical conclusion and commercial acceptance credits taken out of the Standstill, where they are overwhelmed in red tape, and dealt with in the ordinary way of business.

Cash advances of whatever kind are, of course, in a somewhat lower category, but as they are, without exception—at least in so far as we are concerned—granted to institutions of the highest standing in Germany, the settlement of these debts presents no insuperable difficulty. From this you will realise that no question of banker and debtor arises between us and our clients, who are all first-class German debtors. A rather striking illustration of this came before us a few weeks ago when we received a sterling remittance through the Standstill for the repayment of debt. After we had dealt with certain items we were left with a balance which we were at a loss how to apply, as all our debtors appeared to be quite first-class and we could detect no difference between them. It is not a question between banker and client but solely one of the credit-worthiness of Germany.

POSITION IN HUNGARY

In Hungary, our total commitments amount to £1,060,000, of which £922,000 is on account of commercial acceptances. The obligations in connection with them are now held as collateral against a cash advance of an equivalent amount. The same principles in regard to these figures apply as in the case of Germany, just as they do in any country. All our obligants are first-class Hungarian debtors, and again it is a question not of banker and client but of the credit-worthiness of Hungary.

The position in Hungary differs slightly from that in Germany as, owing to circumstances into which I need not enter, the amount of commercial acceptance credit necessary to deal with her trade became redundant. However, even at the worst moment a considerable percentage of the acceptance credit formerly available could have been made use of in this way, and the acquisition of fresh territory will ease the question considerably in so far as Hungary

is concerned. Why Hungary should insist on repaying commercial credits by sterling remittances when she could use them in the ordinary course of business and get rid of the obligation without the loss of a penny of exchange, I confess I am at a loss to understand.

BUSINESS IN SPAIN

In Spain, as I mentioned a year ago, we have been surprised at the extent to which our clients have been able to meet their obligations. The total figure outstanding—originally about £600,000—is now reduced to £268,408, but against this sum we have sterling balances and securities, balances in the clearing, etc. It is impossible to put an exact figure on this, and the uncertainty of the amount of our actual cover is still further complicated by large peseta deposits, some of which carry the direct obligation of the Centro to remit the sterling while others are only covered by its general obligation. What this cover, either in sterling or pesetas, is worth is, therefore, largely a matter of opinion, and, according to the point of view, our debt is either covered or leaves a substantial shortage. It is, however, not from these material things that I feel confidence in regard to the future. There is no more honourable debtor in the world than the Spaniard, and it is beneath the dignity of the average man to fail in such obligations. That is the traditional attitude, and it is for that reason that I have confidence in the future. Of course, we may have here and there cases of victims to circumstances beyond their control, but, just as in Germany and Hungary, I believe that our ultimate loss will be trifling.

In addition to these commitments we have a certain number of investments that are difficult to realise, but I do not feel that any purpose would be served by going into the matter in detail. We have also a certain number of accounts repayment of which is made at stated periods, a certain number of blocked accounts, and so on, but the amount is not large, probably less than the normal experience of any bank in our field of activity. Our British Government securities (£420,390) are valued at the prices ruling on October 31st.

AUSTRIA AND CZECHO-SLOVAKIA

On turning to our balance sheet you will see that our acceptance figures show a substantial diminution as compared with those of a year ago, and you will naturally want to know something on that subject.

When Austria was occupied by Germany in the spring we were doing an active and excellent business in neighbouring countries. The occupation naturally made political considerations of predominant importance, and your board reconsidered the position from this point of view. We came to the conclusion that, while the business in itself was first rate, political tension made it undesirable. We therefore regretfully decided to call up all our credits in that area. On this point I feel that I need only say that every credit we called up was repaid at maturity, and when the crisis occurred in Czecho-Slovakia we were not involved. Our clients met us in a friendly and frank spirit that could not have been improved upon. No doubt they felt a certain sense of annoyance but, on the other hand, they realised later that through our action they were enabled to ride the storm in safety with furled sails.

It is interesting to reflect on the fact that only a few short years ago the problem to which your board gave the most serious consideration was the extent to which it was desirable to allow our commitments to go to the stage of development we had then reached. To-day we find that, while the countries, clients and business are there, political considerations are such that the confidence is lacking which is necessary to enable the business we did formerly to be carried through. No doubt in the future the present moment will appear only as a bad nightmare, but for the moment it is very real.

PROFITS NOT UNSATISFACTORY

In these circumstances you will not expect to find that our profits have been maintained, but I also think you will feel that to have earned those we have shown is not unsatisfactory. In the conditions I have mentioned you will realise it is not possible for us to distribute a dividend.

The only other point that it seems desirable to refer to are our cash resources. These at the date of our balance sheet had dropped to an unusually low figure but recovered a day or so afterwards to what we regard as normal. As mentioned earlier in my remarks, we would have had to add a large sum to our cash resources if the document which was signed subsequently to October 31st had been signed before that date. That would have placed us in the unique position for a bank of having to consider not what percentage our cash resources ought to bear to our deposits but what percentage our deposits bore to our cash resources. In a world that

is to a large extent upside down, such a situation seems entirely in keeping.

TRIBUTE TO PRIME MINISTER

When I was a boy I once had a chance meeting with Joe Chamberlain. This meeting kindled my youthful imagination, with the result that I was an enthusiastic adherent of this great and far-sighted man until his death. To-day a son is our Prime Minister, and again a Chamberlain points out to us the path that ought to be followed. In his effort our Prime Minister has gained the gratitude and thanks of every unprejudiced person. It may, perhaps, seem strange that admiration for his achievement is more universal in other countries than it is in his own, but that, after all, is only natural. In his own country, owing to proximity, from certain points of view, the wood cannot be seen on account of the trees, and its magnitude therefore remains unknown. The Prime Minister's effort has been of such vital importance that I feel I cannot allow an occasion of this sort to pass without paying my tribute.

You will see from our report that Mr Meinertzhagen has been appointed deputy chairman. A change has also been made in regard to our procedure on this question. While your board was entirely satisfied with the manner in which the present arrangement worked—you may remember this involved a different member of the board occupying the post of deputy chairman each year—it was felt that Mr Meinertzhagen's wide knowledge and experience were not being taken full advantage of. Mr Meinertzhagen is at present chairman of our two produce companies, and he also pays special attention to the business connected with his old firm, but he holds no executive post in the bank. The board have accordingly appointed Mr Meinertzhagen a full-time deputy chairman, and I am sure that this will meet with your warm approval.

RETIREMENT OF THE CHAIRMAN

If you will allow me, I would now like to touch upon a personal matter. Over 31 years ago I was appointed manager of the London office of the Union Bank of Scotland and two years later became general manager. Since that time I have been the executive head of either the Union Bank of Scotland or the British Overseas Bank, in the latter institution under varied official designations. That is a long time in which to be the responsible head of any institution—indeed, I believe that, so far as this country is concerned at the present moment, it is unique. Times have not been easy, and for some years I have felt that when the right moment arrived I should be glad to pass my responsibilities on to younger men and enjoy some of the leisure which has been denied me during my official career. From what I have told you to-day, it is obvious that that moment has arrived, and when the necessary arrangements have been made I shall be glad to take advantage of it. I should like to take this opportunity of thanking you all for the support and encouragement you have given, and to my colleagues on the board and on the executive my grateful thanks for the loyalty and help which I have received from them to the utmost limit, and without which my task would have been an impossible one. To my many shortcomings you and they have been very kind, but whatever they have been, I can assure you that I have never had any thought but the interest of the bank. Thank you. (Applause.)

I beg to move:—"That the report and accounts for the year ended October 31, 1938, as audited and certified by your auditors, now before the meeting, be approved and adopted."

Mr Louis E. Meinertzhagen (deputy chairman): I beg to second that motion.

SHAREHOLDERS' QUESTIONS

Mr D. S. Savory: May I ask one or two questions, sir? There are two items in the balance sheet which I should like explained. First of all, there is an item of Government securities at market prices. Are those entirely British Government securities?

The Chairman: Yes.

Mr Savory: It is not so stated on the balance sheet. May I suggest that it would be better to put in the word "British"?

The Chairman: I think that is a good suggestion.

Mr Savory: My other question is with regard to the bank premises. Does that item refer to premises in this country?

The Chairman: Yes, the building in which we are meeting to-day.

Mr Savory: Then I have a third question, if I may presume on your kindness. You have told us what is going to happen to the "B" shares so long as the deferred deposit system is in existence, but you have not told us what will happen after that deferred deposit has been repaid.

The Chairman: The "B" shares are held for the "A" shareholders by trustees.

Mr Savory: In your speech you said they were held by trustees so long as the deferred deposit was outstanding, but you did not say what would happen when and if the deferred deposit was ever repaid.

The Chairman: Of course, there are many ways in which the "A" shareholders might get possession of them, and it has not yet been determined. They might be held and the dividends on the "B" shares paid over to the "A" shareholders. I want you to understand that I am now expressing only my private opinion. Another method might be by placing the money to reserve. I do not yet know what will be done.

Mr Savory: Thank you very much.

THE DEPOSIT

Mr L. W. Western: Perhaps it would be desirable for you to tell us with whom this deposit is made.

The Chairman: With us.

Mr Western: Who has made the deposit?

The Chairman: Before severing their connection with the bank the former "B" shareholders had to see that it was absolutely sound, and the deferred deposit was made with that object. It has been placed at call with the banks making the deposit and we can have it any time we want. This support has never been required and I do not suppose we shall ever need it, but, if we do, there it is.

Mr H. J. Stockton: Am I to understand that there are now no "B" shareholders? Have they ceased to exist?

The Chairman: The "B" shares are now held by trustees. The paragraph in that part of my speech which was contributed states: "Until such time as the purposes for which the deferred deposit was designed are considered to have been fulfilled, the shares will stand in the names of trustees, who will exercise the voting control attached thereto in the general interest of the bank." I had previously said: "They felt that it should operate in favour of the 'A' shareholders, for whose benefit the 'B' shares will now be held." Thus, the rights pass to the "A" shareholders.

Mr Stockton: You acquired the business of Frederick Huth and Company with interests in Chile. Have we any commitments in Chile, any debtors?

The Chairman: No; nothing.

The resolution was then put to the meeting and was carried unanimously.

The Chairman: I now call upon Sir James Caird.

RE-ELECTION OF DIRECTORS

Sir James Caird, Bt.: The directors retiring by rotation are Mr A. C. D. Gairdner, Mr Louis E. Meinertzhagen and Mr Duncan A. Stirling, and I have been asked to move their re-election. Those gentlemen are so well known to you that I do not think any words of mine are needed to gild their already golden reputations as bankers, and I am therefore content to move their re-election, and I will ask Sir Nigel Campbell to second it.

Sir Nigel Campbell: I have much pleasure in seconding that.

The resolution was unanimously passed.

The Chairman: Will a shareholder kindly move the reappointment of the auditors?

Mr Stockton: I have much pleasure in proposing: "That the retiring auditors, Messrs George A. Touche and Company and Messrs McClelland, Ker and Company, be reappointed as auditors of the company for the current year at the same remuneration, namely, a collective fee of £750." It is very desirable that we should have good auditors and I believe that these two firms are excellent.

Mr L. H. J. Tomsett: I beg to second that.

The resolution was unanimously adopted.

VOTE OF THANKS

Mr Sydney Stewart: Gentlemen, as an "A" shareholder I should like to express regret that we are losing Mr Gairdner as our chairman. I am sure we should all like to pass a vote of thanks to him. He has had a very trying time as things have not gone really well since about 1932 or 1933. I am sure we are all very much indebted to him. (Hear, hear.)

Mr Walter Scott: Mr Chairman and gentlemen,—I had the privilege of saying a few words at the last meeting. To a certain extent I expressed disappointment at the passing of the dividend and I said, as you may remember, sir, that I should have to be content with a pigeon instead of a turkey for Christmas. This time, instead of a pigeon I am afraid it will have to be a sparrow. (Laughter.) However, let that be. I am very sorry—and I am sure all the shareholders here are—to hear the words spoken by you to-day, sir. I have attended all the meetings since the inception of the bank and I have always found you most courteous in your

answers to questions. I am sure that the shareholders could not have wished for a better chairman than you. (Hear, hear.) We shall all be extremely sorry when the time comes for you to resign.

I hope you will be good enough to pass on our appreciation to your colleagues and the staff for their attention to our business, which makes for success. I do not think I have anything more to say, but I wish you all a very merry Christmas and an especially happy New Year. (Applause.)

The Chairman: Ladies and gentlemen, I thank Mr Stewart and Mr Scott for their kind remarks and you, gentlemen, for the way in which you have received them. This is the sort of thing which must come to everyone; no one can go on for ever, and this appears to be a fitting moment for me to leave the fortunes of the bank in other hands. I am glad to be able to do so when the position is as strong as it is to-day. I thank you all very much. (Applause.)

The proceedings then terminated.

TRUST OF INSURANCE SHARES LIMITED

THE "BANK-INSURANCE" GROUP OF UNIT TRUSTS

MR McCURDY'S REVIEW

The fourth annual general meeting of Trust of Insurance Shares, Limited, was held, on December 9th, at 30 Cornhill, London, E.C.3.

The Rt. Hon. Charles A. McCurdy, K.C., the chairman, who presided, said:—Four years' experience of the workings of this group of Unit Trusts have cleared up many doubts and uncertainties which formerly existed in my mind. It is now clear that the Unit Trusts, so far from being a source of weakness to markets in times of depression, have proved to be a stabilising factor.

As regards the "Bank-Insurance" group of Unit Trusts, there is no question that our tens of thousands of unit-holders are genuine investors seeking security of income and stability of capital in a world in which security and stability have almost ceased to exist. Speculation in our units is unknown. Stock Exchange crises and international alarms leave our unit-holders undisturbed.

UNIT TRUSTS AND THE CRISIS

On this point I will give you some definite figures showing exactly what happened to our Trusts during the recent crisis, when trenches were being dug in the London parks and it was obvious to everyone that we were on the brink of war. During that period, from September 12th to the 30th, when, if ever, we might have experienced the predicted rush of unit-holders to realise their investments, the units in our Trusts offered to us for sale by unit-holders did not amount to one-half of one per cent. of the units in issue. Units to the value of £47,722 were repurchased by us; applications by fresh investors for the purchase of fresh units amounted to £112,047.

At a time when dealings in any kind of securities on the Stock Exchange were difficult and restricted, the units of the "Bank-Insurance" group of Trusts remained freely marketable at surprisingly close prices.

The average net margin between bid and offered prices, after deducting brokers' commission and transfer duties, both of which are borne by the company, was just over 4½d. per unit—a figure only comparable to the margins maintained at that time on purchases and sales of British Government stocks.

THE CORNHILL TRUST

The principal event of the year for the "Bank-Insurance" group was the phenomenal success of our Cornhill Trust—a Trust whose investments are limited to British insurance and bank shares and British Government stocks.

The Cornhill Trust was specially devised to give investors a choice of two widely differing types of investment. On the one hand, a short-dated investment fully secured and guaranteed—the Cornhill £1 redeemable debenture units, and, on the other hand, the Cornhill deferred units, offering exceptional prospects of capital appreciation as a long-term investment.

INSTANTANEOUS SUCCESS

The success of this Trust was instantaneous. On the first issue of debenture units 600,000 were subscribed within a few hours, and on the first public issue of Cornhill deferred units 350,000 were as promptly subscribed. The issue of units in this Trust to-day amounts to 1,410,000 debenture units and 1,540,000 deferred units.

I may say of this Trust, as of the other Trusts managed by Trust of Insurance Shares, Limited, that our unit-holders are by no means limited to the class of small investors and that more than £150,000 worth of our units are held as investments by directors and members of the staff of the managing company.

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

STRONG AND LIQUID POSITION

FIELD-MARSHAL LORD MILNE'S ADDRESS

ASSETS

The annual meeting of the shareholders of The Commercial Bank of Scotland, Limited, was held at Edinburgh on December 15, 1938. In the absence of The Earl of Mar and Kellie (Governor of the Bank), Field-Marshal Lord Milne presided.

TRIBUTE TO LATE DIRECTORS

Before commencing the business of the meeting the Chairman said:—

I would like to refer to the great loss which we have sustained during the year through the deaths of Lord Mackenzie, Mr William Babington and Sir William C. Johnston. Lord Mackenzie's interest in the bank was lifelong; the son of a former manager, he was for a considerable number of years an extraordinary director, and latterly deputy-governor. Mr Babington and Sir William Johnston each rendered valuable service to the bank as ordinary directors. Mr Babington resigned his seat on the board on his appointment as law agent of the bank in 1929, and, following his death during the past year, Sir William Johnston accepted the law agency and resigned his directorship. We greatly regret that Sir William's tenure of office as law agent was so short. Each of these gentlemen was regarded by all with whom they came into contact with the greatest esteem and affection, and their presence is greatly missed.

In submitting the report the Chairman said:—

I have pleasure in presiding at the annual general meeting of the shareholders of the bank, and in submitting a report by the directors which, notwithstanding the uncertain and difficult times through which we are passing, will, I feel satisfied, show that the business of the bank continues to be conducted with the same care and success as in past years.

PROFIT AND ALLOCATIONS

The profit for the year, after payment of all expenses, and after making provision for all bad and doubtful debts, contingencies, income tax and National Defence contribution, amounts to £381,155, which is £14,509 less than the previous year. Looking to the increased rate of income tax and the provision for National Defence contribution, on this occasion covering a full year, the moderate reduction in profit to which I have referred is not surprising. Out of the profit the directors have applied to the reserve fund the sum of £50,000, which makes this fund £3,150,000, which is £900,000 more than the paid-up capital of the bank. That is a very substantial figure, but as the times through which we are passing are uncertain, your directors are satisfied that a large reserve is more than ever desirable. A sum of £50,000 has been applied to property accounts; £30,000 to the trustees for the officers' pension scheme, and £10,000 to the widows' and orphans' fund scheme. The staff pension scheme makes provision for retiring allowances as a right to employees of the bank upon a non-contributory basis, and the widows' fund provides pensions for widows and orphan children of members. These funds, administered by trustees, are steadily growing and the advantages enjoyed by the staff and their dependents, I have reason to believe, are very greatly appreciated.

BALANCE SHEET ITEMS

Turning to the balance sheet, our note circulation is the highest of the Scottish banks, and although the figure of £3,727,000 is about £41,000 less than last year, that is a small fluctuation which has no significance.

Deposits and other credit balances you will observe amount to £44,739,000, which is approximately £1,300,000 less than last year. It may be observed, however, that the deposits at the Scottish branches at the date of the balance were actually higher than at the corresponding date a year ago.

Acceptances and engagements on account of customers and banking correspondents (including foreign exchange forward contracts) at £4,069,000 are £689,000 higher, which reflects the greater activity in our foreign exchange department, the importance of which has steadily grown in recent years.

Turning to the assets side, cash, Bank of England and other balances, money at call and short notice, and our investments—which are almost entirely British Government securities—produce a total of £38,672,000, equivalent to almost 80 per cent. of our liabilities to the public in respect of deposits and notes in circulation. That, I have no doubt you will agree, is a very strong and liquid position. Our investments have been carefully selected with due regard to maturity dates, and the market value is in excess of the figures appearing in the balance sheet.

Bills discounted at £937,000 show a reduction of approximately £240,000. These are all trade bills discounted in the ordinary course of our business.

Loans and advances at £13,472,000 show a reduction of £1,160,000. It may interest you to know that during the greater part of the year our advances figure was substantially higher than the amount on the annual balance day. We have experienced a steady and increasing demand for loans of moderate amount throughout the year and the directors regard the advances as being in a very satisfactory condition. It can be readily seen that with the large liquid resources which the bank has available it is in a position to meet all reasonable demands from its customers.

Heritable property appears in the balance sheet at £975,000, which is £25,000 more than a year ago. The policy of modernising our offices, which was embarked upon several years ago, has been continued during the year, and we have reason to believe that the improved conditions resulting from our operations are appreciated not only by the customers but by the staff.

DIVIDENDS

Interim dividends have been paid on the "A" shares at the rate of 16 per cent. per annum, and on the "B" shares at the rate of 10 per cent. per annum, and it is now proposed that a further distribution on both classes of shares be made at the same respective rates, subject to income tax. After payment of these dividends and allocations to which I have referred, the carry-forward to next year's account amounts to £70,299, approximately £2,000 more than the amount brought in.

THE FUTURE

It is customary at these meetings to refer generally to trade conditions and prospects, but under present uncertain conditions in the field of international politics it is, I think, of little profit to indulge in speculations as to future prospects. When last you met here the Governor pointed out that there were indications that the upward movement in industrial activity was beginning to exhaust itself, and it is not surprising, as the international political situation became more unsettled during the period, that normal business should be adversely affected. An encouraging recent feature has been the conclusion of the Anglo-American Trade Pact, and the indication which it conveys of a desire for closer co-operation between our American friends and ourselves has more than normal significance at the present juncture. Although immediate results may not be seen, there must almost inevitably in course of time be substantial advantages over a wide field.

NEW DIRECTOR

During the year, Mr James L. Mounsey, W.S., was nominated by the board as an ordinary director, in room of Sir William Johnston, and upon Sir William's death Mr Mounsey accepted the invitation to become law agent, and thereupon resigned his directorship. In place of Mr Mounsey, Mr J. Ellis Inglis, W.S., was nominated an ordinary director, and his appointment falls to be confirmed by the shareholders. We are very pleased to welcome Mr Inglis at this meeting.

RE-ELECTION OF DIRECTORS

It is proposed that the Earl of Mar and Kellie should be re-elected Governor, that I be elected Deputy-Governor, and that

the extraordinary directors whose names appear on the list in the report be re-elected. It is also proposed that Mr Candlish Henderson, the ordinary director who retires at this time, be re-elected. Mr Macfarlan and Mr Annan, the auditors, being eligible, offer themselves for re-election for the current year.

The Deputy-Governor then moved the adoption of the report and the motion having been seconded by Mr Archer, was put to the meeting and carried.

At the close of the meeting, on the motion of Mr R. A. Bruce, W.S., a vote of thanks was accorded to the directors and the staff for their services during the year and acknowledgment was made by Mr Durham on behalf of the directors and by Mr Erskine, the general manager, on behalf of the staff.

GLASS HOUGHTON AND CASTLEFORD COLLIERIES, LIMITED

ABNORMAL MARKET CONDITIONS

MR A. WOOLLEY-HART'S ADDRESS

The ordinary general meeting of the Glass Houghton and Castleford Collieries, Limited, was held on Wednesday, December 14th, at the Charing Cross Hotel, London, W.C.2.

Mr A. Woolley-Hart, the chairman, in the course of his speech, said:—When we met in November last year the outlook was quite favourable, but soon after the beginning of the year there were signs of a recession, although it then appeared to us that such recession would be only of a temporary character. However, all the summer conditions were, if anything, rather worse, and it must be borne in mind that our accounts are made up to the end of September, thus covering the whole of this period, which compared most unfavourably with that of the previous year. I think I am accurate when I say that we have experienced, certainly from the point of view of our coke business, one of the worst periods in the history of the undertaking.

As an indication of the sudden change in the situation, the output at Glass Houghton for the first six months to March last was reduced by only 1.8 per cent. and appreciable profit had been made, so much so that the board felt entirely justified in paying an interim dividend. Unfortunately the outputs permitted under the selling schemes during the second half of the year resulted in a reduction in output of 80,939 tons, or 19.9 per cent., and great inroads were made in the profit that had been earned in the earlier period.

As you will see, the profits are down by £55,581.

Whilst we have experienced an advantage by virtue of the slightly higher selling prices received during the year, this was more than wiped out by the very heavy increases we had to bear in wages and the concession of holidays with pay.

It is a matter of regret to your directors that they have been unable to recommend the payment of a final dividend, but they do not consider it expedient to adopt such a course in view of the uncertainty as to the outlook in the near future and bearing in mind the expenditure to which they are committed.

The first part of our programme provides for a new central washery, which will enable us to do away with the bulk, possibly even the whole, of our existing screening plants. The next is a water tube boiler installation with which we shall ultimately be able to raise at Glass Houghton Colliery the whole of the steam at present raised by three separate batteries of boilers. Both these installations should effect large economies.

Considerable expenditure has also been authorised in connection with the Pontefract Collieries, where development of the new area of approximately 5,400 acres, referred to in the circular letter sent you in May last, is proceeding according to schedule.

Our future programme includes consideration of a new battery of coke ovens of modern design to replace the existing plant which has been in operation for 25 years. Your directors are of the opinion that a modern battery will show an appreciable economy. The present by-product plant, workshops, stores and washery will be retained.

The chairman having replied to questions, the report and accounts were unanimously adopted and the retiring director, Mr A. Woolley-Hart, re-elected.

The auditors having been re-appointed, the proceedings terminated with a vote of thanks to the staff.

THE NATIONAL BANK OF SCOTLAND LIMITED

SATISFACTORY RESULTS

The 113th annual general meeting of the proprietors of The National Bank of Scotland, Limited, was held in the bank's head office, on the 15th instant, The Most Honourable the Marquess of Lothian, C.H., the governor of the bank, presiding.

The Marquess, in the course of his speech, said:—The directors are pleased to report results which they consider very satisfactory. The net profit of £292,600, which is £16,600 in excess of the figures of the previous year, has been arrived at after making full provision for all bad and doubtful debts as well as for income tax, National Defence contribution, rebate, interest, and so forth.

On the assets side of the balance sheet, cash, money at call and short notice and balances with the Bank of England and other banks total £11,536,000. This represents practically 28 per cent. of the deposits and note circulation taken together—a very liquid position indeed. The bank's holdings of British Government securities stand in the balance sheet at £17,699,000, which is less than their present market value. No account has been taken of the substantial investment reserve fund, which has been built up over many years. Advances, represented by commercial bills discounted (including a considerable holding of British Government Treasury Bills), loans against marketable securities, and overdrafts on current account exceed £14 millions. This is an increase of £250,000 over the previous year's figures, although advances on current account are actually lower at the date of the balance sheet by £500,000. Bank buildings and heritable property taken together stand at the heavily written down figure of £564,000 despite considerable expenditure during the last twelve months, and apart from expenditure on the new head office building, the whole cost of which has already been provided for in the past. The total resources of the bank as shown in the balance sheet amount to almost £48 millions, which constitute a record in its long history of 113 years.

The Governor concluded by moving the adoption of the report and the payment of dividends at the rate of 16 per cent. per annum less tax on the consolidated capital stock and of 5 per cent. per annum less tax on the "A" stock. This was seconded by Mr R. K. Blair, W.S., chairman of the board, and was unanimously agreed to.

NELSON FINANCIAL TRUST, LIMITED

DIVIDEND MAINTAINED

The ordinary general meeting of Nelson Financial Trust, Limited, was held, on the 12th instant, at Southern House, London, the Rt. Hon. Viscount Goschen, G.C.S.I., G.C.I.E., C.B.E. (the chairman), presiding.

The Chairman, in moving the adoption of the report and accounts, said on the assets side of the balance sheet investments, as classified, showed various changes as compared with their previous report. British funds standing at £77,805 showed a reduction of £8,465; Colonial stocks were £2,203 up, and foreign bonds at £52,399 showed very little change. On practically all their holdings of foreign bonds they were receiving whole or partial interest. The railway group stood at £56,235, and one need hardly remind stockholders of the disappointing position with regard to earnings common to nearly all railway systems.

Banks and insurance companies were £14,158 less and investment trusts £5,656 more than last year. Cable, electric and lighting did not show much change; but both financial, land, etc., and general mining were lower by £5,434 and £18,618 respectively. In the mining group, 53 per cent. was in gold shares, 9 per cent. diamonds, and the balance in tin, copper, lead and manganese. The whole of these investments, standing in the books at £741,525, which under ordinary conditions would be considered stable income producers, amounted to 49 per cent. of our total holdings.

In view of the fact that there had been a constant deterioration in market values throughout the year, it was not surprising to find that they had a depreciation of 16.3 per cent., as shown by the market quotations for their securities on October 31st last.

The actual result of the year's working was a decrease of £1,048 in gross revenue, but after adjustments in income tax they were enabled to recommend a final dividend on the ordinary shares of 2½ per cent., making 5 per cent. for the year, the same as last year.

He did not think any of them would expect him to prophesy about the current year. They hoped there would be less apprehension and more settled conditions.

The report and accounts were unanimously adopted.

BANK OF LONDON AND SOUTH AMERICA, LIMITED

SATISFACTORY RESULTS IN A DIFFICULT YEAR

BRITISH EXPORTERS AND FOREIGN COMPETITION

LORD WARDINGTON'S REVIEW

The annual general meeting of the Bank of London and South America, Limited, was held, on the 13th instant, at the head office, 6-8 Tokenhouse Yard, London.

The secretary (Mr J. A. Stark) having read the notice convening the meeting and the report of the auditors,

The Rt. Hon. Lord Wardington, chairman of the bank, in the course of his speech, said: The past year has been marked by the most serious international political crisis since 1914. The swift march of events in Central Europe which culminated in the fateful days of last September will be still clear in your minds. The heartfelt good wishes of us all, I am sure, go out to our Prime Minister in his indefatigable pursuit of a policy of appeasement and co-operation. (Hear, hear.) It can only be hoped that the combined wisdom of statesmen in all countries will provide solutions of the problems which confront us, and chiefly those which spring from the prolonged phase of intense economic nationalism. Until this phase passes, with all its attendant burdens of heavy armament expenditure, increasing taxation, and the dislocation of world trade and currencies, return to general international prosperity must proportionately be delayed. An inspiring feature of the September events was the effort made by the leaders of the great nations of the New World to use their influence in the cause of European peace, and I would say how much we appreciated the prompt manner in which the Presidents of both Argentina and Chile associated themselves with Mr Roosevelt towards this end.

Future developments, it must be hoped, will lead to a return of that confidence which is essential for the revival and stability of all markets. The necessity for this return of confidence is nowhere better illustrated than among the foreign exchanges, the recent widespread flow of capital to the United States from Europe having confronted the Washington Administration with many complex problems including a sharp appreciation in the exchange value of the dollar. Should this flight of capital continue on an important scale, the reaction on the principal European currencies will be correspondingly severe. For this reason, and due to the fact that many of the currencies of the South and Central American countries are directly related to the dollar, you will readily understand that we must follow with special interest financial developments in the United States.

IMPROVED TRADING CONDITIONS IN THE UNITED STATES

Trading conditions in the United States did not show any substantial improvement during the year under review, but it is encouraging to observe a better tendency recently. Gratification is afforded by the signing on November 17th of the Anglo-American and Canadian-American Trade Agreements, not only by reason of the trading benefits which they confer, but also because of the demonstration of mutual goodwill and of the example set towards reducing international trade barriers. A further indication of a return to normal conditions is the reopening of the North American capital market to foreign borrowers, Argentina having last month successfully placed in New York a ten-year loan for U.S.\$25,000,000, thus becoming the first foreign Government for several years to raise new capital in the United States by means of a public bond issue.

EXPORT TRADE DECLINE

Last year I was able to refer to the expansion in South American export trade compared with the 1935-36 period, but the recession which began in 1937 has persisted, with the result that our financial year now under review witnessed a definite setback in the value of products exported. Actually, the fall in the total value of exports, as officially recorded in local currencies, was as great as 38 per cent. in the case of Argentina, 26 per cent. in Chile, 20 per cent. in Uruguay, nearly 13 per cent. in Peru, and about 2½ per cent. in Brazil. Since this trend coincided with a general rise in the value of imports, the favourable trade balances recorded in 1936-37 were either substantially reduced in 1937-38 or converted into import surpluses.

Generally speaking, the setbacks in exports were real, that is to say that shipments were lower in actual volume as well as in

value. Brazil, however, was an exception, thanks to the recovery in coffee shipments.

The rise in imports does not, as may at first sight be thought, indicate that the South American countries, encouraged by the short-lived approach towards prosperity in 1936-37, made any substantial increase in their purchases from abroad in 1937-38. The fact is that the actual volume of imports in no ascertainable case showed marked expansion, but substantially higher prices had to be paid for goods purchased from abroad. It is observed, however, that imports of machinery and equipment for the manufacturing industries, particularly in Argentina, Brazil and Chile, have been more extensive, and this is a factor which must inevitably influence the volume and lines of imports of finished goods as time goes on.

With regard to the remittance position, there has been no relaxation of exchange control restrictions, which, indeed, show a tendency to become intensified—a feature which is perhaps not surprising in view of the recent trend of trade.

BRITISH TRADE OUTLOOK

In these days, when the income from British overseas investments is so very much reduced, the maintenance of our export trade assumes greater importance than ever in our national balance of payments. Therefore, the recession in our export trade which has taken place this year cannot be regarded with equanimity, whilst, so far as certain of the Latin American markets are concerned, I feel it incumbent upon me once again to stress that, if Great Britain is to improve upon its present depleted share, British manufacturers and exporters must intensify their sales efforts notwithstanding the admittedly abnormal competitive factors which at present have to be faced. It will be sufficiently enlightening if I tell you that in the case of Brazil the proportion of imports emanating from the United Kingdom has fallen from 20 per cent. in 1932 to under 10 per cent. in the first half of this year, whilst almost exactly the same drop occurred in Peru.

Apart from the growing industrialisation of South America, this loss of trade—especially in Brazil, Chile and Peru—has been due largely to special devices employed by certain competitive countries. Germany, for instance, has continued to make great headway in many Latin American import markets on the basis of the "Aski" mark, which gives German exports the advantage of a large currency depreciation. Germany and Italy have also undoubtedly been granting direct subsidies to exporters to Latin America so that goods are often sold at under cost price, whilst in certain competitive countries wages and working conditions are said to be far inferior to what would be tolerated in this country. This "dumping" has been largely responsible for a glut of various lines of goods—textiles from Japan and Italy for instance—which has prejudiced not only United Kingdom exporters but also local manufacturers. Indeed, this has already led to the establishment of an import quota system for woollens in Chile, whilst an "anti-dumping" Bill is now before the Argentine Government to Congress.

The chief supplying country to the Latin American markets as a whole is the United States, although competition from that source is, of course, conducted on legitimate lines. It must be frankly recognised, however, that the United States enjoys two fundamental advantages over European countries; firstly, comparative immunity from the political troubles of the Old World, and secondly, geographical proximity to the South American markets. The latter factor especially assists in fostering both political and economic relations with the Southern Continent, particularly in view of the recent great improvement in transport facilities. The global increase in exports from the United States to the whole of Latin America in the year ended June 30th last was 20 per cent. over the previous twelve months. Undoubtedly even greater efforts will be made in future to consolidate these gains, and, in addition to the trade treaties concluded or in process of negotiation with several of the Latin American Republics, an official scheme is being studied for granting long-term credits to American exporters especially for the sale of heavy goods and railway equipment.

Generally speaking, the River Plate countries are those in which British goods are least confronted with the competitive devices already mentioned, due to the United Kingdom being the chief market for their products.

BALANCE SHEET FIGURES

On coming to the examination of our figures we find no striking variation in them as compared with those shown to you a year ago, despite the fact that banking business is increasingly competitive and interest and commission rates continue at a low level. We remain in the same satisfactory state of liquidity in respect of our ratio of cash to our deposits. Acceptances on account of customers and bills for collection show reductions of £340,000 and £610,000 respectively. I have no doubt you will be agreeably

WANKIE COLLIERY COMPANY, LIMITED

RECORD COAL SALES

SIR EDMUND DAVIS'S ADDRESS

The meeting of the Wankie Colliery Company, Limited, was held, on the 12th instant, at the Abercorn Rooms, Liverpool Street Hotel, London, Sir Edmund Davis (chairman and managing director) presiding.

The Secretary (Mr H. W. Lampard) read the notice convening the meeting and the report of the auditors.

The Chairman, in the course of his speech, said that the profit for the year amounted to £268,433, from which had been deducted taxation reserve £20,000 and the three dividends, each of 6 per cent., paid during the year, leaving £45,128 to be carried forward. There had been a substantial improvement in their coal business, though a serious decline in the coke sales, during the year under review. The coal sales had proved to be a record by being 99,086 tons above the figure for the previous year, and they confidently hoped—in view of the developments which were taking place in Northern Rhodesia—that at no distant date they might still further improve upon that.

COAL PRICES

Referring to the publicity which had been given in Southern Rhodesia to the price of coal, and to the exclusive rights held by the company on what was known as the Gwaai area, the Chairman said that on the question of comparisons which had been made with the price of coal in the Transvaal, it was sufficient for him to state that the average price realised in the Transvaal for 1937 for all coal, including coal supplied under contract, varied from 4s. 11.94d. to 5s. 5.99d. per ton. But the general pitmouth price to non-contract consumers was about 8s. per ton. There had been recently an advance in the price of coal to the large consumers in the Transvaal, as well as to the domestic trade, which advance had been approved as thoroughly justified. The point, however, which critics neglected was the difference in the value of the coal supplied by the company when compared with that of the Transvaal, the Orange Free State and Natal. A large part of the better value of their company's output was due to the careful treatment the coal received, naturally followed by an increase in cost of production.

GWAAI PROSPECTING AREA

As to the Gwaai prospecting area, with a view to meeting the criticism in Southern Rhodesia—though he did not consider that it was warranted—the company had come to an arrangement with the Southern Rhodesian Government by which they had agreed to surrender one-third of the area now and one-fourteenth in each year commencing on September 1, 1939, on the distinct understanding that the Government would not work the area nor give any other assistance than that normally granted to the mining industry through the loan fund account of the Mines Department.

HEATING POWER OF WANKIE AND TRANSVAAL COALS

In conclusion, the Chairman, referring to the comparative heating powers of Wankie and Transvaal coals, said:—

"I think that at any rate those residing in Bulawayo might save themselves a great deal of trouble by going to the railway station and witnessing what I saw early this year—that is, locomotives in from the Union using Union coal compared with other locomotives using Wankie coal. The tenders carrying Union coal had to have their sides boarded up in order to take additional coal, whereas if Wankie coal had been used the tender capacity would have been sufficient for a similar mileage. In this connection, may I just point out that the calorific value of the coal in our contracts is specified at 13,600 British thermal units, with a tolerance of a plus or minus of 2½ per cent., giving a minimum of 13,260 and a maximum of 13,940.

"Perhaps it is better that I should state that coal produced by the Transvaal collieries varies tremendously in quality, its heating power being from round 9,000 B.T.U. to 13,000, whereas Wankie run of mine coal is 13,000 and when clean washed coal up to 14,000.

"Taking into consideration for heat content the great tonnage of Transvaal coal which is about 11,000 B.T.U. and comparing this with Wankie of about 14,000, you are faced with the fact that about 11 tons of Wankie coal are equivalent to about 14 tons of Transvaal, though for locomotive purposes, due to its physical properties, Wankie is very much the superior coal."

The report was unanimously adopted.

surprised that our business has stood up so well to the strain of another difficult year. Our gross profits, which are arrived at after providing for bad and doubtful debts, are down by some £44,000, but, on the other hand, by our unremitting attention to economies we find our charges at head office and branches are lower by £48,000, so that our net profit of £466,000 is slightly better than last year's return of £462,000.

Under the disturbed conditions through which we have passed, I consider this a satisfactory result, and, if some of you have felt that it justifies a more generous dividend distribution, I would explain the reason why this course is not deemed advisable for the present. It lies in the fact that, by the very nature of our business, principally carried on overseas where our capital is employed, our profits are almost wholly earned in foreign currencies in countries where rigid exchange restrictions are in force to such an extent that in some cases those currency profits cannot at present be remitted to this side. We must hope that in time there will be some relaxation in this respect, but, meanwhile, our dividend policy must be influenced by the measure of profits that we can reasonably expect to produce for you in terms of pounds sterling. The directors now recommend a final dividend of 3 per cent., making 5 per cent. for the year, a transfer to contingency reserve of £260,000, and to carry forward to next year £173,476.

THE FUTURE

With regard to future prospects, there is little I can add to my opening remarks, so much depends upon international political developments. Commodity markets certainly have shown signs of greater stability since the close of our financial year, and it is in that direction that we look most anxiously for some tangible improvement.

The process of consolidating our position as the only English bank in South America continues, and it may not be inopportune to mention at this juncture that, including our European branches and agencies, we have as many as 78 officers in 17 different countries. The diversity of our interests and the manifold problems which have to be faced daily can well be imagined. I am quite sure, however, that in our management and staff we have an experienced personnel ably equipped to carry on the bank's business to the best advantage, despite prevailing difficulties.

The report and accounts were unanimously adopted.

CANADIAN BANK OF COMMERCE

CANADA'S CHANGING ECONOMY

The president of the Canadian Bank of Commerce, Mr S. H. Logan, said at the bank's annual meeting, on the 13th instant, in Toronto that Canada experienced a comparatively moderate and short recession in business during the past year, a decline of 15 per cent. extending only from November, 1937, to the spring of 1938; a period of relative stability then ensued, followed by a slight recovery.

Resistance to unfavourable factors abroad and Canada's ability to resume progress were due to a remarkable transformation of Canadian economy. Within the last decade Canada shifted from a predominantly agricultural economy to one based on a combination of agriculture, mining and manufacturing.

In the expansion of non-agricultural industries in the last decade mining had led the way with production aggregating \$2,900,000,000 (an amount not far short of the present net direct debt of the Dominion Government), and had helped greatly to enlarge the field of industry. In 1928 non-ferrous metal smelting and refining was in tenth place, but it now led with a gross annual output exceeding \$200,000,000. Canada was the world's fourth largest source of refined copper and pig lead, second in importance in reduction of zinc ore of domestic origin, while a good proportion of nickel was refined before it was exported.

Canada's exports, including gold, he continued, were \$1,020 millions in the 12 months ending October, notwithstanding the short wheat supply in 1937 and depressed conditions in U.S.A. Grain shipments were one-half of the preceding 12 months, and trade with the U.S. had declined \$145 millions. Export trade with other countries was well maintained.

Many essentials for economic recovery were now present, and if peace between the major Powers was preserved and exports continued to expand on reasonably satisfactory terms, Canada would experience substantially improved business conditions during the coming year.

In his address Mr A. E. Arscott, the general manager, said that a comprehensive analysis of industrial activity showed that operations on November 15th were only 9 per cent. below a year previous, and that was regarded as satisfactory.

BRITISH INDUSTRIAL PLASTICS, LIMITED

A RECENT RECOVERY

The annual general meeting of British Industrial Plastics, Limited (formerly the British Cyanides Company), was held, on the 14th instant, at 20 Aldermanbury, London.

Mr Kenneth M. Chance (chairman and managing director) said that the net profit amounted to £22,184, against £31,098. During the past twelve months the plastic moulding industry, and in particular that branch interested in thermo-setting moulding powders, had suffered a recession, which was probably the most severe it had had to face in this country since the earliest days of its growth. One result had been that a large number of firms engaged in moulding, and one in the manufacture of moulding powders, had been forced into liquidation. It was becoming generally recognised that the plastic moulding industry was a growing one, and such troubles as they had seen during the past year were inevitable in a new industry and had no lasting effect on future development.

As to the effect which those conditions had had on the revenue of the company, in the interim report issued in March an account was given of the excellent business done during the six months from October to that date. Then had come the invasion of Austria, the addition of 6d. to the income tax, the Czecho-Slovak crisis and a sunless summer, with the result that sales of Beetle moulding powder had suffered the first real setback since it was introduced to the market by the company. While it lasted it had been severe but for the new lines developed during the last few years, whose sales had continued on the upgrade, with the result that the gross profit realised was only some 8 per cent. less than the record figure of the previous year.

As to the future, since the latter part of September the sale of Beetle moulding powder had completely recovered. For each of the two months October and November sales had exceeded those of any months since March and also the excellent sales for the same months of last year, while November had given a new record in sales of Scarab. Another excellent feature was the good demand for moulds from their Tyburn Road Factory. Unless this generation decided to use the marvels of modern science for its own destruction, the progress of the plastics industry and the company's activities within that industry were as certain as anything could be in this unstable world.

The report was adopted and a dividend of 6 per cent. approved.

AGAR, CROSS AND COMPANY, LIMITED

FURTHER RISE IN SALES

The thirty-second ordinary general meeting of Agar, Cross and Company, Limited, was held, on the 15th instant, at Dorland House, Regent Street, London.

Mr Stuart C. Sheppard (the chairman), in the course of his speech, after dealing with the balance sheet in detail, explained that, whilst there had been a further improvement in the net trading profits of some £53,000 (£195, against £142,000) for the year under review—the gross debit balance being reduced from £310,195 to £115,408—it was not possible to resume payment of dividends on either class of preferred stocks, nor, meantime, to put forward any scheme for reconstruction, although this had been considered by the board.

YEAR'S TRADING

The Chairman then dealt with the year's trading, explaining how the fluctuations in the prices of cereals in the Argentine had affected the company's business, and stating that, despite this, sales had been further increased and collections well maintained.

He also touched upon the exchange question, and its effect upon the company's trading operations, as well as upon the crop prospects for the forthcoming harvest; and explained the effect of the recent decrees of the Argentine Government regarding exchange and also of the minimum prices fixed for wheat and linseed.

Sales to date for the present financial year were being maintained, and were only very slightly below those for the corresponding period of last financial year, which, he mentioned, were peak figures.

The accounts were duly passed, and the retiring directors and auditors re-elected, the proceedings terminating with a vote of thanks to the chairman, directors, and staffs at home and abroad.

SECOND COVENT GARDEN PROPERTY COMPANY, LIMITED

PROBLEM OF WAR RISK INSURANCE

The fifth ordinary general meeting of this company was held, on the 15th instant, at the May Fair Hotel, London.

Mr Philip E. Hill (the chairman) said that the revenue from properties, dividends and transfer fees for the year ended November 30, 1938, amounted to £181,322, as compared with £171,461 for the previous year, an increase of £9,861. It was proposed to pay a final dividend of 4½ per cent. actual on the ordinary share capital, making 7½ per cent. on the year.

It had always been the policy of the directors only to purchase properties let to the most desirable type of lessee. As a result, 90 per cent. of their property was supported by the very valuable collateral security in the form of covenant of first-class multiple shop companies, banks, insurance companies and others. The balance of the properties was occupied by satisfactory lessees. He would like to refer to a question which was causing anxiety to every owner and occupier of freehold or leasehold property—that was, the absence of any facilities for insuring against damage caused by war. He felt that was a risk that, as far as property damage was concerned, should be insurable. The fact that no insurance scheme was available was having a detrimental effect not merely on property values, but also in the transaction of that vast volume of business appertaining to property. In view of the strength of their lessees' covenants, that was not a vital question to the company, but it was of outstanding importance to so large a section of the community that it could be described as of great national importance.

The problem was not an unsolvable one. While individual insurance companies might not feel justified in accepting so formidable an unknown risk, it should be simple for them to do so in conjunction with the Government, the insurance companies bearing a percentage of the risk and the Government the remainder, and the premium being divided in an equitable manner. In the last war the Government had arranged for such insurance and doubtless would do the same again were the country faced with similar conditions, but the move should not be delayed until actually needed.

The report was unanimously adopted.

MESSINA (TRANSVAAL) DEVELOPMENT COMPANY, LIMITED

ADDITIONS TO ORE RESERVES

The annual general meeting of this company was held, on the 14th instant, in London.

Lieut.-Colonel John P. Grenfell (the chairman), in the course of his speech, said: The receipts from sales of copper and from sundry revenue amounted to £498,493, compared with £536,407 in the preceding year. Although our production of copper was actually greater, the reduced price obtained for it accounts for the difference.

The ore reserves of all three mines have increased, and the Messina mine has earned its share of these increases, but I wish more particularly to speak to you of the Harper and Campbell, where results have been more spectacular. From the 14th level to the 19th level in Harper we have developed large stopes of increasing grade, and the latest information tells us that in the Harper's lowest level, i.e. the 20th, they have driven 70 ft. in ore 30 ft. wide, averaging 6 to 8 per cent. Cu, and there is promise of more to come.

But I especially wish to draw your attention to the Campbell mine, a new mine of great promise, and of which we have large expectations. Last year there were ore reserves of 37,000 tons in this mine, which at June 30th had swelled to 184,000 tons of 2 per cent. Cu, and our latest information is that the reserves have increased during the last five months to 260,000 tons of 2.21 per cent. Cu.

These are very large advances, but when I tell you that all this ore has been developed above the 350 ft. level, your imagination will tell you what we have a right to expect when we have reached the 550 ft. level and the 700 ft. level horizons which we are driving to now. The area of Campbell ore bodies on the 350 ft. level is 24,000 sq. ft., whilst at the Harper mine at a similar depth it did not exceed 6,000 sq. ft. This leads the management confidently to report to me that the Campbell mine is likely to grow steadily bigger.

To sum up the operations of the year, we have made very large advances in the ore reserves without in any way diminishing our financial strength. We have been able to pay an interim dividend of 7½ per cent., and we propose now to pay a further 15 per cent., making 22½ per cent. for the year.

The report was unanimously adopted.

ORIENT STEAM NAVIGATION COMPANY, LIMITED

IMPROVED RESULTS

The thirty-ninth ordinary general meeting of this company was held, on the 13th instant, in London.

Mr I. C. Geddes (the chairman) said that the working profit and income from investments at £430,560 showed a very considerable improvement on the corresponding figure of £351,011. On the other hand, they had incurred a loss on investments realised during the year against a profit for the previous year, and the depreciation to be provided was increased on account of "Orcaades," which first came into service in July, 1937. They recommended a dividend of 5 per cent., free of tax, on the ordinary shares, and in order to pay that they would have to draw on the balance brought forward, and would carry forward only £15,395 to next year against the £36,082 brought in.

The account they submitted was healthier than its recent predecessors, but still not good enough to pay for the progress that they and their clients desired. The debit side of the account was almost as important as the revenue. They found their operating costs had risen, and if the standard of housing on shore—and ship followed shore—was to continue advancing as rapidly as it had done in recent years they would be faced with a still further increase in cost and diminution of earning power.

Of their standing debts, one might instance Suez Canal dues as being a major expense. They paid grateful acknowledgment to the Suez Canal Company for the development and skilful management of their great undertaking, which enabled their ships to pass from the Mediterranean to the Red Sea with regularity and safety. When the Canal Company could reduce the dues, as they recently had done, they were thankful, and took it as a sign that they were not unmindful of their clients.

Passenger traffic through the Canal was highly seasonal; that fine ships should be built was in everyone's interest—that was the way to encourage traffic—but the bigger and finer the ships which were built to carry the traffic in the season voyages the greater would be the percentage of passage money absorbed by Canal dues in the off-season voyages, as they could not, for climatic reasons, materially increase the traffic at those times. Apart from the small head tax on passengers, the Canal Company did not differentiate between passengers and cargo—total space was the measure. He had worked out roughly the dues which would be paid by a cargo steamer carrying the same amount of cargo as one of their passenger vessels. The difference between that sum and the amount their vessel actually did pay represented the charge on passenger space. On that basis the charge made by Suez Canal on passenger space was 13 per cent. of their gross revenue from passengers passing through the Canal for the year—a not unsubstantial figure. If, however, they looked at the off-season transits, it was not unusual for the Canal charge on their passenger space, most of which was empty, to become 20 per cent. to 30 per cent., and indeed in one ship last year it amounted to 47½ per cent. of the gross earning from passengers for the whole voyage of six weeks. He submitted it would not be inequitable to grant the passenger ship some consideration in respect of those burdensome off-season transits.

The report was unanimously adopted.

J. BROCKHOUSE AND COMPANY, LIMITED

CONTINUED EXPANSION

The forty-first annual general meeting of J. Brockhouse and Company, Limited, was held, on the 14th instant, at West Bromwich. Mr J. T. Brockhouse, J.P. (chairman and managing director), presiding.

The Chairman, in the course of his speech, said that the report presented was in some measure a disappointment, but in other respects the progress of the company had been eminently satisfactory. For the first six months of the financial year they showed a record profit, but there was a general slackening off in trade during the last three or four months. This, together with the fact that their financial year ended at the time of the crisis, considerably affected the market price of their investments and they decided to create a special investment reserve. Another important factor was a hold-up owing to modifications in their Government contracts which temporarily seriously affected turnover in three of their works. They had, however, made a good start in the 1938-39 period. The company was in a very sound financial position, and the reserve funds amounted to approximately £500,000.

The West Bromwich works continued to be fully occupied. The profits in this department were slightly less than last year's record, but with the state of the order book at the present time there was every reason to anticipate a further record in the present financial year. R. Berry and Son, Smethwick—by far the largest manufacturers of laminated springs in the country—had suffered somewhat from the recession in the motor trade. The spring service departments in Leeds and Birmingham still enjoyed the full confidence of road users in the country for repairs and replacements and had continued the profits they expected from them. Their other branch in Glasgow, although showing a small profit, had been a disappointment, but reorganisation had been promptly taken in hand.

During the past year they had taken on more and more armament work. They would like to feel that their domestic trade was a greater percentage of their turnover than it was. Taking the company as a whole, however, the domestic trade was still by far the biggest proportion of their business.

The report was adopted.

WILUNA GOLD CORPORATION, LIMITED

MORE FAVOURABLE OUTLOOK

Presiding at the annual general meeting of the Wiluna Gold Corporation, Limited, held in London, on the 9th instant, Mr John A. Agnew (chairman) said that the operations of the Wiluna Gold Mines, the operating company, had shown a net profit of £109,614, which, with £171,594 brought in, made an available total of £281,208. After writing off various items, there was a balance of £121,657. As the year's net profit was unrepresented by available funds, the payment of a dividend was not possible, and this balance has been carried forward. The financial position of the Australian company showed a substantial improvement on that of a year ago. Developments had disclosed a better picture than he had put before them last year.

Having outlined the amount of driving, sinking and cross-cutting carried out and the ore shoots which had been disclosed in the main mine, he said that a bore-hole had exposed ore 18½ feet wide to the west of the West Lode. That was an entirely new occurrence, and tended to strengthen their belief in the potentialities of the southern area. Developments on the Bulletin section had been of a highly satisfactory character. At the lowest level—1,200 feet—there had been exposed to date a new shoot of ore 350 feet long, averaging 6.2 dwt. over a width of 9½ feet. The western shear had been proved by drilling to extend to the 1,200 feet level and to the south of the Bulletin shaft. The work on the Bulletin lease showed that values were well above the average grade of the ore reserves.

In the Happy Jack section drilling had disclosed an important ore body at depth, the exposures averaging 7.6 dwt. over 33 feet width for a length of 600 feet. Much development work had been carried out on the main mine, and, whilst no substantial ore body had been disclosed, the small blocks of ore encountered would prove a useful addition to ore reserves which were estimated at 1,920,000 tons, averaging 4.3 dwt. per ton. That estimate did not include any ore from the new disclosures in the main mine, and only a small portion from Bulletin. Large scale tests on the new roasting method evolved at the Lake View and Star Mine were being conducted. If results were satisfactory it was estimated that an increased profit of 3s. to 3s. 6d. per ton of ore treated could be made.

Summing up, he said that while results at depth in the main mine were not good, development in the Bulletin and Happy Jack sections gave every promise of furnishing very substantial tonnages of good grade ore and the promise of a reduction in treatment costs afforded good grounds for believing that, if the corner had not yet been turned, it was clearly in sight.

The report and accounts were unanimously adopted.

Orders for the publication in these columns of the reports of Company Meetings should be addressed to:—

The Reporting Manager,

THE ECONOMIST,

8 Bouverie Street,

Fleet Street,

London, E.C.4

Telephone: Central 8631

CURRENT STATISTICS

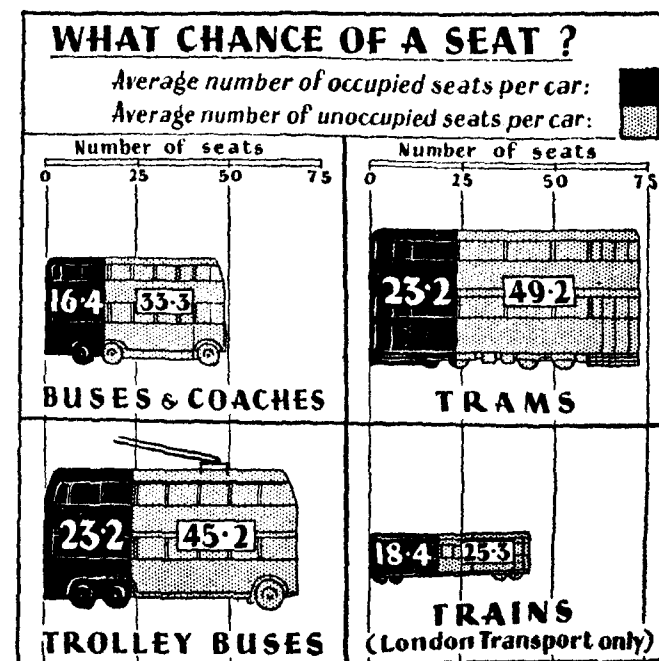
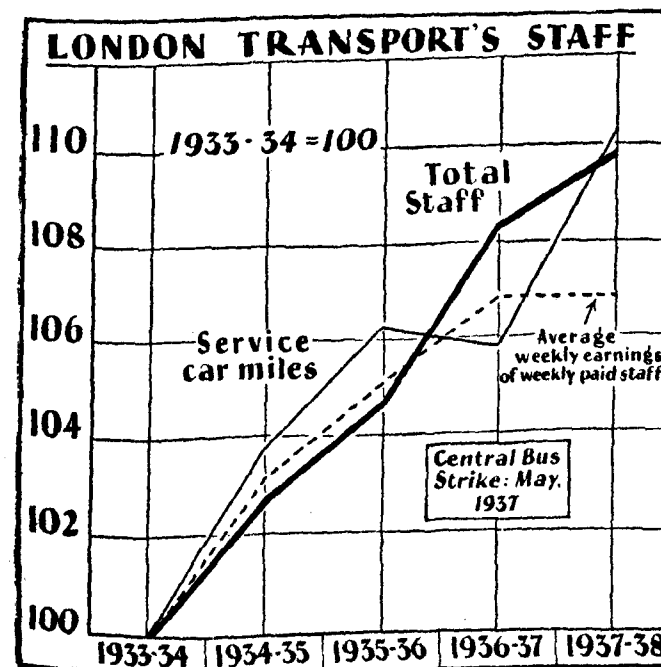
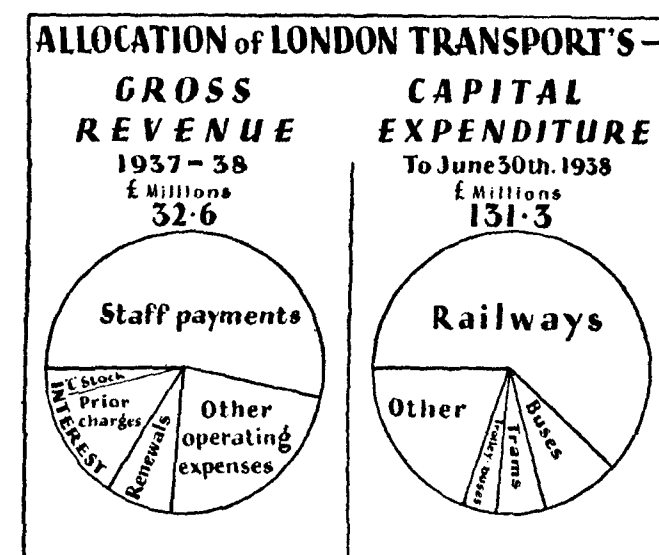
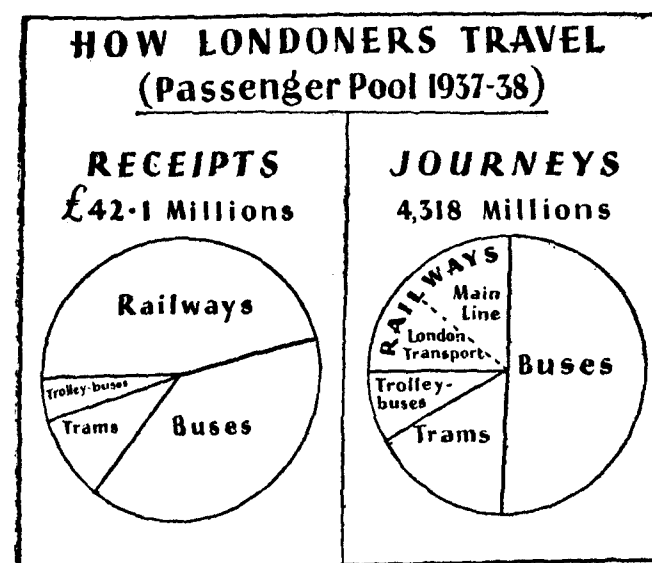
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue

London Transport

We present below a series of charts on London Transport. With the exception of the fourth panel, the charts represent information published in the London Passenger Transport Board's reports. The estimates of occupied seats have been computed by *The Economist*.



BANK CLEARINGS

LONDON

(£ thousands)

	Month of November			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Dec. 15, 1937	Dec. 14, 1938	Dec. 15, 1937	Dec. 14, 1938
Number of wkg. days:	26	26	%	6	6	293	293
Town	2,979,818	2,712,718	- 9.0	618,754	674,993	35,333,202	32,244,673
Metropolitan	177,102	172,239	- 2.7	37,274	37,760	2,071,855	1,991,985
Country	323,994	309,653	- 4.4	68,156	67,678	3,657,856	3,534,361
Total	3,481,914	3,194,610	- 8.2	724,184	780,431	41,062,913	37,771,019

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of November			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Dec. 11, 1937	Dec. 10, 1938	Dec. 11, 1937	Dec. 10, 1938
No. of working days:—	26	26	%	6	6	291	291
BIRMINGHAM	10,871	10,248	- 5.7	2,562	2,288	128,814	114,412
BRADFORD	3,622	3,391	- 6.3	770	787	49,460	38,880
BRISTOL	5,850	5,731	- 2.0	1,299	1,194	63,705	62,018
HULL	3,881	3,485	- 10.2	863	800	44,789	40,973
LEEDS	3,745	3,762	+ 0.4	823	726	49,103	46,469
LEICESTER	3,118	3,033	- 2.7	660	619	37,015	34,201
LIVERPOOL	27,318	21,889	- 19.8	5,594	5,171	338,284	254,002
MANCHESTER	46,294	38,489	- 16.8	9,726	8,349	510,308	450,906
NEWCASTLE	6,603	6,693	+ 1.3	1,316	1,289	73,515	73,937
NOTTINGHAM	2,121	1,986	- 6.3	516	486	25,329	24,230
SHEFFIELD	4,709	4,254	- 9.6	917	878	53,949	52,442
Total: 11 Towns	118,132	102,961	- 12.8	25,046	22,587	1,404,271	1,192,470
DUBLIN	...	...	...	5,234	5,356	285,662	309,017

† Based on average working day.

‡ 50 calendar weeks.

MONEY RATES

LONDON

	Dec. 8, 1938	Dec. 9, 1938	Dec. 10, 1938	Dec. 12, 1938	Dec. 13, 1938	Dec. 14, 1938	Dec. 15, 1938
Bank rate (changed from 2½% June 30, 1932)	%	%	%	%	%	%	%
Market rates of discount:							
60 days' bank's drafts	7	2	2	2	2	2	2
3 months' do.	7½	15½-1	15½-1	15½-1	15½	15½	1-11½
4 months' do.	7½	15½-1	15½-1	15½-1	15½	15½	15½-1
6 months' do.	7½	15½-1	15½-1	15½-1	15½	15½	15½
Discount Treasury Bills:							
2 months'	7½	15½-31½	15½-31½	15½-31½	15½-31½	15½	1-11½
3 months'	7½	15½-31½	15½-31½	15½-31½	15½-31½	15½	15½
Loans—Day-to-day	12-1	12-1	12-1	12-1	12-1	12-1	12-1
Short	12-11½	12-11½	12-11½	12-11½	12-11½	12-11½	12-11½
Deposit allwces.: Bk.	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938	%	%	%	%	%	%	%
Nov. 17 ...	12-1	17½-31½	15½-31½	15½-31½	2½-3	2½-3	2½-3
" 24 ...	12-1	15½-31½	15½-31½	15½-31½	2½-3	2½-3	2½-3
Dec. 1 ...	12-1	15½-31½	15½-31½	15½-31½	2½-3	2½-3	2½-3
" 8 ...	12-1	15½-31½	15½-31½	15½-31½	2½-3	2½-3	2½-3
" 15 ...	1-13½	15½-31½	15½-31½	15½-31½	2½-3	2½-3	2½-3

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—							
	Dec. 15, 1937	Nov. 16, 1937	Nov. 23, 1937	Nov. 30, 1937	Dec. 7, 1938	Dec. 14, 1938	
Call money	1	1	1	1	1	1	
Time money (90 days' mixed coll.)	114	114	114	114	114	114	
Bank acceptances:—							
Members—eligible, 90 days	12	12	12	12	12	12	
Non-mem.—eligible, 90 days	12	12	12	12	12	12	
Commercial accept., 90 days	1	1	1	1	1	1	

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Dec. 9, 1938	Dec. 10, 1938	Dec. 12, 1938	Dec. 13, 1938	Dec. 14, 1938	Dec. 15, 1938
New York, \$...	4.86½	4.66½-67½	4.66½-67½	4.66½-67½	4.65½-66½	4.66½-67½	4.66½-67½
Montreal, \$...	4.86½	4.70-71½	4.70-71½	4.70-71½	4.70-71½	4.71-72½	4.71-72½
Paris, Fr.	124.21	177½-178½	177½-178½	177½-178½	177½-178½	177½-178½	177½-178½
Brussels, Bel.	35.00a	27.68-27.73	27.73-27.78	27.73-27.78	27.73-27.78	27.73-27.78	27.73-27.78
Milan, L.	92.46	88½-89	88½-89	88½-89	88½-89	88½-89	88½-89
Zurich, Fr.	25.22½	20.60-20.66	20.66-20.71	20.71-20.76	20.76-20.81	20.81-20.86	20.86-20.91
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'dm, Fl.	12.107	8.57½-8.58½	8.58½-8.59½	8.59½-8.60½	8.60½-8.61½	8.61½-8.62½	8.62½-8.63½
Berlin, Mk.	20.43	11.63-66	11.63-67	11.63-67	11.63-67	11.63-67	11.63-67
Registered Marks	(c)	52½-57½	52-57	52-57	52-57	52½-57½	53-58
Br. India Rup.	†18d.	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½	17½-18½
Hong Kong, \$	†	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$	†	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½	7½-8½
Rio, Mil.	†5.899d.	31½-32½	31½-32½	31½-32½	31½-32½	31½-32½	31½-32½
B. Aires, \$...	11.45	20.55-20.65	20.55-20.65	20.55-20.65	20.55-20.65	20.55-20.65	20.55-20.65
Valparaiso, \$...	40	17.03½-17.04½	17.04½-17.05½	17.05½-17.06½	17.06½-17.07½	17.07½-17.08½	17.08½-17.09½
Montevideo, \$	†51d.	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	17.38	22-23½	22-23½	22-23½	22-23½	22-23½	22-23½
Mexico, Pes.	9.76	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Manila, Pes.	†25.66d.	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½	25½-26½
Moscow, Rbls.	...	24.72½-24.73½	24.73½-24.74½	24.74½-24.75½	24.75½-24.76½	24.76½-24.77½	24.77½-24.78½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (b) Per cent. discount. (c) Latest "export" rate. (d) Official rate is 815 sellers. (e) Average remittance rate for importers. (f) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (g) Nominal. (h) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Dec. 9, 1938	Dec. 14, 1938	Dec. 15, 1938
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200	100-200	100-200
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Budapest, Pen.	27.82	23½-24	23½-24	23½-24
Prague, Kc.	81½-82	136-137	136-137	136-137
Danzig, Gul.	25.00	24½-25	24½-25	24½-25
Warsaw, Zl.	48.34	24½-25	24½-25	24½-25
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei.	81½-8	650-670	650-670	650-670
Istanbul, Pst.	110	57½	57½	57½
Belgrade, Din.	276.32	204-214	204-214	204-214
Kovno, Lit.	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	67½-66	370-400	370-400	370-400
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$	† 28d.	27½-28½	27½-28½	27½-28½
Batavia, F.	12.11	8.56-59	8.56-59	8.56-59
Bangkok, Baht.	†21.82d.	22½-23½	22½-23½	22½-23½

Usance: T.T., except Alexandria (Sight). * Sellers. † Pence per unit of local currency. ‡ Par, 197-10½ since korun devaluation on February 17, 1934. Rate for payments to the Bank of England: (j) Under Anglo-Spanish Agreement. (k) Under Anglo-Turkish Agreement. (l) Nominal.

LONDON—FORWARD

(Closing quotations)

London on	Dec. 9, 1938	Dec. 10, 1938	Dec. 12, 1938	Dec. 13, 1938	Dec. 14, 1938	Dec. 15, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1-8	15½-15½	15½-15½	15½-15½	15½-15½	1-4
2 "	1-8	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½
3 "	1-8	15½-15½	15½-15½	15½-15½	15½-15½	15½-15½
Paris, francs	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½	Par-1½
2 "	1-3	1-3	1-3	1-3	1-3	1-3
3 "	1-3	1-3	1-3	1-3	1-3	1-3
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½
2 "	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½
3 "	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½	15½-11½
Brussels, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	2-4	11½-12½	11½-12½	11½-12½	11½-12½	1-3
2 "	8-10	7-9	7-9	7-9	7-9	4-6
3 "	13-17	12-15	12-15	12-15	12-15	7½-9½
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	4½-2½	5-3	5-3	5-3	5-3	4½-2½
2 "	7½-5½	9-7	9-7	9-7	9-7	7-5
3 "	11½-9½	12-10	12-10	12-10	12-10	11½-9½

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Dec. 8, 1938	Dec. 9, 1938	Dec. 10, 1938	Dec. 12, 1938	Dec. 13, 1938	Dec. 14, 1938
London:—	Cents	Cents	Cents	Cents	Cents	Cents
60 days	466½	465½	466½ ¹⁶	465½ ⁶	465½ ¹⁶	466½ ⁶
Cables	467½	466½	467½	466½ ⁶	466½ ¹⁶	467½ ⁶
Demand	467½	466½	467½ ⁶	466½ ⁶	466½ ¹⁶	467½ ⁶
Paris, Fr.	2.63½	2.62½ ¹⁶	2.63½	2.62½	2.62½	2.62½ ¹⁶
Brussels, Bel.	16.83½	16.83	16.83	16.88	16.85	16.85½
Switzerland, Fr.	22.65	22.62½	22.61	22.64	22.63½	22.62
Italy, Lira	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mark	40.08	40.08½	40.09	40.10	40.10	40.11
Amsterdam, Guilder	54.38	54.34	54.37½	54.37½	54.36	54.34½
Copenhagen, Kr.	20.86	20.84½	20.88	20.82	20.82	20.86
Oslo, Kr.	23.48½	23.46	23.50	23.43	23.44	23.48
Stockholm, Kr.	24.07	24.05	24.09	24.02½	24.03	24.07
Athens, Dr.	0.86	0.85½	0.85¾	0.85¾	0.85½	0.85¾
Montreal, Can. \$	99.150	99.150	99.150	99.060	98.96	98.930
Yokohama, Yen	27.25	27.23	27.27	27.20	27.22	27.27
Shanghai, \$	16.15	16.15	16.15	16.15	16.15	16.20
B. Aires, Peso	28.99	28.95	29.00	28.92	28.94	28.98
Rio, Milreís	5.90	5.90	5.90	5.95	5.95	5.95

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation					Corresponding Period Last Year	
					Dividend			Carried to Reserve, Depreciation, etc.	Balance Forward	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate				
Breweries and Distilleries		£	£	£	£	£	%	£	£	£	%
Ind Coope and Allsopp	Sept. 30	387,474	736,094	1,123,568	90,552	379,689	27½	248,552	404,775	748,286	27½
Leeds and Wakefield	Sept. 30	50,751	91,507	142,258	29,500	22,000	11	36,900	53,858	91,702	11
Newcastle Breweries	Oct. 31	79,172	190,139	269,311	12,000	70,000	17½	75,000	112,311	148,915	15
Preston Breweries	July 31	Dr. 1,218	Dr. 998	Dr. 2,216	...	...	...	...	Dr. 2,216	Dr. 1,252	Nil
Seager Evans & Co.	July 31	20,111	35,198	56,309	...	35,060	10	...	21,249	105,744	14
Simonds (H. and G.)	Sept. 30	105,996	345,658	451,654	40,886	98,533	18	207,335	104,900	332,931	18
Wenlock Brewery	Oct. 31	113,405	99,070	212,475	7,500	48,750	16½	43,208	113,017	107,466	17½
Financial, Land, etc.											
Beaumont Property Trust ..	Sept. 30	6,561	29,295	35,856	10,140	13,594	7½	6,360	5,762	31,158	7½
Cheapside Land Develop'm't	Sept. 30	1,285	19,880	21,165	5,500	10,000	5	4,208	1,457	17,129	5½
Davis Estates	Sept. 30	25,485	71,015	96,500	19,433	18,000	6	17,147	41,920	78,587	Nil
Heinemann Holdings	Nov. 30	2,294	14,337	16,631	6,416	5,531	10	906	3,778	14,486	10
Lloyd (Edward) Investment	Sept. 30	146,356	72,120	218,476	72,587	...	...	...	145,889	(a)	(a)
London Trading Estates ...	Aug. 31	5,150	9,094	14,244	...	6,759	5½	...	7,485	13,481	5½
Hotel, Restaurants, etc.											
Aerated Bread Company ...	Oct. 1	44,623	149,693	194,316	35,116	46,473	5	73,677	39,050	172,617	5
Carlton Hotel	Aug. 31	37,420	Dr. 7,007	30,413	...	...	...	9,555	20,858	20,641	Nil
Iron, Coal and Steel											
Arncliffe Coal	Sept. 30	19,876	46,587	66,463	1,092	20,312	12½	25,000	20,059	38,512	12½
Cleveland Bridge, etc.	Sept. 30	7,507	12,377	19,884	1,786	11,692	4½	2,000	4,406	16,118	4½
Motor, Cycle & Aviation											
Hobson (H. M.) Components	Sept. 30	16,006	56,212	72,218	...	30,750	17½	19,655	21,813	67,856	17½
Jowett Cars	Sept. 30	2,678	Dr. 4,861	Dr. 2,183	...	...	...	8,453	Dr. 10,636	Dr. 4,78	Nil
Rossleigh, Ltd.	Sept. 30	50,866	24,191	75,057	435	13,050	15	6,267	55,305	35,495	20
Triumph Company	July 31	4,490	Dr. 41,950	Dr. 37,460	...	...	...	...	Dr. 37,460	(a)	(a)
Oil											
Anglo-Ecuadorian Oilfields	June 30	41,555	375,075	416,630	...	150,000	10	187,688	78,942	425,505	15
Rubber											
Aboyne-Clyde	June 30	Dr. 7,937	3,723	Dr. 4,214	...	...	...	...	Dr. 4,214	4,239	Nil
Ampat (Sumatra)	Sept. 30	3,112	10,054	13,166	...	6,200	4	4,000	2,966	13,980	5
Peureula (Sumatra)	Sept. 30	361	502	863	...	...	...	150	713	1,861	2½
Rassak (F.M.S.)	June 30	Dr. 133	635	502	...	...	...	...	502	2,588	Nil
Serdang Central	Aug. 31	2,368	1,441	3,809	...	...	...	1,500	2,309	8,902	5
Sungei Buaya (Sumatra)	Sept. 30	9,058	24,533	33,591	...	11,325	6	11,500	10,766	36,715	10
Shops and Stores											
Cooper and Co.'s Stores	Oct. 11	14,189	35,115	49,304	28,000	...	...	...	21,304	30,022	Nil
Textiles											
Barran (John) and Sons	Oct. 31	24,441	24,770	49,211	17,550	11,200	7	...	20,461	44,890	8½
Combined Egyptian Mills ...	Sept. 28	Dr. 121,200	75,535	Dr. 136,474	...	...	...	...	Dr. 136,474	62,151	Nil
Simpson and Godlee	Sept. 28	67,920	Dr. 61,720	6,200	...	...	...	...	6,200	20,308	Nil
Tramways											
East Kent Road Car	Sept. 30	16,963	160,315	177,278	13,000	36,000	8	111,085	17,193	156,424	8(b)
Trusts											
Aberdeen, Edinburgh, etc. ...	Nov. 30	4,954	13,175	18,129	5,917	5,917	4	...	6,295	13,950	4
Army and Navy Investment	Nov. 30	31,225	39,956	71,181	13,162	19,013	13	6,000	33,006	41,661	13
New Mercantile Investment	Dec. 1	...	28,779	28,779	...	22,824	4	...	5,955	(a)	(a)
Scottish Allied Investors ...	Nov. 15	11,365	14,300	25,665	11,000	2,200	1½	890	11,575	20,089	2
Scottish International ...	Oct. 31	7,090	14,851	21,941	11,031	...	...	367	10,543	15,335	Nil
South Western Investment ...	Oct. 31	6,549	7,571	14,120	4,463	1,190	2	1,520	6,947	8,374	2
United Counties Trust	Sept. 30	331	16,207	16,538	3,500	2,500	5	...	10,538	(a)	(a)
Other Companies											
Airports, Ltd.	Sept. 30	Dr. 10,877	28,894	18,017	...	...	...	13,017	5,000	Dr. 2,416	Nil
Barton Transport	Sept. 30	166	37,403	37,569	8,400	12,500	12½	13,000	3,669	36,642	20(g)
Bigwood (Joshua) and Son .	Sept. 30	...	(c) 18,401	18,401	2,829	4,713	10	9,226	1,633	(a)	(a)
Booker Brothers, etc.	June 30	39,626	98,605	138,231	19,086	44,000	10	47,000	28,145	90,981	15d
Bowaters, etc., Sales	Sept. 30	35,763	80,719	116,482	20,000	59,813	27½	...	36,669	76,499	20
Bowater's Mersey Paper ...	Sept. 30	35,119	96,962	132,081	27,500	...	...	69,000	35,581	127,521	Nil
Bowater's Paper Mills	Sept. 30	45,780	165,444	211,224	127,000	...	...	42,500	41,724	221,519	Nil
Burtol Cleaners	Sept. 30	Dr. 17,464	8,396	Dr. 9,068	...	...	...	5,882	Dr. 14,950	5,774	Nil
Caldwell's Paper Mill	Sept. 30	19,353	43,041	62,394	12,179	21,206	9	12,500	16,509	47,212	9
Card Clothing, etc.	Sept. 30	17,930	82,305	100,235	10,786	36,765	12½	30,000	22,684	95,456	15
Carreras, Limited	Oct. 31	1,026,672	1,483,604	2,510,276	65,000	868,067	35	92,528	1,484,681	1,275,807	35
Carrongrove Paper	Sept. 30	3,013	43,607	46,620	30,571	...	...	...	16,049	63,995	Nil
Constable, Hart and Co.	Sept. 30	9,737	27,680	37,417	...	11,684	6	8,725	17,008	16,865	Nil
General Billposting	Sept. 30	1,966	11,942	13,908	1,661	7,370	10	2,500	2,377	16,504	10
Gilbert (D. M.) and Co.	Sept. 30	2,771	7,252	10,023	...	5,000	5	2,480	2,543	(a)	(a)
Hood Haggie (R.) and Son. .	Oct. 31	56,378	59,052	115,430	4,000	30,000	12½	25,000	56,430	46,865	12½
Klinger Manufacturing	Oct. 31	31,082	46,258	77,340	...	2,648	5½	67,518	7,174	39,702	Nil
Lloyd (Edward)	Sept. 30	100,957	371,833	472,790	139,000	75,400	6½	155,702	102,688	(a)	(a)
Milton Proprietary	Sept. 30	67,375	29,581	96,956	5,192	19,375	20	2,500	69,889	46,736	25
Mitchell Cotts & Co.	June 30	32,079	75,602	107,681	6,084	30,277	11	35,900	35,420	35,259	10
Redman (L. & D.)	Sept. 24	222	(f) 12,072	12,294	...	11,000	10	...	1,294	(a)	(a)
Sunlight Laundries	Nov. 30	13,878	52,099	65,977	16,594	26,100	9	8,750	14,533	42,865	16½
Wales Dove Bitumastic ...	Oct. 31	8,250	30,088	38,338	...	21,875	12½	8,000	8,463	25,963	2½
Total Profits, 1938, in £'000's	No. of Cos.										
To December 10	2,306	84,930	289,436	374,366	46,884	149,232	...	85,678	92,572	268,621	...
To December 17	2,361	86,327	294,539	380,866	47,603	151,467	...	87,251	94,545	273,800	...
(a) No comparable figure. (b) Absorbed £30,000. (c) 14 months. (d) Absorbed £41,250.											
† Free of income tax. (e) Absorbed £25,000. (f) July 24, 1937, to September 24, 1938. (g) Absorbed £10,000.											

Special Statistics

OVERSEAS TRADE RETURNS

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED

KINGDOM (Value F.O.B.)

IMPORTS (Value C.I.F.)				EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)			
Month ended November 30		Eleven months ended November 30		Month ended November 30		Eleven months ended November 30	
1937	1938	1937	1938	1937	1938	1937	1938
I.—Food, Drink and Tobacco—							
A. Grain and Flour	8,947,488	5,836,982	82,885,537	70,072,055	168,125	158,361	1,596,690
B. Feeding-stuffs for Animals	1,158,884	1,022,102	10,177,891	10,555,219	41,512	51,586	599,218
C. Animals, Living, for Food	866,045	1,105,866	6,551,783	8,413,363	79	2,023	95,791
D. Meat	6,504,138	6,916,821	78,692,705	82,348,131	149,045	154,592	1,035,958
E. Dairy Produce	6,600,608	6,862,349	65,311,024	73,923,551	89,030	79,949	1,093,024
F. Fresh Fruit and Vegetables	3,079,203	3,363,327	34,372,116	35,628,851	78,088	102,744	401,748
G. Beverages and Cocoa Preparations	5,619,131	4,333,808	43,665,716	42,513,125	1,652,424	1,534,474	14,190,361
H. Other Food	6,860,127	6,709,487	53,193,170	52,036,450	1,392,286	1,289,669	11,702,088
I. Tobacco	3,484,555	2,923,337	13,368,006	20,979,538	412,604	437,942	4,639,419
Total, Class I	43,120,179	39,076,279	390,217,948	396,470,283	3,983,193	3,811,340	35,354,297
II.—Raw Materials and Articles Mainly Unmanufactured—							
A. Coal	1,395	947	22,450	12,954	3,420,221	3,424,742	34,647,404
B. Other Non-Metalliferous Mining and Quarry Products and the like	458,038	400,087	4,815,421	4,374,448	119,637	132,033	1,242,420
C. Iron Ore and Scrap	1,237,831	337,245	11,265,839	10,375,427	33,900	117,716	848,635
D. Non-Ferrous Metalliferous Ores and Scrap	2,007,700	1,136,531	17,473,266	14,983,595	246,499	238,465	3,024,203
E. Wood and Timber	6,654,761	4,069,690	56,762,216	39,413,401	9,412	6,407	86,577
F. Raw Cotton and Cotton Waste	5,456,937	2,254,500	43,803,744	27,136,407	47,587	45,264	921,560
G. Wool, Raw and Waste, and Woollen Rags	2,921,594	3,199,332	48,441,480	38,859,483	536,435	647,502	8,564,958
H. Silk, Raw, Knubs and Noils	257,302	150,121	2,056,456	1,896,693	32,099	65,647	539,365
I. Other Textile Materials	1,016,887	1,082,620	11,336,641	10,414,831	267,949	244,421	3,522,994
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,928,979	1,867,540	32,924,163	28,929,905	138,659	109,996	1,651,783
K. Hides and Skins, Undressed	1,519,161	1,289,105	22,798,216	16,485,625	147,603	116,290	1,726,953
L. Paper-making Materials	1,663,592	1,352,331	14,062,533	14,590,611	29,990	19,390	364,091
M. Rubber	1,137,590	662,529	11,381,950	10,968,873	316,282	265,090	2,657,155
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	1,085,734	913,180	11,110,257	9,608,596	5,347,328	5,433,689	59,807,335
Total, Class II	28,347,501	18,715,758	288,254,532	227,950,849	5,347,328	5,433,689	59,807,335
III.—Articles Wholly or Mainly Manufactured—							
A. Coke and Manufactured Fuel	551	658	81,180	7,576	338,806	420,054	3,929,492
B. Pottery, Glass, Abrasives, etc.	752,951	646,988	7,524,343	6,757,669	916,920	863,357	9,208,764
C. Iron and Steel and Manufactures thereof	2,736,783	844,781	17,023,475	13,762,540	4,262,428	3,663,413	44,207,097
D. Non-Ferrous Metals and Manufactures thereof	4,622,540	3,249,055	51,389,251	37,610,248	1,303,874	1,144,241	14,655,023
E. Cutlery, Hardware, Implements and Instruments	698,673	636,800	7,098,119	6,493,363	850,835	800,748	8,890,206
F. Electrical Goods and Apparatus	332,996	286,048	3,783,315	2,851,306	1,163,253	1,258,668	11,395,649
G. Machinery	1,934,742	1,935,306	22,217,848	20,262,844	4,807,215	5,119,063	44,849,697
H. Manufactures of Wood and Timber	754,535	522,835	7,720,077	5,801,289	127,261	104,613	1,220,661
I. Cotton Yarns and Manufactures	337,246	287,502	3,150,092	2,889,177	5,444,947	4,179,950	63,528,243
J. Woollen and Worsted Yarns and Manufactures	320,601	332,251	3,946,624	3,545,906	2,547,847	2,055,769	32,921,557
K. Silk Yarns and Manufactures	217,442	173,002	2,418,592	1,990,621	143,078	110,333	1,377,671
L. Manufactures of other Textile Materials	736,610	601,435	7,518,691	6,817,604	1,637,832	1,280,474	18,856,482
M. Apparel	689,262	594,323	7,817,269	7,560,858	756,007	698,100	9,519,339
N. Footwear	166,939	209,014	2,347,980	2,653,394	212,592	176,230	2,032,860
O. Chemicals, Drugs, Dyes and Colours	1,333,628	1,213,381	12,637,617	12,269,396	2,084,524	2,021,834	22,826,313
P. Oils, Fats and Resins, Manufactured	4,245,119	3,566,407	42,899,164	40,680,379	473,432	449,412	5,501,042
Q. Leather and Manufactures thereof	754,928	613,467	9,221,593	5,943,394	440,840	418,226	5,000,436
R. Paper, Cardboard, etc.	1,858,423	1,345,195	15,464,759	13,674,576	755,480	613,184	7,419,419
S. Vehicles (including Locomotives, Ships and Aircraft)	602,428	421,166	5,939,566	4,074,834	3,721,324	4,315,038	36,102,519
T. Rubber Manufactures	61,924	63,409	682,619	737,602	135,288	143,366	1,527,397
U. Miscellaneous Articles wholly or mainly Manufactured	2,165,654	2,043,534	21,048,612	19,833,617	2,558,208	2,635,369	26,745,341
Total, Class III	25,323,975	19,676,557	251,930,786	216,218,193	34,681,991	32,471,442	371,715,208
IV.—Animals, not for Food...							
V.—Parcel Post	253,360	307,002	2,593,240	3,271,373	79,599	45,644	759,027
Total	97,268,371	78,028,496	935,723,070	846,948,164	45,183,169	41,923,223	477,979,846

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—Output November, 1938, 22,592 tons.

Anglo-Iranian Oil Company, Ltd.—Output in Iran, September, 1938, 739,000 tons. Total output for period January 1 to September 30, 1938, 7,464,000 tons.

Attock Oil Co., Ltd.—Production for November, 1938, 42,642 barrels.

British Burmah Petroleum.—Output of crude oil 49,239 barrels for November, 1938.

British Controlled Oilfields, Ltd.—Total output week ended November 19, 1938, 11,422 barrels. Total output week ended November 26, 1938, 11,783 barrels. Total output for week ended December 3, 1938, 11,686 barrels. Total output, week ended December 12, 1938, 12,067 barrels. Total output, November, 1938, 50,021 barrels. Total shipments, November, 1938, 55,816 barrels.

Trinidad Consolidated Oilfields, Ltd.—Output of crude oil 54,956 barrels, for November, 1938.

Trinidad Petroleum Development Company, Ltd.—Output week ended November 26, 1938, 59,512 barrels. Output for week ended December 3, 1938, 57,794 barrels. Output for week ended December 10, 1938, 56,844 barrels. Output November, 1938, 243,994 barrels; deliveries for November, 1938, including purchased oil, 214,998 barrels.

Trinidad Leaseholds, Ltd.—Oil produced November, 1938, 50,452 tons; oil purchased November 1938 from other companies, 60,675 tons.

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Peace or Appeasement?

"PEACE on earth, goodwill towards men." If the efficacy of prayer is proportionate to the heartfelt intensity with which it is offered up, the Christmas message will never render a greater service to the human race than to-day. There have certainly been few times in living memory when peace on earth was so precarious, and goodwill towards men of different races or nations so largely at a discount, as to-day—and few times, too, when they were more passionately desired by the common man and woman of every creed and colour. The world has had in 1938 the narrowest possible escape from immeasurable disaster, and no one of the millions who, last September, felt the approach of the angel of death and heard the beating of his wing will fail to give thanks this Christmas for deliverance.

Those dreadful September days—as glorious autumn days as ever went unnoticed—are now three months away. The interval is long enough, and the Christmas holiday provides an appropriate occasion, for a somewhat less hurried survey of the diplomatic horizon than is possible in the press of events from week to week. Somewhat the same thought doubtless moved the Parliamentary Labour Party to initiate, on Monday, a broad debate on the whole field of the Government's foreign policy.

The House of Commons occupied itself with looking backwards as well as forwards, and it held one more inquest on the Munich Agreement. The historian of the future may be able to judge Munich with a simple Right

or Wrong. We cannot yet do so, largely because the verdict on Munich will very largely turn on what happens next. But it is probable that, if the historian of the future has criticisms to make of the policy of the British and French Governments in 1938, they will relate not so much to what was done by London and Paris in September as to what they did not do earlier in the year. The indictment will lie not against the methods adopted to get out of the dangerous situation that arose in September so much as against the inertia that allowed such a situation to develop. It was proved in September that, when it came to the point, Britain and France were not prepared to fight to preserve the inviolability of Czecho-Slovakia's frontiers. That being so, true statesmanship would have discerned it in May, or even earlier. Looking back, with all the admitted advantages of hindsight, we can clearly see that Britain and France, on May 22nd at the latest, should either have warned Germany that they would fight or have warned Czecho-Slovakia that they would not fight. The world was dragged to the precipice because they did neither. The fault lies with the incurable predilection of British statesmen for the policy of stalling for time in the hope that problems will solve themselves. And it is hardly reassuring to reflect that precisely this is the avowed policy of the British Government at the moment.

Whatever may be the ultimate judgment on the events of September, some of their practical results can already be seen. Germany is manifestly not satisfied with what she

obtained at Munich. It is safe to say that the German-Czech frontier finally established is very much more favourable to Germany than was contemplated by the visiting statesmen at Munich or even, in some particulars, by Herr Hitler at Godesberg. Economically, politically, ideologically Czecho-Slovakia lies at Germany's mercy to an extent that was unimaginable three months ago. British Ministers continue to claim that the state of Czecho-Slovakia is better than it would have been if war had broken out. But the best judges of that are presumably the Czechs themselves, and returning visitors report that the ordinary Czech citizen now regrets that his country did not fight. In any case, the substantial point is that the particular method chosen for the solution of the Sudeten problem has had the effect not merely of incorporating the Sudetens (and a million Czechs) in the Reich, but also of putting Czecho-Slovakia's economic resources, and specifically her excellent armament industry, at the Nazis' disposal and turning the country into little more than a German colony. The bastion of Europe has not merely lost its outworks; it is being demolished.

Germany since Munich

If the German domination of Czecho-Slovakia has gone faster and further than was generally expected, however, the extension of Germany's influence over the other States of Eastern and South-Eastern Europe has not proceeded so successfully as was widely forecast. Hungary, it is true, has little freedom of action left and has formally joined the Axis. But Roumania and Jugoslavia are not proving entirely complaisant, and Poland—several moves in the game too late—is actually bestowing her smiles on Russia. But the politics of all these countries are dominated—and those of Switzerland and the Scandinavian countries are strongly influenced—by apprehensions about Germany's next move. The air is alive with rumours of trouble brewing for February or March, and, to judge by their actions, there is no one of Germany's neighbours who puts any faith in Herr Hitler's verbal assurance to Mr. Chamberlain that he has no further territorial ambitions in Europe.

Germany, then, is manifestly not satisfied. She is clearly not appeased. Almost from the morning of Munich there has been a mounting stream of venom issuing from Dr Goebbels' regimented mouthpieces towards Great Britain. Herr Hitler himself gave the keynote by his threat that Messrs Churchill, Eden and Duff Cooper must not be given office. The campaign was continued with the invention of the crudest atrocity lies about the conduct of British troops in Palestine. And it reached its height with very thinly veiled sneers at Mr Chamberlain uttered by no less a person than the Fuehrer himself. There is no sign of mental disarmament here.

Germany is not recovering that moral balance which it was hoped would be the result of granting her demands. On the contrary, the outbreak of revolting barbarism and calculated cruelty against the Jews has put the Nazis once and for all beyond the pale of modern civilisation.

The fundamental assumption of the policy of appeasement is that if Germany's demands are granted we can afford to overlook the fact that they make her more *able* to wage war because they will make her less *ready* to do so. But it must be set down, both in sorrow and anger, that the upshot has been quite otherwise. The Czecho-Slovak thorn having been removed from her side, Germany's strategic position is unquestionably stronger than it was. But the achievement of unity has only made the Nazis more truculent. Germany is more of a menace to the safety of the world than ever, while the world is losing its power to menace Germany's safety in return, save as the outcome of a long war.

If the effects of the policy of concessions to Germany are

to be measured by the developments of the last three months, we may well ask what advantage it contains for any but the Nazis themselves.

Slightly more promising results can be claimed from the policy of appeasing Italy. The Bari broadcasts have stopped; Italian agitation among the Arabs has been withdrawn; and official relations between London and Rome are friendly. But with Italy, as with Germany, appeasement will not have succeeded until the aggressive dictator State has settled down to live in peace with its neighbours. Signor Mussolini, however, has recently repeated that he does not believe in peace, and has proved it by instigating the rather more than semi-official clamour for Tunis. "Appeasement" is revealed at its most naked in relation to Spain. In their Iberian policy, indeed, the British Government cannot escape the charge of either having deceived the British public or of having been themselves grossly deceived by Signor Mussolini. Never have words had their meanings so flagrantly inverted. "Non-intervention," as the world now knows, means *intervention on one side only*. And when a "settlement of the Spanish question" was made the pre-requisite of the ratification of the Anglo-Italian Agreement, it was certainly not taken by Parliament or public to mean the withdrawal of 10,000 unwanted troops, while enough men and material are left *in situ* to assist General Franco in planning his biggest offensive. "Recognition of belligerent rights," in its turn, means something very different from what it means in the debates carried on in the correspondence columns of the daily Press by the eminent international lawyers. In realistic terms, it means permission to Italy to intervene on General Franco's behalf at sea on the same scale as she already intervenes on land and in the air. This being so, it is satisfactory that the Prime Minister has undertaken (though not in entirely hermetic terms) not to grant belligerent rights except after fulfilment by General Franco of the conditions of the British Plan. But this undertaking removes the last of the possible concessions that Mr Chamberlain might have offered Signor Mussolini when he visits Rome next month. Tunis, Somaliland, belligerent rights—all these are ruled out and there remains only the Suez Canal, and it is inconceivable that more than a token concession, if that, would be offered to Italy in that direction. If there is nothing to give Signor Mussolini, there will be nothing to receive in return. Appeasement has not manifestly failed in regard to Italy, as it has *vis-à-vis* Germany. But it requires the hardest optimism to envisage its success.

The Prospect

Where, then, do we go from here? Mr Chamberlain argued once again on Monday that there are only two possible policies—one the continuance of the policy of appeasement as defined by him, the other acceptance of the inevitability of war. If this really were the choice, then the outlook would be gloomy, for appeasement has got us nowhere since Munich and does not look like getting us anywhere. Its practical results have been the Nazi domination of Czecho-Slovakia and the treatment of the Jews in Germany and the demand for Tunis in Italy. Indeed, there are signs that the Government themselves are tiring of the negative results of their policy. Their supporters' restlessness is showing itself in the growing pressure for more energy and resolution in organising the nation for defence, and the rebelliousness has now spread to the Ministry itself. There has been a noticeably firmer, almost a minatory, tone about Mr Chamberlain's recent speeches. In the Far East, there are at last signs—in the eighth year of Japanese aggression—that Great Britain is beginning to recognise a practical distinction between the guilty and the innocent by giving aid to China. Mr Stanley and Mr Robert Hudson are openly talking about economic hostilities with Germany. This new attitude of exhausted patience was clearly shown to Dr Schacht last week. When

he put forward the argument, never previously unsuccessful, that economic concessions to Germany were necessary to strengthen the moderates' hands, he appears to have been told, in effect, that we had heard that story before. And when he propounded a scheme for releasing the property of emigrant Jews to the extent of one-third of the value of additional exports from Germany, and less than one-half of the gain thereby to Germany's foreign exchange resources, he met with an indignant refusal that was not concealed by the empty courtesy of referring the plan to the Inter-Governmental Committee on Refugees. Dr Schacht is reported to have been surprised at his reception. If so, his surprise is itself surprising. The fact is that the course of events since Munich has estranged British public opinion to an extent that is apparently not realised in Germany. When even Lord Londonderry is to be heard in criticism and protest, it can safely be said that the pro-German party has disappeared.

If Mr Chamberlain's choice of Appeasement or War were in truth the full measure of the alternatives before us, all this would mean that there is nothing left but to prepare ourselves for inevitable conflict. But the Prime Minister is too pessimistic. There is another possibility, though he himself shows some obstinacy in refusing to see it or to appreciate that the devotion to peace of those who advocate it is as great as his own. This is the policy that is urged by both the Oppositions and, within the Conservative Party, by men as diverse as Mr Churchill, Mr Duff Cooper, Mr Amery, Lord Lloyd and Mr Eden. There is no need, if this alternative policy is to be followed, to seek out conflicts with any nation or to breathe defiance to any dictator. Those who pursue it can be as assiduous as Mr Chamberlain himself in the search for peaceful solu-

tions, as untiring as he in personal discussions, as patient as he in returning soft answers. But the difference is that where Mr Chamberlain is studiously non-committal (as regards Spain or Tunis, for example) the alternative policy would be clear beyond mistake, and that the method of discussion would no longer be held to be synonymous with the granting of 98 per cent. of the dictators' demands, however unreasonable. Whereas now nobody can say where Great Britain stands—Herr Hitler can think that we will bribe him to let the Jews go, and Signor Mussolini can imagine that we would let him take Tunis—the alternative policy would draw a clear line in the sight of the world and take Britain's stand on that line with all her resources.

This is the technique of firmness; it involves onerous commitments and painful decisions. But if the line is once resolutely drawn, there is good reason for hoping that no one will dare overstep it. That Signor Mussolini should risk war, with three armies on the other side of seas he does not control, with his long indefensible coastline and his almost total lack of materials, is ludicrous. That Herr Hitler would deliberately court a long war with the democracies is highly unlikely. The danger comes not in drawing the line clearly, but in obscuring it, for the sake of appeasement, and running the risk of having one or other dictator discover, too late, that, in his anxiety for booty, he has crossed it unawares and cannot retreat—as Herr Hitler discovered in September and as Signor Mussolini may well discover in Tunis. A policy of clarity and firmness, administered by men who believe in it, and backed by a defence drive that abandons once and for all the comforting belief that we can re-arm in our spare time—this is the formula which, even in these desperate days, holds out a more than equal chance of preserving the peace.

Home Market *versus* Exports

THE British public has been made familiar by constant iteration with the sad state of our export trade, with the consequent deterioration in many of our staple industries and, in general, with the difficulties which beset those engaged in commercial relations with foreign countries. The growth of the home market, on the other hand, is not so widely appreciated. An improvement is generally acknowledged to have taken place, but few people have any precise quantitative notion of the change which has come about in the relative positions of the two markets. The diagram on the next page represents what is believed to be the first published attempt to estimate the difference. The method of calculation is briefly explained in the note appended to the diagram, and it is only necessary here to point out that it refers to industrial production only (including mining and construction, but excluding services), and that it is not the absolute size of the markets that is compared but their relative changes in recent years.

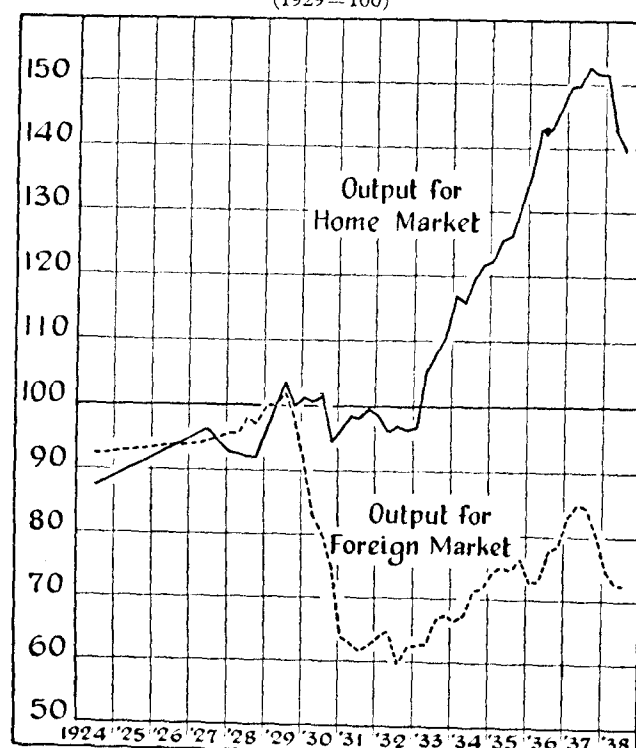
The contrast between the two lines is even more startling than might have been expected. The great depression of 1930-32, which caused unemployment in England to mount to almost a quarter of the labour force, was apparently barely reflected in the volume of output for the home market. The onslaught of the slump merely checked the expansion of this branch of our activity, and held it stationary for three years. The brunt of the depression fell on production for export. Output for the foreign market fell in just over a year by 35 per cent. in volume, and has been reluctant to recover. In 1933, on the upturn of the cycle, output for the home market reacted in a spectacular fashion with a rate of increase considerably greater than in the years before 1929. In the five years of recovery ending in 1937 it grew at an average rate of 10 per cent. of the 1929 level each year. Output for the foreign market recovered slowly and painfully at only a third of this

rate, and more slowly even than the quantum of world trade as a whole. Even at the peak of the 1937 boom, when world trade reached the 1929 level and output for the home market was half as large again as in 1929, our foreign output was still 15 per cent. below 1929.

The movements of the past twelve months are also of the greatest interest and significance. Production for export has once again been falling more rapidly than production for the home market. The fall in the year in the volume of exports has been as much as 15 per cent., while the decline in production for the home market of those industries covered by the Board of Trade index has been only 9 per cent. But another basis of comparison would be to compare the behaviour of each index in 1937-38 with its behaviour in 1929-30. Output for export has recently been falling slightly less rapidly than eight years ago. But output for the home market, which showed hardly any setback at all in 1929-30, has recently suffered its most serious relapse in a decade and a half.

The shift of British production from export to domestic use has deflected the growth of new industry and realigned our population. While the first necessity for an export trade is to combine a suitable locality for production with easy access to the coast, a domestic industry has to be conveniently situated for the home market, which in general means large and prosperous centres of population. The export areas, being depressed, could not exercise this attraction without special inducements such as are supplied by the trading estates. Hence the magnetic attraction for industries since the war of the big metropolitan markets, Greater London and the Midlands round Birmingham, and the slower industrial growth or even (as in the case of Wales) cessation of growth of the old centres. The relative economic pull of the different regions can perhaps best be seen in the regional employment figures. Between 1933

PRODUCTION FOR THE HOME AND FOREIGN MARKETS
(1929=100)



The basic material on which these estimates are based consists of the Board of Trade's indices of total industrial output and of the volume of exports (both have been corrected for seasonal fluctuations and for the varying number of working days). The indices were converted into value figures on the basis of (a) Mr Colin Clark's estimate of the value in 1930 of the output covered by the Board of Trade index (including building), and (b) the value of total British exports in 1930. The difference between the value of output at 1930 prices and the value of exports at 1930 prices was taken to be the value of production for the home market at 1930 prices.

and 1938 the insured labour force in London, the South-East and South-West increased about four times as fast, and in the Midlands about two and a half times as fast, as in the remainder of Great Britain.

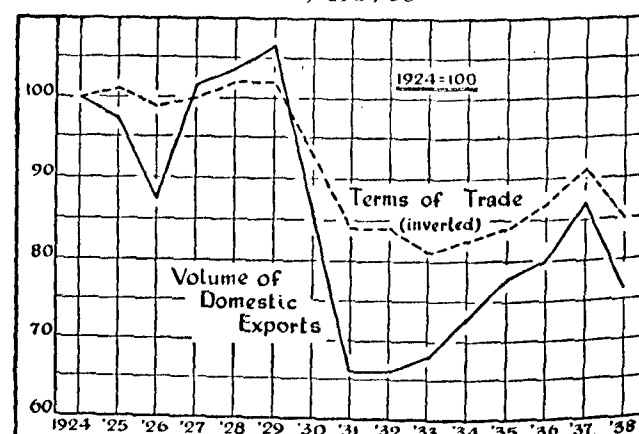
The curve of output for home consumption, striking though it is, in fact understates the rise which has actually taken place. It is based on the Board of Trade Index of Production, and hence does not include distribution, miscellaneous services, commerce, banking, insurance and finance or national and local government service, all of which have grown considerably faster than industry as a whole since 1929 (many of them more than twice as fast), and faster still than manufacturing industry. In the industries which are included in the Board of Trade's estimates, however, the most noticeable growth—apart from the steel boom of 1937—has been recorded, as might be expected, by industries which produce entirely or largely for home consumption, such as building, gas and electricity, and non-ferrous metals (whose chief markets are industries producing for home consumption). This growth is shown further by the employment statistics. The majority of the manufacturing industries where employment has grown more than the national average since 1929, apart from re-armament, are various types of electrical work, the building trade and its ancillaries, and trades such as carpets and furniture, which depend to some extent on a building boom. The extent, thus revealed, of the home market's dependence on building and construction is a cause for serious consideration at the moment.

It is clear from the foregoing chart that the collapse of exports which has been experienced since 1929 has only been prevented from exercising a disastrous influence on the national economy as a whole by the rapid expansion of the home market. The home market is now more than ever the mainstay of our economy, and the supreme object of economic policy must be to maintain its purchasing power.

But equally it remains true that the obstinate core of our unemployment is in the export industries and in the regions which built their past prosperity on export, and by far the best hope of securing a rapid reduction of unemployment is to bring about an increase in the volume of our exports. British economic policy is thus necessarily two-headed, and neither aspect of it can safely be ignored.

The two markets are linked, to a very much greater extent than is commonly realised, by the factor of prices. The volume of our exports depends partly upon the prosperity of our customers (which in turn fluctuates with the prices we pay for our imports), and partly upon the degree of our success, by quoting competitive prices, in capturing an adequate share of the world market. Thus the volume of our exports depends not so much either on export prices or on import prices as on the relation between them, or the margin of manufacturing cost between the price of raw materials and the price of manufactures. The following chart shows both how direct is the correlation between the so-called Terms of Trade and the volume of our exports and also how grievously the export industries have been hit by the rise in recent years of the manufacturing margin:—

TERMS OF TRADE AND VOLUME OF EXPORTS,
U.K., 1924-38



The curve of the Terms of Trade represents an index of the average value (prices) of British imports divided by an index of the average value of British exports.

The prices we pay for our imports affect the home market almost as directly as the export trades. What provided the impetus for the great expansion of domestic production after 1932 was the fact that the standard of living of the British people had been considerably enhanced by the fall in the prices of imported foodstuffs and raw materials.

The level of prices is thus of supreme importance to both branches of activity. The home market depends upon the prices of imported necessities being low; the export trade depends upon the prices of imports being high relatively to the prices of exports. The requirements can be saved from paradox and both branches of the British economy can be kept prosperous only by making every effort to reduce to a minimum the margin between raw material prices and the prices of exported manufactures.

Unfortunately, the tendency of economic policy in recent years has been all the other way. To the handicap of wages higher than many of our competitors pay we have added the further handicaps of high and rigid prices for coal and steel and enhanced transport charges. One after the other, our export industries are asking for subsidies either out of the public purse or out of the pockets of the domestic consumer. It is time the public realised that the need for these subsidies arises directly out of the economic policy pursued by British Governments in the past decade. We earn a substantial part of our living by converting raw materials, which we buy from others, into manufactures which we sell to others. We cannot expect to stay in business if we charge more for the service of conversion than others.

Torts and Corpses

ON April 21, 1937, a tramcar belonging to the Liverpool Corporation collided with a hearse which was carrying a coffin to the cemetery and damaged the hearse considerably. The collision was due to the negligent driving of the tram, and the Corporation's insurers doubtless paid in due course for the repairs to the vehicle. As nobody was injured in the smash that payment seemed to be the close of the incident.

It was not, however, the close; for behind the hearse there was a car; and in the car there were four mourners, all of whom were related to the dead man by blood or marriage and (though not themselves involved in the accident) they had the unpleasant experience of seeing the coffin shifted in the hearse. It was not thrown from the hearse, but it was dislodged; and they were called upon to watch "the imperilment of a coffin containing the corpse of a near relation," thereby suffering (as they maintained) an acute nervous shock. So bad, in fact, was this shock, that they felt themselves compelled to claim compensation for "an untoward accident to the trappings of mourning," and brought an action for damages in a Liverpool Court against the Liverpool Corporation. In that Court they failed, on the ground that English law recognises no liability for suffering by shock, unless such shock arises from an apprehension of injury to a human being. Against this view of the law they appealed, and in the High Court they won their case and were awarded damages for shock sustained by the sight of a coffin shifting from its proper place in a hearse.

The mourners who successfully brought this action were the aged mother of the corpse, the uncle of the corpse, a cousin of the corpse, and the husband of the cousin of the corpse, and the damages ran as follows:—

The aged mother	£75
The uncle	£15
The lady cousin	£100
The husband of the lady cousin.....	£11
Aggregate	£201

From these figures at first sight it looks as though the aged mother had been scurvily treated. Why should she, own mother to the corpse, get only £75 when a mere cousin gets £100? Is not a mother of more worth than several cousins? And if a cousin's husband, who had no claim but that of marriage into the corpse's family, got £11, can the mother be reasonably compensated with £75? The explanation of the anomaly is that in these cases a plaintiff is indemnified, not because of his personal interest in the accident or his kinship with any one concerned in it, but in virtue of the injury to his nervous system which may or may not vary with his natural relationship to the event. A stranger with weak nerves does better than a parent with strong.

So the way the law now stands is this: If a mechanically-propelled vehicle negligently does something which shocks the nerves of an onlooker, whoever he be, then the onlooker can recover damages from the owner or driver of the vehicle or from his insurers. There is no need to be involved or interested in the accident yourself or to have any visible injury to display before the Court. All that is necessary is to provide satisfactory medical proof that something which the driver negligently did caused a shock to your nerves. The law will do the rest.

In future then, the intelligent citizen has a plain course to steer. As he walks about the streets he must keep his eyes and his ears open for any untoward incident calculated to "disturb him disastrously," and when such untoward incident occurs he must bring an action against the author of the incident. Let him watch the traffic and listen to the traffic closely. If he should see a hearse in collision. If he

should catch sight of a case or bale of goods dropped negligently from the tailboard of a lorry. If he should be at hand when a car mounts the pavement and charges the wall of a house. If he should hear unexpectedly the report of a tyre exploding or the back-fire of an exhaust. If he should observe a dog escape by a tail's length from an approaching motor-cycle. If any of these things should happen, then let him ask himself if his nerves are as good as they were before the incident and whether he is not suffering from shock. If he decides that his nerves are affected, let him at once (having first taken the car's number) consult a good doctor and tell him the facts. If the doctor says yes, he is suffering from shock, let him move across the street to a good lawyer who will tell him on the strength of this case that he has a reliable claim for damages against the hearse, the lorry, the car, or the motor-cycle, and all that remains is to arrive at the figure of compensation. It will be of no use for the defendant to prove that the plaintiff was in a nervous condition before the incident. That avails nothing—in fact, less than nothing. And if the intelligent citizen is so fortunate as to have a weak heart and die of heart disease after the shock, then not only will his dependants have a claim for the loss of his support, but he himself on the strength of the Law Reform (Miscellaneous Provisions) Act will be able to claim through his executors for his loss of expectation of life—an easy and prosperous passage from this world to the next.

And that brings us to the one flaw in this Liverpool case. What of the corpse itself? Why was no word spoken, no claim advanced for the corpse? Under the Law Reform Act as interpreted by the House of Lords in *Rose v. Ford*, a dead person's representatives can recover the damages which he would have claimed, if he had been alive, for the loss he suffers through being actually dead. The logic is obscure, but the law is clear; and it really looks now as though it will have to be extended to provide for the rights of a dead man shaken in his own coffin *en route* for his own burial by the negligent behaviour of a colliding vehicle. The law already assumes that at the same time a man can be both alive and dead, and on that assumption there is no reason why a corpse should not be regarded as playing a leading part in its own funeral and participating in the shock, the discomfort and the unpleasantness which spring from the collision of a hearse, of which it is the sole occupant, and a tramcar. So when next the House of Commons turns its attention to the reform of the law of torts, here unmistakably is one line of approach—another and an admirable opportunity of extending the liability of insurance companies and underwriters who now do so splendidly out of the third-party section of their motor policies. The corpses ask for a square deal NOW.

Overseas Correspondence

Subjects of interest dealt with in letters from our Correspondents in various foreign capitals include:—

1. The history of trusts and monopolies in the United States Page 655
2. Prospects of economic recovery in France Page 656
3. Germany's commercial difficulties... Page 656
4. The significance of trade with Germany for Yugoslavia and Roumania Pages 657-8

Topics of the Week

National Service.—In three months' time the Government's plans to organise the nation's man-power by voluntary means will be passed under official review to determine their effectiveness. But, even after Tuesday's debate in the Commons, the country knows little or nothing about the schemes it is being called upon to support and, doctrinaire as ever, the Labour Party are sorely troubled about the possibility of conscription which, apparently and unfortunately, they need not fear. Apart from Mr Ernest Brown's very general and obvious statement of the key occupations from which men and women could not be spared for other duties, few individuals know more than they did in September about what their position in an emergency would be. On Tuesday, the Minister of Labour was speaking to the House about plans which none of the Members had seen, and our representatives in Parliament, like ourselves, must presumably wait until the appearance of Sir John Anderson's handbook next month and the commencement of his vigorous recruitment campaign to learn how the very widespread eagerness of most citizens to co-operate in national service is to be canalised and co-ordinated. In matters of labour supply, in the apportionment of men and women between the services, the export industries, essential civil trades and home defence, the Ministry of Labour is, inevitably, to be Sir John's executive agent; lack of such a single central organ was a serious cause of waste and confusion in 1914-15. But this is not to set up a Ministry of National Service. So long as the postulate of the Government's planning is that no steps to exceptional organisation can be contemplated until an emergency is actually upon us, so long will their resolution be suspect, and so long will there be critics in their own following, no less than elsewhere, who call for firmer measures, not because they are not democrats, but because they believe that democracy is too precious to endanger by half measures.

* * *

Air Raid Protection.—The Government move slowly in matters of defence, but they scarcely perform wonders. Once again, after intransigent delays, they have yielded half-heartedly to their critics. In September they hurriedly conceded trenches and urban evacuation, as well as the gas-masks and buckets of sand on which they had previously rested their air-raid precautions. Now, long after the great majority of citizens was convinced that shelter against high-explosive bombs was a *sine qua non* of A.R.P., Sir John Anderson announced on Wednesday this week that a sum of £20 millions was to be spent on the provision of steel structural supports for basements and portable steel lean-to shelters for houses without basements. Works, factories and offices are to be responsible for protecting employees against bombs; persons caught in the street during air raids will find shelters available; those at home will have these steel structures to protect them. Having conceded the principle of shelters against explosives, the Government may yet take the other, and logical, step of deciding to provide really bomb-proof shelters underground for all citizens in vulnerable places. Meanwhile, the steel pent-houses, which will protect against splinters, will clearly be better than no shelters at all. There may be financial problems when they come into supply. The intention is for those who can afford it to pay for them, and there will be difficulties of definition here as well as difficulties of deciding the responsibility of tenants and lessees. Meanwhile it is all-important that poor people should be guaranteed the best possible protection free of charge, and that the shelters, which now exist only on paper, should be actually made. Sir Kingsley Wood tells us that the output of airplanes has lately been doubled, but hitherto we have had small reason to rely upon the ability of the Government to deliver the goods speedily. At any rate the steel industry will benefit: about 1½ million tons of steel will be needed; and employment will be increased.

Credits to China.—There are indications to-day that in Eastern Asia, as in Europe, "appeasement" is not producing the results expected of it by those who practise it. In the minds of the Japanese, the fall of Hankow evidently marks the end of the regular warfare in their vast aggression against China, and the beginning of a process of gathering in some economic harvest to compensate for the military outlay. In the outlay stage the brunt of the Japanese offensive was borne by the Chinese (though Sir Hughe Knatchbull-Hugessen and the "Panay" and the "Ladybird" came in for their share); in the harvesting stage it is already clear that the brunt is to be borne by the Western nations that have economic interests in China. The Japanese are now intimating their intention of squeezing the Westerners out of Intra-Mural China, as they have already squeezed them out of the eastern provinces of the Chinese Republic on the Manchurian side of the Great Wall. The Japanese plan is, in effect—whatever Mr Arita may say about the "vast fields of commercial and economic activity" which will be open to foreigners in some unspecified future—to turn the whole of China, by force of Japanese arms, into a closed preserve for exclusive Japanese exploitation; and at this moment they are putting the plan into practice at Tientsin. As a result of the war, the trade of Tientsin has latterly been gaining at the expense of Shanghai; the Japanese are now running a *cordon sanitaire* round the foreign concessions at Tientsin in order to gather all the trade of the port into their own hands.

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In thus setting out to take for themselves the whole of the Chinese dragon's skin, the Japanese have been imprudently hasty. For, after all, the elusive creature is not dead. The Japanese may proceed to occupy the last still unoccupied stretches of Chinese railway; the Chinese guerillas will still control the huge enclaves of unoccupied country within the meshes of the very loose network of the Chinese railway system. Again, the Japanese may eventually push westward through Inner Mongolia and Shensi until they have cut the last connections between free China and the Soviet Union; there will still remain the link, through Burma, between free China and the Western world; and this link is fortified by the announcement that the United States Export and Import Bank has just given a credit of \$25 millions to a Chinese trading group for the purchase, not indeed of arms, but of lorries and petrol which will help the Chinese to maintain their life-line along the new Yunnan-Burma road that keeps South-Western China in communication with ports on the non-Japanese side of Singapore. There is now also talk of a British export credit of £500,000 to China, as the first instalment of some larger amount. The comment of the Japanese Foreign Minister, Mr Arita, on the American move on China's behalf is that it is "a regrettable act" than which "nothing will be more dangerous." The West and China will retort by asking: "Dangerous to whom? To themselves? Or to the Japanese?" The truth is that, in their immense westward sweep, the Japanese are now near the line at which the geographical, strategic and economic factors will no longer tell in their favour.

* * *

M. Reynaud's Progress.—The tide is still flowing in M. Paul Reynaud's favour, and in the last few days almost all the economic barometers in France have been rising. On the Bourse, there has been a continued rise in securities, especially in Rentes, to such a degree that the first of what it is hoped will be a series of conversion issues has been announced. M. Reynaud also claimed, in a speech to the Chamber on Wednesday, that there were signs of revival in retail trade and in the heavy industries. As for the foreign exchanges, the forward franc now stands, for the first time in quite a while, at a premium against

sterling. This, it is true, is as much a reflection of sterling weakness as of franc strength, but there is no doubt that capital is returning to the country and is seeking investment there. M. Reynaud's political prestige can be relied upon to fluctuate in direct proportion to his economic success. Accordingly, the estimates for 1939 have this week had a relatively easy and substantially unscathed passage through the Chamber, even though the crucial vote on Thursday was carried with the very narrow margin of seven votes. It would clearly be rash to conclude that M. Daladier's Government is firmly in the saddle. There have been rumours that the Socialists, having broken with the Radicals, are now seeking friends still further to the Right among M. Tardieu's group. The link between them is, of course, common distrust of M. Bonnet's foreign policy. The irony of the present situation is that it is the economic success of M. Reynaud which is keeping M. Bonnet at the Quai d'Orsay, although M. Reynaud himself is known to hold very different views on foreign affairs. The effort to find a majority with coherent views both on economic and on foreign policy is apparently beyond even the formidable matchmaking skill of the Palais Bourbon *coullisse*.

* * *

The Nation's Needs.—Shaken twice in eight years by economic depression and faced now by the many-sided challenge of totalitarian regimes, the great democracies are taking stock. A month ago M. Paul Reynaud laid bare the conspicuous weaknesses of the economy of France. In the United States a Committee of Congress has embarked upon an inquest on the whole of America's economic life. Here the Royal Commission on the Geographical Distribution of the Industrial Population is sifting the causes and consequences of the changing pattern of British industry. "We must re-arm and rebuild at the same time," declared Mr Eden in the Commons a few short weeks ago; and the Reports of the Commissioners for the Special Areas of England and Wales and Scotland* come aptly this week to illustrate and underline the work of reconstruction which must go forward *pari passu* with re-armament. In the Special Areas of England and Wales the number of wholly or partly unemployed persons rose between September 13, 1937, and September 12th this year from 205,814 to 234,424; expressed as a percentage of the total number of insured persons, whole-time unemployment two months ago among persons aged 14 and upwards was 30.6 in South Wales, 30.3 in West Cumberland, 23.0 in Durham and 19.8 on Tyneside (where munitions work was active), compared with 13.1 in all England and Wales. "There seems little doubt that, but for the re-armament programme, the situation would have been much worse," comments Sir George Gillett, the Commissioner. In the Scottish Special Area the number of unemployed persons

* H.M. Stationery Office. Report for England and Wales, 2s. 6d. Report for Scotland, 1s. 6d.

rose from 58,318 in mid-1937 to 64,435 in mid-1938, and the unemployment percentage is just short of 20. In all the Areas the position is better than it was four years ago, when the machinery of special provision was set in motion, but rock-bottom was reached last year when, at the height of recovery, the number of unemployed persons was close upon a quarter of a million, and present policy is clearly unable to resolve a problem which is not in fact local but national. The old export industries upon which all the Areas have relied are now seriously contracted. The current trend of industrial development is the marked growth of light industries and services; but these have not gone to replace the old trades in the depressed districts whose abnormal unemployment and low purchasing power make them unattractive markets; with the mobility induced by modern achievements in transport and power they have gone to London and Birmingham, the South-East and the Midlands. It is a vicious circle. In the Special Areas industrial decline is cumulative; in London and other prosperous places industrial growth begets ever more growth because purchasing power there is expanding. The consequence is poverty and distress in some places and costly congestion and crowding in others. Three years ago Sir Malcolm Stewart, first Commissioner for the English and Welsh Areas, called for control of London's growth and better regional distribution of Britain's industries. Sir George Gillett, in advance of the Royal Commission's report on the subject, echoes this plea; and it is a policy which cannot be operated in the arbitrarily delimited localities of the Special Areas. It must be nation-wide.

* * *

A Development Plan.—It would be untrue to write down the present Special Areas legislation as a failure. In it is the model for a wider scheme. In four years the two Commissioners have spent over £10 millions on industrial development and social rehabilitation in the Areas; they are committed to spend £10 millions more. The public health and sanitary services, which fell in efficiency as industry, employment and prosperity drifted away, have been remodelled. Harbours and quays have been developed; industrial sites have been cleared and improved; trading estates for new industrial undertakings have been established and assisted; regional development councils have been set up to foster new enterprise; remissions of rates and taxes have been financed; housing, mainly through the North-Eastern Housing Association, Limited, has been aided to the tune of more than £1 million; small holdings, group holdings, allotments, land drainage and subsistence production schemes have been helped. Trading estates in South Wales, on Tyneside and near Glasgow have been conspicuously successful in attracting a wide variety of new light trades; and capital assistance (which is not needed by new industries only in the Special Areas) has been given to new industries by the Nuffield Trust (£1,609,500), the Special Areas Recon-

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struction Association (£570,000) and other sources (£254,000), as well as by the Treasury (£954,000). Much has clearly been accomplished to remove the social and geographical disadvantages of the Areas and to divert industrial development from the crowded centres by financial inducements. Much, too, has been done to facilitate industrial migration: in twelve months since September, 1937, nearly 28,000 persons left the Areas of England and Wales, and over half were moved under Ministry of Labour schemes. But the root problem of the Special Areas remains no nearer solution, simply because it is a long-run problem of national industrial change and movement. "There is no solution in short-term methods," writes Sir George Gillet. He might have added that there is no solution in localised methods. There are districts like Lancashire scarcely less depressed than the Special Areas, and whole regions like Scotland with their vitality drained away for lack of complementary light trades to balance their depressed industries,* and lack of employment for their capital equipment and labour resources; and the overgrown and vulnerable state of London is part and parcel of precisely the same problem. The Special Areas experiments have introduced new principles of conscious planning and deliberate discrimination into national policy without having much effect on industrial maladjustment. Only a revival in exports of an unlikely size could redress the balance swiftly; nothing but philanthropic care can aid the core of long-term elderly unemployed. But the new policy might be made nationally effective by being nationally applied—to curtail industrial growth where social and strategic reasons frown upon it, and to encourage it where industrial decay has left gaps.

* * *

The F.B.I. and New Zealand.—The President of the Federation of British Industries has addressed a letter to the President of the Board of Trade in which he accuses the New Zealand Government of intending to use its announced control of imports to give protection to secondary industries to an extent that would violate the Ottawa Agreement. Mr Savage and Mr Nash, the New Zealand Prime Minister and Finance Minister, have promptly denied that there is any intention of throttling imports from Great Britain; they declare that the new system is made necessary by financial considerations and that its effect will be, if anything, to increase the preference given to British goods. There is, however, some substance to the F.B.I.'s complaint. There can be no doubt that the encouragement of domestic industry forms part of the New Zealand Labour Government's programme and that such encouragement is detrimental to that free exchange of Dominion primary products for British manufactures upon

* Light Industries in Scotland. Scottish Economic Committee, 19 Blythswood Square, Glasgow, C.2. 218 pages. 1s. 6d.

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which the economy of New Zealand, more than that of any other Dominion, depends. But it might be very difficult to prove that anything that is now being done violates the Ottawa Agreement, since Labour legislation in New Zealand has so considerably increased local costs of production that even the established industries of the Dominion could put forward a claim for increased protection to place them on equal terms with British imports. And, in any case, it seems to be a little remarkable that the F.B.I. have made such a firmly-worded protest before, on their own showing, any damage has been done to their interests, while they have not taken such violent action in the case of Australia and Canada where the policy of protecting local industries against British competition is an accomplished fact and has gone to much greater lengths than anything that is contemplated by New Zealand. The suspicion that the difference in treatment is due to the fact that New Zealand has a Labour Government is increased by remarks by officials of the F.B.I. that have been reported in the Press. If it appeared that the F.B.I. was allowing itself to be influenced by political rather than commercial considerations, its intervention would rightly meet with the hottest resentment in New Zealand and the severest condemnation here.

* * *

Congress and the Indian States.—The conflict between the Congress Party and the Indian States has sharpened very considerably during the last few months and seems to be working up to an acute crisis in the near future. It is a fundamental conflict which cannot be avoided, if Congress persists in its claim to an all-Indian supremacy. Mr Gandhi, writing in *Harijan* three weeks ago, declared that "there is no half-way house between a total extinction of the States and the Princes making their people responsible for the administration of their States," and went on to say that, whatever might be the legal rights of the States, "man-made law becomes a dead letter if it is in conflict with the natural law"; as a corollary of this doctrine, "if the Congress feels that it has the power to offer effective interference [with the internal policies of the States] it will be bound to do so when the call comes." This is a direct challenge to the very existence of the Indian States as hitherto constituted, and it may be expected that some of the Princes will take up the challenge with consequences which may be far-reaching. The plain fact is that, in spite of all the devices of British constitution-makers for producing a synthesis of the Provinces and the States, the continued existence of the Indian States is quite incompatible with the unitary, republican, nationalist India towards which Congress is working. The more clear-sighted among the Princes are well aware that there can be no future for them in a Congress-controlled India, and some would probably be quite ready to renounce their thrones, if they could put their money abroad and live in retirement on the Riviera. But there are others who will not yield power so easily, and there are influential office-holding families in the larger States who represent a formidable vested interest. They have it in their power to wreck Federation if they cannot obtain immunity from Congress agitation in the States, and it is even possible that some of them, if they do not receive the support they expect from the British Raj, may look elsewhere for backing against Congress democracy. Here is a very difficult and dangerous problem for the Paramount Power.

* * *

Federal Problems in Canada.—The feud between Mr Mackenzie King and Mr Hepburn, Liberal Prime Minister of Ontario, came out into the open a few weeks ago, was intensified by a rapid exchange of public recrimination, and reached a head on December 19th, when a meeting of the Ontario Liberal members of, and candidates for, the Federal Parliament gave Mr King a vote of complete confidence and Mr Hepburn an intimation that he had better mend his manners. It is not an elevating story; but it is one which has lessons for students of government by federation. Mr King accused Mr Hepburn,

who has long made known his impatience of Mr King's conduct of affairs, of conspiring with Mr Duplessis, Prime Minister of Quebec, to form a federal government "which would be largely controlled by the Provincial Ministries of Ontario and Quebec"; and in denying this Mr Hepburn took occasion to repeat his charges against the Federal Government, accusing it of being inefficient, behind the times, and unresponsive to outside suggestion. What sympathy he might have gained for his views was forfeited, however, by the manner and language of their presentation; and those Liberals who might have supported him did not do so for fear of undermining the Liberal Party's position and Federal good credit. Although the issue is essentially a personal one, its existence does underline the antinomy of interests between the wheat Provinces and industrial Ontario and Quebec. It is natural for Liberals in the East to see things at a different slant from those in the West; but the pressure on Mr King to keep the scales well balanced is indicated by the persistence in the West of feelings of resentment such as that which brought to life, not long ago, the old project for Western secession. What with these problems and with Mr Aberhart's antics in Alberta, the Royal Commission on Dominion-Provincial Relations, now sitting in Ottawa, is not finding that its task grows easier.

* * *

Land Reform and Hungary's Future.—The precise motives behind the recent Hungarian political crisis are now beginning to emerge. The Government was defeated on a motion of confidence because 68 deputies went into opposition. They did so because they said that M. Imredy's proposed amendments to procedure revealed a wish to govern without Parliament, and because the Prime Minister was unwilling to deal sternly with Right extremists. Their manoeuvre failed only because the Regent would not accept M. Imredy's resignation (as the Prime Minister must have guessed): but the dissentients were successful, at any rate for the time being, in securing the withdrawal of the offending amendments to procedure. In reality their motives were less pure than appeared on the surface. No doubt some of them, men like M. Eckhardt, may genuinely have feared that the Prime Minister would get caught in the toils of the extreme Right, for democracy is a delicate plant in Hungary; but most of the 68 were Conservative landowners who thought that what influence they still possessed to modify M. Imredy's programme for land reform would be destroyed once amendments to procedure had weakened their grip on Parliament. They feared for their possessions. They disliked the intention to create a "National Front" including not merely the Roman Catholic workers' organisations, but also certain politicians of the extreme Right, who attack landowners equally with Jews. For the moment the landed Conservatives have got their way. But what was once a comparatively mild popular demand for the breaking-up of big estates is now, after the redemption of Southern Slovakia, an acute national issue. The restored territories have benefited by the Czechoslovak land reform and a thoughtful agrarian policy and their peasants have even tasted good things like social insurance: production is higher than Hungarian farmers can achieve, and a recent estimate put the difference for wheat at an eighth, and for rye, barley, oats, and sugarbeet at as much as one quarter. Land reform cannot be long postponed; and in resisting too much, Conservatives in Hungary risk losing all.

* * *

Meanwhile, M. Imredy is doing what he can for the irredentist cause. M. de Kanya, charged with the failure to draw a common Polish-Hungarian frontier, has gone from the Ministry of Foreign Affairs. He was trained in the Ballhausplatz; and great events discovered his old age. Count Csaky succeeds him, and almost at once announces to Count Ciano, visiting Budapest, that Hungary has joined the Axis, hinting broadly that Yugoslavia is also "a friend of ours." This might mean that the Rome Protocols had been resurrected in new guise; but report has it that Berlin has ordered a visit from Count Csaky, and even if the report were exaggerated, a Hungary resting

on the southern end of the Axis is no longer conceivable. But it is interesting that Signor Mussolini, even after his weakness at Vienna when Ruthenia remained in Czechoslovakia, should still hope for diplomatic influence north-east of the Alps.

* * *

German-Roumanian Trade.—The new German-Roumanian trade treaty signed a fortnight ago, which is referred to this week by our Roumanian correspondent, will regulate a volume of trade between the two countries that has been swollen by the annexation of Austria and the Sudetenland. In 1936, for instance, Czechoslovakia exported to Roumania goods worth Kc.380 millions (about £2,300,000 at par), much of which was from the Sudeten areas. According to present indications, Germany's share of Roumania's imports will rise from the 1937 figure of 40.1 per cent. to about 50 per cent., and the proportion of Roumanian exports going to Germany will rise from 27.1 per cent. to about 33 per cent. German reports claim that out of this year's heavy Roumanian harvest the Reich will take 900,000 metric tons of cereals (400,000 of which will be wheat), more than 12,000 cattle and 200,000 pigs, and in future 25 per cent. of Roumanian oil production. As from December 15th the value of the Reichsmark against the lei is raised from 38 to 40½-41½ lei, but in the circumstances of German Roumanian trade any rate of exchange is necessarily a conventional figure. The recent agreement, which is retroactive from October 1st, is designed to avoid money payments altogether, and therefore the accumulation of debts on either side of the clearing. In fixing exchange-rates, it seems that all the competent authorities have done is to decide on the approximate volume of trade which should pass, reckon in outstanding payments due to Roumania, and strike a balance accordingly. The effect of the change, however, is clearly to alter the terms of trade *pro tanto* in Germany's favour; and there are reports that the German authorities at first asked for a rate as high as 55 lei. In future, we may have the spectacle, not of "blocked marks" but of "blocked guns" or "blocked wagon-loads of steel," which, at a pinch, the Roumanians will have to unfreeze by writing down the lei against the Reichsmark.

* * *

The Embargo on Foreign Loans.—The Chancellor of the Exchequer announced in the House of Commons on Tuesday that the relaxation of the embargo on issues of capital for transfer abroad which was conceded in February last has now been withdrawn. This decision was reached on the advice of the Foreign Transactions Advisory Committee, but it is obvious that the main consideration that has led to it has been the continuing pressure on sterling, which lies outside the Committee's purview. A number of issues has been made under the more liberal dispensation that has been in force for the greater part of

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this year, and though the total amount of sterling sold as a result is only a fraction of the turnover of the foreign exchange market, it is easy to understand the desire of the authorities, at a time when sterling is under severe pressure and the gold holdings of the Exchange Equalisation Account have been considerably reduced, to eliminate this particular source of weakness. It is permissible, however, to hope that when easier conditions return the relaxation of the restrictions will not be so long delayed as it was last time.

* * *

More New Judges.—The forthcoming appointment of two additional judges of the High Court, announced in the Commons a week ago by the Attorney-General, is the necessary corollary of steps taken in October to reinforce the judicial bench in face of the gathering congestion of work which has been a disturbing feature of the Courts for several years. Two new judges were then chosen to strengthen the King's Bench Division of the High Court, but, as three justices of the High Court were made Lords Justices of Appeal to man the new third Appellate Court, the net effect was to weaken the High Court itself. The overloading of judges on circuit has been especially noticeable in recent weeks, and although an appreciable part of the pressure has been due to the Matrimonial Causes Act which came into force this year, the increased duties have, in fact, been spread widely over the gamut of the law. The latest proposal is to raise the number of judges in the King's Bench from 17 to 19. When it has been ratified by resolutions from both Houses of Parliament, according to the procedure established by the Supreme Court of Judicature Act, a much-needed step will have been taken, not only to lighten the heavy burdens laid on judges, but also to lessen the costly delays which press hardly upon litigants.

* * *

Safety in Mines.—Coal-mining is a sorry trade. For half a generation it has been declining and depressed; and the annual toll it takes of life and limb is unique among British industries. No miner is reasonably safe from unemployment, death, disease or injury, and his wages, at the best, are low. Yet Britain's prosperity was built on coal, and coal remains a staple fuel and power. The compendious Report of the Royal Commission on Safety in Mines, which appeared this week, almost precisely three years after the Commission's appointment, sets out in its 179 recommendations the least the community can do by legislative or administrative provision for greater safety. One in every 900 mine employees is killed each year, and two in every eleven receive compensation for injury or disease; contrary to experience in most other countries, there has been no improvement for some fifteen years. The perils are legion: accidents such as falls of ground, haulage mishaps and explosions caused by naked lights, shot-firing, electricity or faulty lamps; diseases and afflictions such as nystagmus, silicosis, beat hand, beat knee, beat elbow, synovitis of the wrist and dermatitis. Clearly, as the Commission emphasise, the responsibility for the hideous by-products of coal-mining cannot be laid upon any single section of the industry; negligence is found in owners, officials and workmen alike. But, again and again, the Mines Department's inspectors have reported that many accidents are in fact avoidable; and, while a higher standard of careful conduct must be imposed upon all parties, the first principle of State regulation should be to make rules and apply sanctions to ensure that mines should be rendered by owners and officials as safe work-places as possible.

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The Commission's Proposals.—Proposals to re-organise the inspectorate, to increase inspectors' powers, to enlarge the Mines Department and to expand research into problems of health and safety are obvious and belated. Recent large-scale pit disasters, which are only the highlights of a daily process of slaughter and maiming, and the Chief Inspector's revelation last year of stricter regulations in France, had made the Commission's recommendation that ventilation standards should be tightened up inevitable. To make mineowners responsible, as in factories, for breaches of the law is a necessary first step to proper enforcement; the Commission propose it should be taken. The worst sufferers from present perils are boys and youths: 279 lads under 16 per 1,000 employed were killed or injured underground in 1936, against 208 per 1,000 at all ages; 237 youths between 16 and 18 per 1,000 employed were killed or injured underground in the same year. The Commission propose that no boys under 15 should go down the pit; the limit might have been set higher. They further suggest that the practice of putting young workers through preliminary courses of safety instruction should be made universal: this is essential, but the actual condition of the pits must provide the maximum possible protection for inexperience and enthusiasm. The recommendations of the Report are not unduly drastic, though some of the items, such as the ventilation reforms, may be too costly for mineowners to accept easily; but given general goodwill and co-operation, vigilant and strict inspection and ruthless enforcement with appropriate penalties, the statutory rules they foreshadow should do something substantial to remove a very grave blot from our national economic life. They must be wholly and wholeheartedly applied; and an indispensable sequel is the complete overhaul of the workmen's compensation laws, on which another Royal Commission is now sitting.

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British - American Trade Agreement.—The schedules of changes in duty included in *The Economist* Supplement of November 26th last on the British-

SCHEDULE I.—CONCESSIONS GRANTED BY THE UNITED KINGDOM

	Rate of Duty (c.i.f.)		
	Empire	Old	New
Canned salmon	Free	10%	10%
Honey	"	7/-	5/-
Boron minerals	"	Free	Free
Persimmon, hickory and cornel wood blocks, etc.	"	Free	Free
Asphalt and bitumen, natural	"	10%	10%
Sulphur	"	Free	Free
Milking machines	"	15%	15%
Plywood	"	10%	10%
Tool handles, fork, shovel and spade, box or "D" type	"	Free	Free
Paraffin wax	"	10%	10%
Sodium chromate	"	10%	10%
Chestnut extract	"	10%	10%
Hide leather, bellies and shoulders for soles	"	10%	10%
Reptile leather, undressed	"	10%	10%
Glacé kid	"	10%	10%
Sheets and sheeting, wholly rubber	"	10%	10%
Hair, raw—horses, bovine animals and dressed and/or dyed	"	10%	10%
Gramophone records (for music)	22½%	33½%	25%

SCHEDULE IV.—CONCESSIONS GRANTED BY THE U.S.A.

	Rate of Duty (f.o.b.)	
	Old	New
Salt, in bulk	7c.	4c.
Belt buckles, etc., iron, steel or other box metal—		
Valued at more than 20 but not more than 50c.		
per hundred	10c. + 20%	7c. + 10%
Valued at more than 50 but not more than \$1.66½	15c. + 20%	10c. + 10%
Cotton cloth, not bleached, minimum rate		
p. No. per lb.	0.55c.	0.40c.
Gloves and mittens, valued at more than \$3.50		
per doz. prs.	50c. + 50%	50c. + 40%

American Trade Agreement were necessarily prepared in great haste. A few errors have been noticed, and a list of the necessary corrections is given above. Those readers who have filed the Supplement for reference may find it useful to make the necessary emendations in their copies.

Overseas Correspondence

From Our Special Correspondents

United States

The Structure of Big Business

NEW YORK, December 13.—Last week's letter was taken up with describing and commenting on what is called the Anti-Monopoly Hearing. This week's letter is intended to describe something of the background of the subject of the Hearing, namely, "monopoly and the concentration of economic power" as it occurs in the American economy.

The first general use of the corporate form in this country was in the railroads, but by 1890 the corporation in its various aspects was sufficiently conspicuous to cause apprehension. The consequence was the enactment of the Sherman Anti-Trust Laws in 1890, prohibiting conspiracies and combinations "in restraint of trade." For fifty years this legislation, amplified by other legislation such as the Clayton Act (prohibiting inter-locking directorates), and amplified also by judicial interpretation, has remained the formal legal, political or social expression of our attitude towards Big Business.

During these fifty years there have been two conspicuous developments. First, the corporate form has been generally adopted, partly for its convenience, and partly by reason of differences between personal and corporate income taxation, with the result that very small, or relatively small, enterprises are now in corporate form. There are now about 500,000 corporations in active business in the United States, and, according to the testimony of Dr Willard Thorp at the Hearing, in 1935 some 55 per cent. of all corporations had assets of less than \$50,000. In other words, the corporate form has largely replaced individual ownership or partnership, even among concerns of comparatively small size.

Secondly, big business has at the same time tended to become bigger. In 1935 some 780 corporations each represented assets of \$50,000,000 or more. Yet, as was emphasised at the Hearing, few of these corporations—even the largest—could be described as monopolies. Rather, the evidence showed that a number of industries had inclined toward the grouping by merger of what were formerly a large number of units into a comparatively small number; and that these together comprised the industry. It was even stated that the Anti-Trust Laws had induced these amalgamations, since, although "co-operative understandings" between several units were obviously illegal if they represented collusion among competitors, these "understandings" became legal if the units were combined in a single corporation.

The Anti-Monopoly Hearings

The evidence offered to the Committee went further in stating that, in industries dominated by a small number of large corporations, a state of virtual cartelisation had grown up. The word cartel is not in general use in this country, and anything that could be termed a cartel would apparently be an open violation of the Anti-Trust Laws. Whether or not the cartelisation of American industry has proceeded to the length intimated in the preliminary survey of the Committee, as well as in the view of some academic commentators, will probably be disclosed as the Hearing continues. In general, our industry has been regarded as uncartelised, or cartelised only to a very limited extent; perhaps an even fairer statement would be to say that cartelisation (even of a *sub rosa* and informal type) has been commonly regarded as exceptional, whilst the preliminary survey of the Committee intimates that it is widespread, if not general.

Looking back over the fifty years of the Sherman Anti-Trust Laws, one can see that they have been in continuous conflict with the economic tendency of the time. The inherent nature of the conflict has been revealed by spasmodic and intermittent policies of enforcement—the "trust-busting crusades." These crusades, or the threat of them, have struck periodic terror into the business community, which in the intervals had evolved practices whose legality was genuinely in dispute. Some of the test cases have likewise

widened the "twilight zone"; for example, the famous decision a generation ago introducing the "rule of reason," which held that only "unreasonable" restraints of trade were prohibited.

Industrial Europe has generally accepted the cartel. Legally America has opposed it; one of the deepest objections to the N.R.A. was that it more or less suspended the operations of the Anti-Trust Laws and encouraged, or forced, the organisation of industry into a kind of cartelisation. But even though the N.R.A. was formally abandoned over three years ago, the impulse which it then gave to cartelisation was more or less derived from the economy itself, adding further complexities. Another impulse toward cartelisation has come from the wider organisation of labour; and, when the labour of an industry is organised on an industry-wide basis, the problems of employers are complicated by their being prohibited from organising themselves similarly.

An Analogy with Prohibition

It may seem unpleasant, but there exists a certain analogy with prohibition. A law expressing a certain social concept was placed on the statute book; but because this law did not reflect sufficient public sentiment to ensure its enforcement, in spite of zealous crusades by agencies of Government, the result was that certain "trade practices" developed in response to popular demand. For years the Prohibition laws were neither enforced nor repealed; we may say that they could not be enforced.

For almost fifty years the Anti-Trust Laws have been on the books. They have prevented the growth of monopoly, of recognised cartels, and of certain forms of "concentrations of economic power." Under them business has developed an indefinite number of unrecognised cartels and various forms of "concentrations of economic power." The evidence of history, in this and other countries, indicates that advantages do derive from the cartel system and other "concentrations of economic power," but all the same a considerable body of opinion is still devoted to the spirit of the Anti-Trust Laws. It is conceivable that the disparity between economic fact and legal aspiration may continue indefinitely; it is possible to imagine a resolute enforcement of the existing Laws, or their strengthening in such a manner as would enable enforcement of smaller, more competitive units; or, again, it is possible to imagine the abandonment of our historic legal attitude, and a recognition or even an enforcement of cartelisation and more complete concentration.

The first Hearings of the Temporary National Economic Committee were directed towards the influence of the patent laws upon "concentration." It was found that in the motor industry there is a virtual pooling of patents. In the glass industry, however, the control of patents appears to have developed a kind of integration of the industry analogous to a cartel. It seems that the Hearings have tried to set these two industries in contrast with each other; but the conclusions of the Committee from this, its first exhibit, are not yet manifest.

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France

Boom in Public Funds

PARIS, December 22.—While the Chamber examines the Budget expeditiously, public funds are booming on the Bourse. The Budget, which allows for 66,000 million francs of expenditure, will be sent to the Senate at the end of the week, after 66 hours of continuous session, so that the public accounts for 1939 can be voted in due time at the end of the year. The firm declaration of M. Bonnet that "not an inch of territory will be ceded," in reply to the Italian claims, has won new support for the Cabinet.

The speedy passage of the Budget and the recent international calm, coming, as they do, after earlier political success by the Government, are likely to lead investors to take a hand in recovery. Proposed conversions of foreign loans in Amsterdam and London will afford the support of foreign capital for the Government's operations. The course of the public funds this year has been as follows:—

	Capital nominal	Lowest of the year	Nov. 15, 1938	Dec. 20, 1938
3% perpetual	17.0	65.30	80.70	86.00
4% 1917	8.5	62.25	82.00	89.20
4% 1918	18.5	62.40	81.10	89.50
4½% 1932 A	41.3	68.20	85.10	92.60
4½% 1932 B	39.7	68.60	83.25	91.25
5% 1920	15.3	88.60	103.00	120.40
4% 1925	5.7	104.00	140.70	165.50
4½% 1937	8.1	103.75	139.95	157.40

The greater part of French funds is represented by the 4½ per cent., with a capital value of 80,000 million francs. A profitable conversion should lead to the substitution of a 3½ per cent. loan. The 4½ per cent. 1937 with an exchange guarantee (for sterling and the dollar) is not convertible before 1942. The 4 per cent. 1925 with a sterling exchange guarantee is repayable on the basis of five times the last coupon, or about 180; while the 5 per cent. 1920 is repayable at 150 per cent.

The following table shows the concurrent recovery of various French debentures on foreign markets:—

	Oct. 21	Dec. 19	Dec. 20
Amsterdam:—			
City of Paris 5% 1933	95½	100½	100½
Chemin de Fer Paris Orléans 6%	90	98½	99½
" 5% 1928	81½	96	97½
" Alsace Lorraine 5% 1929	79½	95½	...
New York:—			
Chemin de Fer du Nord 6½%	100½	102	101½
" P.O. 5½%	91.63	98½	99½
Zurich:—			
Alsace Lorraine 4% 1932	26	39½	42
" 4½% 1932	84	104½	110
Midi 4% 1930	27½	39½	42½
P.L.M. 4½% 1932	88½	106½	111
P.O. 5% 1930	93	98	98½

Need for More Output

Cheaper money and extra hours of work will aid production. Will these steps be sufficient? Almost certainly not. The critics adduce recent fiscal receipts as a proof of the need for further governmental action. The revenue returns for October were as follows:—

	1937	1938
Direct taxes	856	1,633
Indirect taxes	3,304	3,736
Estate duties	88	56
	4,249	5,426

NORANDA MINES, LIMITED DIVIDEND NOTICE

Notice is hereby given that an interim dividend of \$2.00 per share, payable in Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable December 22nd, 1938, to shareholders of record at the close of business December 5th, 1938.

By order of the Board. J. R. BRADFELD,
Toronto, Nov. 18th, 1938. Secretary.

Total fiscal receipts from indirect taxes only, for the first ten months of this year, have been 31,000 million francs, which is 6,000 millions more than in the same period of 1937, but 700 millions less than the estimates. All items, except the taxes on income derived from stocks, show a deficit on estimates. The rise in prices and the additional taxation have thus failed to fill the gap, and the fiscal problem is unsolved. It is consequently imperative that production should be greatly increased. Cheaper money, after the conversion of State loans, should stimulate private company borrowing, and lead to an expansion of credit to industry and business. But the State will have to assist, and the financial Press is anxious to know what means will be adopted.

This is also the chief anxiety of the *rapporteur* of the Finance Committee of the Chamber, when he asks in his report on the Budget how a further rise in prices will be offset after the increased taxes and higher wages have led to an increase in costs. "The true remedies (the report says) lie in a rational organisation of our production, in a wise orientation of national economy to expand our foreign trade, and finally in a more intensive exploitation of our Empire."

All these remedies have been announced in recent speeches by M. Reynaud, the Minister of Finance, M. Gentin, the Minister of Commerce, and M. Mandel, the Minister of Colonies, but no subsequent steps have been taken. Why this delay? Officials declare that financial recovery must come first, and that intensification of production will follow as soon as the conversions have been made.

Wholesale Prices Steady

Wholesale prices continue to show appreciable stability, after two years of steady increase:—

	June 25	Dec. 17
General index	652	654
Domestic products	685	679
Imported products	592	610
Foodstuffs	656	627
Industrial products	649	678

Retail prices, however, after the seasonal stability of summer, now show a tendency to rise, which is partly due to the increase in taxes. Nevertheless, French prices are still in general 20 per cent. lower than English prices, which favours French exports. Industrial profits are improving, as a result of the regained stability of wages and the cost of living. Figures of industrial activity show a perceptible improvement, and the index of railway traffics has regained the level of last June, which was, however, still 10 per cent. lower than at the same time in 1937.

In the week ended December 10th, the number of persons unemployed was 371,920 against 367,834 in the previous week and 345,095 a year ago.

Germany

Dr Schacht's Journey

BERLIN, December 19.—After the return of the President of the Reichsbank from England opinion in Berlin is that his negotiations in London were impeded by more serious obstacles than had been expected in Germany. These difficulties are attributed not to any personal animus against Dr Schacht, but to the English reaction to German treatment of the Jews and to the Reich's foreign trade policy. The official statement that at the beginning of January the Evian Committee will discuss in Berlin measures for the relief of Jewish emigrants suggests that the Reich is now prepared to assist emigration.

This readiness is intensified by the poor figures for foreign trade in November. Compared with the same month of 1937, exports fell by Rm. 80 millions. This figure should be qualified by the fact that this year's figures embrace Greater Germany and not, as last year's, only the old Reich. Discussions of British-German trade and the problem of foreign trade policy will have to be postponed, because at the moment the psychological conditions for agreement do not appear to exist.

Despoiling the Jews

Rather than prejudice Dr Schacht's negotiations and the chances of a subsequent agreement, the authorities have refrained from applying or announcing further anti-Semitic measures. In particular, the creation of a ghetto and the ban

on Jews living in certain streets have temporarily been dropped; and there appear to have been no more arrests.

The measures already in force, however, are being pressed forward. A decree published early in December by the Ministry of Economics made compulsory the "aryanisation" of businesses under Jewish management, including Jews absent from the country. This compulsory liquidation is carried out through a State appointee; and the decree applies not only to private firms but also to agricultural and forestry enterprises; not only to German and Jewish persons who have lost their citizenship, but also to the Jewish citizens of foreign countries.

The Ministry of Economics has further set up a deposit bureau for Jewish securities. For payment of the fine imposed on account of the Paris assassination, Jewish securities may be sold under exceptional circumstances, but in that case, to avoid affecting the stock market, the securities must be disposed of through the Prussian State Bank. It is finally forbidden for Jews to acquire, sell or pawn gold, platinum, silver or precious stones if the value of any such article exceeds Rm. 1,000; deals of this kind may now be made only through official bureaux; and a similar regulation covers works of art.

In all cases it is compulsory for Jews to invest a part of the money received for the businesses or possessions they have sold in Government bonds or coupons. The rate of interest which they will receive is not yet fixed.

In the matter of Jewish emigration, interest is centred at present on the two years' old Warburg Plan. This was an idea of Dr Schacht's. It provided that emigrated Jews should have at their disposal a certain sum of money, and that foreign countries should advance the necessary foreign exchange. Germany would be obliged to service this credit by exports, and, over a long period, to pay it back.

Heavy Import Surplus

Greater Germany's imports in November were valued at Rm. 522 millions and exports at Rm. 453 millions, leaving an import surplus of Rm. 69 millions. The import surplus for the past eleven months amounts to Rm. 426 millions. In the old Reich alone, total imports in the eleven months were valued at Rm. 4,958 millions, against Rm. 4,938 millions in the same period of 1937; while imports thus rose by Rm. 20 millions, exports fell by about Rm. 600 millions, being valued this year at Rm. 4,753 millions, against some Rm. 5,359 millions last year. Thus, instead of the export surplus of Rm. 422 millions recorded in 1937, the old Reich has now an import surplus of Rm. 205 millions.

A number of important buyers placed noticeably smaller orders in November even than in October. Exports to the United Kingdom fell between October and November by Rm. 7.4 millions, those to Switzerland by Rm. 3.4 millions, those to Holland by Rm. 2.9 millions, those to Norway, Sweden and Denmark by Rm. 2.8 millions, and those to the United States by Rm. 2.1 millions. Trade with Canada and British India also fell off sharply, and exports to Hongkong declined by Rm. 4 millions.

Trade negotiations with Italy are going on in Rome with the object of new trade agreements to take account of the inclusion of Austria and the Sudetenland in the Reich. And the thorny problem of harbour facilities at Trieste has not yet been solved. It is hoped that German exports to Italy, which rose in value between 1932 and 1937 from Rm. 223 millions to Rm. 311 millions, will further expand in the coming year to Rm. 350 millions. Germany now takes 40 per cent. of all Italian oranges and citrus fruits, and this is set against German sales to Italy of 36 per cent. of her coal, 20 per cent. of machinery and 9½ per cent. of iron, steel and metal goods.

Berlin is also expecting a trade delegation from Turkey. Herr Funk's export credits agreement with Turkey has yet to be signed. Under this agreement Germany provides Turkey with a credit of Rm. 150 millions with which to buy industrial and military supplies. This credit corresponds in form and content to those recently granted to Turkey by Great Britain.

More Debt and Fewer Houses

Between April and November of this year German tax and customs revenue amounted to about Rm. 10,935 millions, against Rm. 8,956 millions in the same period of 1937. Although current revenue is thus higher by Rm. 2 milliards than last year, the Reich's debt has again risen. At the end of October the total debt stood at Rm. 25,676 millions, compared with Rm. 17,574 millions in October, 1937. Within a year her floating debt has risen from Rm. 2,397 millions to Rm. 4,890 millions. These figures show the effect of the

vast expenditure on building plans and the Four Year Plan.

The great volume of State building has left residential housing very poorly provided for. In particular, the demolition of numerous houses in Berlin in preparation for the new North-South and East-West streets has proceeded without the provision of alternative accommodation. Residential building has likewise suffered from the great calls made on all available materials by fortifications, official, army and party buildings. Some 19.3 million householders in Germany have only 17.8 million dwellings.

During the next ten years, if requirements already apparent and current demolitions are counted in, about four million dwellings will be needed or, including Austria, about 4½ millions. The greater part of these will be workers' houses and will have to be cheap and State subsidised.

Jugoslavia

Trade with Germany

BELGRADE, December 18.—With the change of the Central European map, the renewed British interest in the South-East, and the impending trade negotiations with France, the problem of foreign trade relations, and especially of relations with Germany, has come to the forefront. In 1937, Germany took 1,361 million dinars' worth and Austria 848 million dinars' worth of Yugoslav exports; together they bought about 33 per cent. of total exports valued at 6,272 millions. Imports from Germany and Austria were valued at 1,694 million dinars and 538 million dinars, respectively, or about 42 per cent. of total imports worth 5,234 millions.

With the extension of the German frontiers, some increase in the volume of this trade was expected, although it was thought that it would require some time for this to take place, in view of the fact that trade in some lines had become dislocated. German timber orders, for instance, were transferred from Yugoslavia to Austria. In the event, however, Germany began to buy Yugoslav foodstuffs and raw materials to an unprecedented scale—even before Herr Funk's visit and the announced trade drive. Thus, in July, Germany's purchases were valued at 116 million dinars, or 41 per cent. of total exports, worth 283 millions; in August, at 279 million dinars, or 60 per cent. of a total of 462 millions; in September, at 188 millions, or 47.5 per cent. of a total of 397 millions; and in October, at 273.5 millions, or 50 per cent. of a total of 464 millions.

Beneficial as such heavy sales may seem, they are not without their disadvantages. For one thing, Germany is paying prices above world prices, and is thus seriously affecting the course of prices in Yugoslavia, which have now reached a level at which exports to other countries have become increasingly difficult. Thus, not only have Yugoslav wholesale prices maintained last year's level, the index fluctuating from July to October between 76.8 and 78, against 75.3 and 80 last year, but retail prices in the ten largest towns have also risen from 88.3 to 92.1 in the same period.

The rise in prices is the more serious because it is not uniform, and tends to be greatest in the case of goods most needed by Germany. Unless arrested, therefore, the rise in prices will tend to establish a price structure so closely in

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line with German requirements that the Yugoslav economy will become still more dependent upon sales to Germany.

Need for Free-Exchange

Thus, the first direct consequence of high prices is a sharp fall in exports to free-exchange countries which are not willing to pay the same premium on imports as Germany. During the first ten months of 1938, exports to these countries dropped from 1,933.6 million dinars in value to 1,341 millions, despite the fact that Yugoslavia imported from them goods to the value of 1,285 million dinars, or 70 millions more than in the same months last year. The fall in the export surplus in trade with free-exchange countries from 718 million dinars to 56 millions has led to a great shrinkage in the influx of *devisen* upon which the National Bank has to rely to finance foreign trade.

Nor is Yugoslavia getting compensation in the form of cheaper German goods. The prices of German goods remain below world prices only until they are established in the Yugoslav market. Then they rise. Yet, in spite of this, importers are obliged to buy German goods for preference, partly because of the shortage of *devisen*, and partly because of the desire to diminish the German clearing debt.

This state of affairs has stimulated serious study of ways and means to increase trade with free-exchange countries. And it was this consideration which dictated the introduction, first, of a special exchange rate with the pound sterling for the export of turkeys, and then a general export rate of 262 dinars to the £ against the previous free rate of 238 dinars. Such measures, however, can only be regarded as temporary unless a lasting fall in the value of the dinar is contemplated. The need of inducing countries with free exchanges to engage in governmental bulk-buying is, therefore, attracting increased attention.

A rise in prices must ultimately affect industry through a rise in wages, and the development of industry is a vital necessity for a country which cannot find sufficient remunerative employment for its growing population. The population is now estimated to have passed the 15 million mark; and, up to the present, industry, with 754,775 workers against 716,675 in September last year, provides employment for only about one-fifth of the population. Industry, however, has not yet been affected by the upward movement of prices, the average daily wage of insured persons having risen only slightly, from 23.42 dinars to 24.23 dinars, between September, 1937, and September, 1938.

Roumania

Trade Bonds with Germany

BUCHAREST, December 17.—Roumanian exports consist mainly of cereals, petroleum products and timber. These are the main sources of the country's revenue, but they are now labouring under considerable disadvantages. The first of these is common to all Roumanian products; they are sold in the home market at very high prices, prices which are frequently above the level of world prices. The reason for this lies in the heavy burden of taxation imposed upon industry; the high customs duties levied on imports; and the heavy freight charges made for transport both on the railways and by sea, since the Roumanian ports of Constantza, Galatz and Braila are very remote from the principal ports of Western Europe—more distant even than the Atlantic ports of Canada and the United States of America.

Since 1935 Germany has been seeking to turn this situation to her own advantage, in accordance with her need for raw materials and expansion Eastwards. Her totalitarian regime has made it possible to concentrate all commercial initiative in the hands of the Government, which has accordingly pursued a consistent policy of purchasing more and more of Roumania's cereal and petroleum products every year. The difference between the prices ruling in Roumania and those in the world market is covered by the German Government so that the Roumanian exporter loses nothing. This is achieved by means of the agreement with the Roumanian Government, whereby Germany's purchases in Roumania are not paid for in cash but in kind; that is, by deliveries of manufactured goods and machinery of all sorts, as well as supplies for the oil industry and plant for munition factories—and even munitions manufactured in Germany. Recently, also, a large contract was obtained by a German

firm for the construction of grain silos in Roumania and for the manufacture and installation of the requisite plant.

Thus Roumania pays for all these things with the credits she has amassed in Germany for her exports to that country, and Germany is enabled to recover the losses incurred in paying high prices for Roumanian products. This year, however, the Roumanian Government woke up to the fact that her exports to Germany amounted to between 32 and 35 per cent. of her total exports, and her imports from Germany to 41 per cent. of her total imports. It seemed evident that, if these percentages were maintained or increased, Roumania would shortly be almost entirely dependent upon Germany for her trade—which was considered undesirable for political reasons. An attempt was made to turn trade into other directions, and the Ministry of National Economy instructed the Foreign Trade Department that permits for compensation business with countries having a weak currency were to be refused as far as possible.

Diminished Trade with France and Britain

This hit Germany; and great optimism was then felt about the possibilities of increased trade with France. It was believed that increased business with France would compensate for loss of trade with Germany. Unfortunately, the political situation in France and the introduction of reduced working hours there had an adverse effect upon French industries, and orders could no longer be completed within the prescribed time, nor, owing to the threat and danger of strikes, could manufacturers guarantee delivery at any fixed date. At the same time, Great Britain, who had recently been a good customer of Roumania for timber, once more directed her orders principally to Canada.

That was in the beginning of 1938. Since then there has been a marked decline in Roumania's export trade, as shown by the following figures:—

	Metric tons		
	1936	1937	1st 10 Mths. 1938
Cereals and vegetables and oilseeds.....	2,072,100	2,224,600	1,009,318
Petroleum products	7,059,822	5,829,874	3,757,799
Timber.....	1,066,000	1,176,300	773,964
Total exports of cereals			1,009,318
Total exports of cereals to Germany			396,878

Thus Germany purchased about 39.3 per cent. of total cereal exports.

New Agreements with Dictatorships

In October this year, the German Government sent an economic delegation to Bucharest to negotiate a new trade agreement. The proceedings began under favourable auspices, but difficulties were encountered when the German delegation proposed raising the lei rate of exchange for the Reichsmark. After several weeks' negotiations, however, the agreement was signed on December 10th. Under its terms the rate of the Reichsmark is 40.5 to 41.5 lei, and a total volume of trade amounting to 10 milliards of lei is accepted by Roumania as admissible. This represents the maximum reached in former years under the old agreement, and now covers not only Germany but also Austria and the Sudeten provinces. Germany reserves the right to purchase in Roumania 40,000 wagons (of 10 metric tons each) of wheat, and 5,000 wagons of other cereals. The purchases of petroleum are fixed at 25 per cent. of the total value of trade between Roumania and Germany.

In the meantime, a French economic delegation arrived in Bucharest. Their object was to study the possibilities of increased trade with this country, and they were mainly interested in petroleum products. Roumania prefers to sell her refined products, thus benefiting her own refineries, while the French wanted to buy crude oil and have it refined in France. The French Government was ready to make concessions and made an offer to buy 500,000 metric tons of motor oil, 50,000 tons of gas oil, 10,000 tons of lamp oil and 80,000 tons of crude oil. The Director of the French Foreign Agreements Department has returned to Paris for a few days for fresh instructions, and it is hoped that upon his return the agreement will be signed.

A third delegation, this time from Italy, was more fortunate. A few days sufficed for them to complete their negotiations for an agreement based upon an exchange of products amounting in annual value to 7 milliard lei. The Italians undertook to purchase in Roumania 35,000 wagons of wheat and 70,000 wagons of crude oil. The rate of exchange for the Italian lira is fixed at 7.172 lei, and this agreement is regarded here as very favourable to Roumania.

Letters to the Editor

British Profits

TO THE EDITOR OF THE ECONOMIST

SIR,—The publication in your issue of December 17th of the admirable survey of the profits of British companies by Mr Hargreaves Parkinson still further increases the debt which everyone interested in recent British economic history already owes to its author and to *The Economist*. The survey is especially valuable because of the detailed summary which Mr Parkinson gives of his methods of estimation. To anyone acquainted with the present chaotic condition of British income statistics the trouble to which he has been put in converting a wide variety of fiscal year data to a calendar year basis will seem little short of fantastic.

A simple reform would ease Mr Parkinson's and *The Economist's* problem immensely: the publication by companies of quarterly statements of their income. If this were done on a basis comparable to their present annual income accounts, it would then become possible to place three-quarters of the sample (those at present closing their books at the end of a calendar quarter) on a calendar year basis straightaway. Still more important, the construction of a quarterly index of profits could then be undertaken.

I am not an accountant, and I do not pretend to know how much extra work such a reform would entail in the case of the average enterprise. I do know, however, that there are now over five hundred companies in the United States, spread over a wide field, which regularly publish quarterly or (in a few cases) semi-annual income data. The amount and character of the information available concerning short run movements in the level of profits—a subject of the greatest interest both to the investor and to the student of industrial fluctuations—is therefore incomparably superior in the United States to anything available in this country.

Is it too much to hope that some influential body, either the Royal Statistical Society, the Institute of Chartered Accountants or the Stock Exchange itself, will give this matter the publicity which alone will lead to reform?

Yours, etc.,

HAROLD BARGER.

London.

TO THE EDITOR OF THE ECONOMIST

SIR,—In the article "Three Decades of Profits" in the current number of *The Economist* (December 17th), you draw attention to one of the most disturbing features of our post-war economy—the increasing instability of profits. You enumerate two methods which, in theory, might be employed for reducing the range of fluctuation of profits.

First, a greater flexibility of costs of production, which you rightly rule out as impracticable. Secondly, the substitution of equity securities for debentures and preference shares in the capital structure of business companies. You admit that this would be only a partial remedy, and I submit that, failing some degree of legal compulsion, there is little prospect of it being adopted by the majority of company promoters.

There is a third method of approach to the remedy for instability of profits, namely, the greater stability of prices. In his concluding sentence, Mr Hargreaves Parkinson writes: "The course of profits will itself be a function, not only of general business activity, but of the trend of commodity prices as a whole." This seems to cut right at the root of the matter, for whenever we have seen a pronounced fall in the general level of prices we have experienced a slowing down in business activity and a falling-off in the profit-margin. It can hardly be otherwise, so that the maintenance of general prices at a level which is consistent with the full employment of our factors of production appears to be a necessary condition for the maintenance of business activity at its natural maximum, and for the stability of profits at a level coincident with such degree of activity.

The means by which stability of prices might be attempted lies outside the range of your article on profits, but such stability is, I submit, fundamental to the greater stability of profits.

Yours faithfully,

W. M. WIGGINS.

Manchester.

Power over Opinion

TO THE EDITOR OF THE ECONOMIST

SIR,—In your interesting article "Power over Opinion" (on page 585 on December 17th) I read that only the British Empire (apart from India, Palestine and parts of Canada), the United States, Holland, Belgium, France and the Scandinavian countries enjoy free news. I beg your pardon, but *Switzerland* is also a country with free news.

Just now we are fighting against a German offensive on our neutrality. Nearly every day German newspapers demand from Switzerland a totalitarian neutrality, i.e. a neutrality of the State and of the mind as well. The German Press wants to read in the Swiss papers only good news about Germany, its Government and the NSDAP.

Last week Dr Motta, of the Federal Council, clearly explained in Parliament that our neutrality is only a neutrality of the State, and the thinking of the Swiss citizens can never be neutralised.

This is the opinion of all Swiss newspapers, which will fight vigorously for the freedom of the Press.

I am, yours faithfully,

HERMANN SCHUTZ,

Editor, *Der Bund*.

Berne.

[It is with pleasure that we print this letter to correct the unfortunate and erroneous impression which an omission in the article referred to may have given.—EDITOR.]

French Financial Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—There are a few points open to objection in Dr Balogh's last letter on this subject, published in your issue of December 3rd (on p. 480)—in particular when he taunts me with saying that the franc is over-valued, which I never did. But controversies are best when not too long. However, let me at least assure him that there is no "lop-sidedness" in French protection, if by this he means, as he apparently does, that protection has been used by the Right to defend a few "entrenched interests." Actually, the exclusion of cheap imports has been one of the few subjects upon which Right and Left have never quarrelled. This unanimity is no proof, of course, of the economic soundness of our commercial policy: it only shows that "old-fashioned" arguments about free trade are unpalatable to twentieth-century public opinion.

The same applies to the unpleasant requirements of budgetary equilibrium. Our next problem, says Dr Balogh, will be to combine "open-market operations" with stable prices. There are still some people in France who can call a spade a spade, and inflation after its own name, and fortunately M. Paul Reynaud is among them. But I am sure that if inflation really does not injure the consumer, M. Reynaud would be happy to have Dr Balogh's recipe.

Yours sincerely,

ETIENNE MANTOUX.

Paris.

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Books and Publications

Bank Rate

JUST over a century ago relaxation of the Usury Laws left the Bank of England free to vary its rediscount rate at will, and the history of Bank rate as an instrument of monetary control began. It is appropriate that Mr Hawtrey should have taken up the task of expounding the motives and consequences of changes in Bank rate since those early days, because he remains unrepentantly a believer in Bank rate as the most desirable and effective tool of credit policy. This study* comes in the direct line of descent from Bagehot's "Lombard Street."

For the most part, however, Mr Hawtrey is content to let the facts of history speak for themselves. Only a third of his notable book is devoted to the author's own views. The chief part records the reasons stated at the time by the Bank authorities for the policy pursued in the past, and sets out in clear detail the context and consequences of all the changes in Bank rate for over a hundred years: the state of the Bank's reserves, gold movements, the course of exports, prices and fluctuations in the funds.

In late years, the abandonment of the gold standard has shaken old axioms. The usefulness of Bank rate changes is no longer taken for granted; new ways and means of influencing the money market and business activity have become fashionable; and Bank rate has entered the field of controversy.

Mr Hawtrey stands in that field to make a confession of faith; and it is a conservative confession. He does not believe that the alternatives to Bank rate policy are equally effective methods of regulating the supply of money; the Bank's buying or selling of securities in the open market will only increase or diminish the money in circulation if the joint stock banks adjust their loan or discount policy accordingly, as Mr Harrod admitted during his recent advocacy of open market purchases as a remedy for recession; and public works expenditure and flexible Budget policy can only be useful within limits. Mr Hawtrey may underestimate these devices because no Government has yet used them in a properly planned way; cyclical budgeting, for instance (except perhaps in some degree in Sweden), is still little more than a theory.

The truth is that Mr Hawtrey differs widely from the contemporary pundits in the views upon which his proposals rest. He is not concerned, in his definition of credit policy, with the influence of long-term interest rates upon long-term investment. It is investments in stocks of goods, or changes in traders' balances, which, in his exposition of the trade cycle, most directly affect business activity; these stocks and balances are financed by bills and advances at rates closely related to Bank rate, changes in which accordingly afford a mode of direct control.

Probably the difference of opinion is largely one of emphasis. Certainly, Mr Hawtrey admits that Bank rate policy can be, and often has been, misused and ill-timed. He has now to find an answer to the Oxford economists who, having painstakingly interrogated sampled business men,† conclude that changes in short-term interest rates do not noticeably influence business decisions.

* "A Century of Bank Rate." By R. G. Hawtrey. Longmans: 328 pages. 10s. 6d.

† "Oxford Economic Papers." Edited by R. F. Harrod, H. D. Henderson, J. Marshak and R. Opie. Clarendon Press. 123 pages. 3s. 6d.

Shorter Notices

"Food and Welfare." By F. L. McDougall. League of Nations Studies of Nutrition and National Economic Policy. Geneva Research Centre. 56 pages. 1.75 Swiss francs.

The realisation that nutrition is capable of precise measurement is spreading from the laboratory and clinic to Parliaments and Government departments. The fact that millions of people in most countries are not adequately fed has become widely known. Mr McDougall shows how it is now

possible to use the state of national nutrition as a test of national economic organisation and policy. He summarises the valuable work of research and enlightenment done by organs of the League of Nations; he states succinctly the nature of nutrition, the vital constituents of a satisfactory diet and the importance of food habits; and, in a sense most important of all, he relates nutritional needs to the requirements of world agriculture and trade. "The five aims of an improved level of nutrition, higher standards of living, freer international trade and an increased volume of trade together interlock to form lines of policy which should ensure economic and political stability to the nations . . . and help to promote the peace so desirable. . . ." The way to world peace and prosperity is *via* milk, fruit and vegetables.

"The Baltic States." A Survey of the Political and Economic Structure and Foreign Relations of Estonia, Latvia and Lithuania. Royal Institute of International Affairs. Oxford University Press. 7s. 6d.

Memel, Lithuania and the Baltic provinces are once more in the news. This book from Chatham House, published on the eve of the Central European crisis, sets the debatable lands between Nazi Germany and Soviet Russia in their full historical, political and economic context. Here are three countries set on their own feet after the Great War and successfully developed since then, only to be overshadowed now by the Imperial advance of the new Germany in trade and politics. Their historic place has been for centuries between the hammer and anvil of Teuton-Slav rivalry, and along their borders to-day the history of our own times is being written, no less than in Poland, Bohemia, Danubia and the Balkans. This survey shows how worth-while their independence has so far been.

"A Short History of International Affairs, 1920-1938." By G. M. Gathorne-Hardy. Oxford University Press. 487 pages. 8s. 6d.

Mr Gathorne-Hardy's objective study of the post-war world, intended as a commentary in retrospect on the material provided by Professor Toynbee's Annual *Surveys* of International Affairs, initially ended in 1934 with Hitler in Power in Germany, but not yet in Europe. The new and enlarged version comes down to our own days and takes in the Czecho-Slovak crisis of September. Even among the dust and heat of current issues the book loses none of the insight, clarity and fairness which marked the first edition; it ends with the German armies marching unresisted into the Sudetenland, symbolic of the new Europe which a bare five years have built.

"Indian Finance Year-Book, 1938." Annual Supplement to Indian Finance. 20 British Indian Street, Calcutta. 454 pages. 5 rupees.

It is six years since this annual survey of India's economy was first issued, and the latest number, embracing all aspects of the finance, currency, commerce, trade, industry, transport and population of the sub-continent, of necessity breaks new ground. The separation of Burma and the institution of provincial autonomy have given a fresh twist to social and economic life in India, and special articles point the way to the assessment of these influences. Elsewhere the "Year-Book" is as comprehensive as ever and will serve as an authoritative and exhaustive book of reference for both economists and business men.

"The Corn Trade News." Golden Jubilee Volume. 112 pages. 7s. 6d.

This, the first special issue of the "Corn Trade News," celebrates the golden jubilee of the founding of the paper in 1888. It contains a brief account of the life of the founder, Mr George Broomhall, who died in June of this year, and a series of articles illustrating the developments in the world's grain trade during the last fifty years.

"Taxation" Manual. Published by Taxation Publishing Company and Pitmans. 328 pages. 10s. 6d. (11s. post free.)

A reference work on income-tax law and practice, this manual is designed, not only to expound the present state of the law, but also to explain it simply with examples, and to keep contact with future changes by means of amendment slips to be sent free to purchasers from time to time.

THE BUSINESS WORLD

Investment in the Mandates

EACH reference to the restoration of ex-German colonies in Dr Goebbels' Press is read with concern by the Stock Exchange. For several months, even before the September crisis, Germany's colonial pretensions have contributed to the market's uneasiness. Rand gold shares—which, on any factual reading of Germany's claims, should be reckoned immune—have in fact suffered the worst. It is desirable indeed to discover the exact scope of the British investor's interests in territories which formerly belonged to Germany, and the stage of economic development in these areas.

It may be said at the outset that, whatever the ultimate importance of former German colonies, it is certainly not due to the size of the British investor's stake in those territories. It is impossible to give exact figures of the capital which has been invested in these areas, but, on the most generous assumptions, it is clear that they are small relatively to British investment in other Imperial countries. Companies with international, or at least inter-colonial, scope prevent any accurate territorial division of financial interests. Thus, despite its name, Tanganyika Concessions has (on the chairman's own statement) only a small interest in Tanganyika itself. Again, part of the income of the South-West Africa Company is derived from securities, as distinct from its own operations, while the alluvial gold mining holding company, Placer Development, Limited, has interests as far apart as New Guinea, Colombia and Australia. No less important are the companies (such, for example, as Hudson's Bay Company) which are primarily associated with other countries but have trading, banking or merchanting interests in ex-German colonies. When every item is counted in, it is impossible to assemble many millions of existing capital investments in former German colonies.

Secondly, a large proportion of the capital from all sources which has been sunk in these territories has been publicly invested and does not concern the British investor directly. The only mandate loans listed on the London Stock Exchange are the Tanganyika Government 4 per cent. guaranteed stock (of which £3,000,000 is due 1951-71 and £500,000 is due 1952-72) and £2,070,000 4½ per cent. stock of 1948-68. Both issues carry the British Government's guarantee of interest and capital. With unimportant exceptions, the railways in the areas concerned are State-operated, and in Africa railway investment exceeds any other class. The important phosphate deposits in the Pacific island of Nauru (bought from the Pacific Phosphate Company for £3,500,000 in 1919) are under the control of the British Phosphate Commission, and the proceeds of operation are divided between the mandatory Governments of the United Kingdom, Australia, and New Zealand in fixed proportions. When allowance has been made for these classes of capital, the balance representing the investors' share is not of impressive size. For Africa south of the Sahara, something is known of the destination of new money subscribed from abroad, thanks to the researches of Professor Frankel in his latest book, "Capital Investment in Africa."* The following figures showing listed and unlisted capital invested in Africa south of the Sahara from 1870 to 1936 are extracted

from this book. Stock Exchange securities are shown as private listed capital, while public listed capital consists of direct Government investment:—

	(£ millions)			
	Public listed capital	Private capital listed	Non-listed capital	Total listed and non-listed
S.W. Africa.....	21.6	7.2	2.9	31.7
Tanganyika	31.2	15.8	4.9	51.9
Union and Rhodesias	285.8	311.5	59.8	657.1
British Territories ...	448.8	413.5	79.0	941.3
Africa S. of Sahara ...	546.3	580.8	94.6	1221.7*

* Of which £260 millions for mines.

The investor, however, is not concerned merely with the size of his stake. There are other factors of equal interest, such as the terms upon which companies operating in ex-German colonies acquired their original assets. Such terms would have an obvious bearing on any detailed discussion of German colonial claims. As a matter of historical record, government property was confiscated after the War, without any form of compensation. And no part of the public debt incurred by Germany on behalf of her colonies, on which the annual charge was 34 million marks, was taken over. The Versailles Treaty also permitted private property to be liquidated, but such sales (after deducting claims) were to be compensated in the form of an offset against reparations. Thus certain sisal estates in Tanganyika were auctioned for £1,381,300, and 268 plantations in New Guinea eventually realised £3,350,000. These measures, however, have no relevance for the investor who has since acquired interests in the areas. Nor does it follow that capital at present sunk in former German colonies was mainly of German origin. In fact, with one important exception, it is broadly true that most of the present listed capital has been of non-German origin. The exception is Consolidated Diamond Mines of South-West Africa, which was formed to amalgamate the chief German limited companies engaged in diamond mining, for which purchase considerations of £1,900,000 cash and £1,775,000 in £1 shares were paid. The South-West Africa Company has always been, technically, a British company. It obtained its concession from the German Imperial Government, but since 1,218,913 ex-enemy £1 shares out of a capital of £2,000,000 were purchased and cancelled, it is evident that German interests in the company were considerable. This company, moreover, granted a concession to the Otavi Mines and Railway Company, which was largely restored in 1920. Otavi was, and remains, a German company, but the shares are dealt in both in London and Berlin, and were converted into sterling denominations in 1921. As for pre-War Tanganyika, Tanganyika Concessions was not interested in the German colonial territory, but Lewa Rubber did in fact operate in Tanganyika. The chief mining and sisal concerns in Tanganyika have been formed since the War. Gold-mining in New Guinea is entirely a post-War development.

In the table at the foot of the next page we set out some particulars of companies operating in ex-German colonies. Our list does not claim to be exhaustive, and it

* Oxford University Press. 10s. 6d.

must be stressed in particular that the interests of these companies are not in all cases confined to the mandated territories.

South-West Africa is clearly of chief concern for the investor. Consolidated Diamonds (controlled by De Beers) accounts for well over half the listed capital computed by Professor Frankel. Diamond production is restricted under the quota scheme, but although part of the quota from other areas has been assigned to South-West Africa, diamond exports from the area are small both in relation to the present world output and to pre-war production. In 1937 Consolidated Diamonds paid an ordinary dividend for the first time since 1929. Preference arrears of £1,092,000 were paid off in 1936, but the change in conditions is marked by the payment of only six months' preference dividend to June last. South-West Africa was originally an important land company (it still has rights over 1,200,000 acres), but since 1920-21 its interests have been primarily in mining. Although the company holds securities with a book value of £749,185, the chief source of revenue at present is from the sale of vanadium ore from the Abenab mine, where production was suspended between September, 1932, and 1935. Otavi, which is chiefly a lead and copper producer, has also started up again after suspending ore production at the Tsumeb mine between 1932 and 1937. The subsidiary prospecting company, Otavi Exploring Syndicate, is now in liquidation. In an entirely different sphere, Hudson's Bay Company now has an interest in South-West Africa through a company with a small capital, Hudson's Bay Company (Proprietary), Ltd., which handles the growing fur business. As a result of the increasing demand for Karakul sheep pelts (South-West Africa Persian lamb), of which over 1,000,000 were exported in 1937, against 10,000 in 1926, hides and skins now rival diamonds and other minerals combined as staple exports. The livestock industry also provides Imperial Cold Storage and Liebig's Extract of Meat Company with interests in the region.

So far, Tanganyika gold mines have produced little in the way of dividends, though this is partly because certain of the mines are not yet in a producing stage. Tanganyika Concessions and Kentan Gold interests are represented by the developing mines owned by Geita Gold Mining Company, and certain concessions (on which so far little work has been done) held by Saragura Development Company, Ltd. Tanganyika Concessions' interest in the mines is indirect, firstly through its holding of 444,345 10s. Kentan shares (out of 2,500,000 shares); secondly, through its 50 per cent. interest in Geita Gold Mining £421,000 8½ per cent. debentures (of which Zambesia Exploring Company

holds the other half); and, thirdly, through the 451,175 Kentan shares held by Rhodesia-Katanga Company, in which "Tanks" hold 435,729 out of 1,181,414 shares. Kentan holds 1,468,912 out of 1,625,000 5s. shares in Saragura, which in turn holds 200,000 out of Geita Gold's 780,002 10s. shares, of which Kentan holds the rest. Both Tanganyika Central and Tanganyika Diamond and Gold are South African companies. To date, the sisal plantations of Tanganyika have brought shareholders a larger dividend return than the mines, but fluctuations in profits have proved severe.

Former German New Guinea is still largely undeveloped, and its only interest for British investors is through its gold production. In 1936-37, gold accounted for three-fifths of exports and copra for most of the rest. This industry, however, is unique, for it has been made possible only by air freight transport. That part of the island formerly in German hands is now under Australian mandate, and the little development that has taken place is due mainly to Australian initiative. The only Australian share quoted in London is New Guinea Goldfields, whose gold sales amounted to £303,302 gross in 1936-37. Even the important Bulolo Gold Dredging is not a British company but a Canadian concern which acquired its concession through, and was formed by, Placer Development, a British Columbian company which exploits alluvial gold in various countries. And Placer Development acquired its rights from the chief pioneer company, Guinea Gold N.L. Bulolo, which owns its own aeroplanes (worked by Guinea Airways, Ltd., by a management agreement), won bullion to the value of \$4,731,000 gross in 1937-38, and is one of the few companies in our table which has paid regular dividends since production got into its stride. The company has a straight capitalisation of 5,000,000 \$1 shares. Placer Development's chief asset consists of 306,278 of Bulolo shares, which were valued at \$9,476,000 in April, 1938, though a small part of this interest has since been sold. The British company, Oroville Dredging, with a capital of £250,000 in 4s. shares, also holds 73,843 Bulolo shares, valued at £134,556.

From this survey, it should be evident that the investment scope of the ex-German colonial problem is quite limited. Colonies are not, on its showing, automatically remunerative assets—indeed, the appanage of Empire is more frequently a liability. But so long as they continue to be more valuable to those nations which lack them than to those which own them, so long must the investor be prepared for vigorous demands and flaming headlines. They may be an economic figment; but they are certainly a disturbing political symbol.

COMPANIES OPERATING IN EX-GERMAN COLONIES NOW UNDER BRITISH MANDATE.

Company (and Denomination of Shares)	Date of Accts.	Year regd.	Share and Loan Capital	Total Profits† (£'000's) Years ending in					Ordinary Dividends† (%)					Share Prices	
				1938	1934	1935	1936	1937	1938	1934	1935	1936	1937	1938	1937 High
<i>Tanganyika Mines</i>															
East African Goldfields (5s.)...	Oct. 31	1932	551.9	...	...	...	...	...	...	...	...	...	...	4/3	-11½
Kentan Gold Areas (10s.)...	Sept. 30	1934	1,250.0	...	...	...	...	...	...	...	...	...	...	8/3	3/3
Tang. Cent. Gold M. (3s. 6d.)	June 30	1927	149.9	11.2	a21.3	1.9	0.3	0.1	...	Nil	Nil	Nil	Nil	6/9	-6½
Tang. Concessions (10s.)...	July 31	1899	6,818.6	11.2	8.3	10.9	9.7	7.7	7.3	4.8	5.9	0.4	2.1	9/3	5/6
Tan. Dia. & Gold Devel. (5s.)	June 30	1925	450.0	Dr.0.2	4.2	74.3	186.0	194.4c	Nil	Nil	Nil	Nil	2.6d	6/9	-6½
Tanganyika Minerals (5s.) ...	Mar. 31	1935	93.2	Dr.0.2	Dr.17.0	Dr.12.9	Dr.10.2	Dr.7.5	Nil	Nil	Nil	Nil	Nil	7/9	-7½
				...	...	...	Dr.0.7	Dr.1.9	...	...	Nil	Nil	Nil	6/-	-11½
<i>Tanganyika Plantations</i>															
Arusha Plantations (2s.)...	June 30	1937	120.0	...	...	...	e0.9	...	...	...	...	...	Nil	2/6	-3
Central Line Sisal Estate (£1)	June 30	1936	195.0	...	...	...	18.0s	5.3	...	...	...	2½	Nil	19/9	3/9
Consol. Sisal Est. of E. Af. (£1)	Mar. 31	1936	230.0	...	...	...	16.5	14.0	...	...	...	2	0.4	20/-	5/-
E. Afr. Sisal Plantations (10s.)	June 30	1928	95.0	3.6	Dr.0.1	10.1	17.4	...	...	...	2	7½	...	8/6	2/6
Sisal Estates (5s.) f	June 30	1936	450.0	...	...	...	65.4	11.1	...	...	...	14	Nil	10/4½	2/6
Lewa Rubber Estates (1s. 8d.)	June 30	1910	205.1	2.7	2.7	8.0	12.3	10.2	0.5	1¼	2½	3¾	3¾	-10	-4
<i>South-West African Companies</i>															
Cons. Dia. M. of S.W.A. (10s.)	Dec. 31	1920	4,516.5	183.0	301.6	899.0	577.2	...	Nil	Nil	15	10	...	24/9	5/9
South-West Africa Co. (£1)	June 30	1892	531.8	34.6	41.4	109.2	109.9	140.0	7½	7½	15	15	...	37/6	23/9
Otavi Mines and Railway Co.	Mar. 31	1900	720.0	8.0	61.0	136.0	117.0	61.0	Nil	Nil	0.6j	0.9j	0.45j	20/-	9/-
<i>New Guinea Companies</i>															
Bulolo Gold Dredging (\$5) h	May 31	1930	5,000.0	2,236	3,385	3,209	3,586	3,453	60c.	\$1½	\$4	\$2.9	\$3	6½	5½
Placer Development (\$1) h...	Apr. 30	1926	730.0	235	380	759	958	1,116	\$1.20	\$3.0i	\$0.5	\$1	\$1.2	86½	58½
New Guinea Goldfields (5s.)	Sept. 30	1929	1,118.1	221.6	182.3	140.6	116.8	...	\$1.20i	\$3.0i	\$0.5	\$1	\$1.2	4½	1½

† Italicised figures represent percentage earnings, where earnings available but no dividend paid. ‡ After deduction of working costs for mines, or estate expenditure for plantations, where these are shown. § Capital shown excludes African Railway Finance Co. debentures, which are guaranteed by the company. ¶ Latest accounts, 7 months to July 31, 1938; previously calendar years. * Per annum. † Period from April 5, 1937. ‡ Formed to take over companies registered earlier. § 13-month period. ¶ For 4½, read 5½. † Per £5, split into £1 shares, 1935. j Km. per share, net. k Estimate only; working profit not comparable.

A Coming Dearth of Bills?

REPEATED attention has been called in *The Economist* to the key position occupied in the British monetary system by the bill of exchange—and with each year that passes the Treasury bill increasingly becomes the dominant element in the total supply of bills available for the Money Market. The outlook for the market in the next few months is sufficient warrant for returning once more to the subject.

A glance back over the current financial year shows that between March 31st and December 17th the total floating debt increased by £184 millions, but tender issues of Treasury bills—from which the market draws its supply—decreased by £12 millions. The explanation, of course, lies in the Exchange Equalisation Account's heavy gold sales, which have led the Account to add considerably to its holding of Treasury bills issued through the tap. By December 17th the tender issue had shrunk to £500 millions, and there has since been a further drop to £493 millions. Furthermore, the period of heavy revenue collection is now at hand, during which there is normally a substantial redemption of the floating debt. For these reasons there is a danger lest by March 31st the discount market will be seriously short of Treasury bills. It is the purpose of this article to examine the extent of this danger.

The Economist of October 15th contained a chart showing the approximate division of tender issues of Treasury bills between the market syndicate and other holders. (Bills issued to "outside" holders do not generally come on to the market.) This chart showed that on October 1st £152 millions of the tender Treasury bills then outstanding had originally been allotted to the syndicate and £369 millions to outside holders. The basic calculation behind this chart, namely, that the syndicate applies for £30 millions of bills each week, makes it possible to calculate the syndicate's payments and maturities week by week from October 1st onwards; for the percentage allotment to the syndicate is regularly published.

These calculations yield the following results:—

TENDER ISSUES OF TREASURY BILLS			
	(£ millions)	Dec. 17	Dec. 24
Held by—	Oct. 1		
Syndicate	151.8	170.7	159.0
Others	369.2	329.3	334.0
Total	521.0	500.0	493.0

The first point of interest is that the reduction in the total tender issue between October 1st and December 24th was confined to those bills held by "others." The market syndicate, in fact, has increased its holding, even though it has lost ground during December itself—a time, incidentally, when it is not anxious to take up bills. This shows that during the recent outflow of funds the Exchange Equalisation Account proved an extremely successful cushion. In effect it took over the bills realised by foreign bankers who were withdrawing their funds from London, with the result that the past quarter's switch-over from tender to tap Treasury bills has not so far affected the supply of bills available for the discount market.

Nevertheless, the market's holding of Treasury bills ought normally to have increased during the past quarter, and in any case it is due to contract during the ensuing quarter. The next step in the calculation is to estimate the possible magnitude of that impending contraction. To do this it is necessary to regard revenue and expenditure prospects for the rest of the financial year. On December 17th the deficit for the financial year to date was £242 millions. If, for the sake of argument, the year closes in three months' time with a final deficit of £20 millions, then the intervening period will witness a revenue surplus of £222 millions. Simultaneously, only £10 millions of the £115 millions of defence expenditure to be financed by loan have yet been issued from the Exchequer. This leaves a further £105 millions due to come by March 31st, but

quite likely only £90 millions of this will be used. Add a further £8 millions, representing miscellaneous capital repayments by the Exchequer (this figure is deduced from previous years' experience), and there emerges the following very tentative calculation:—

Dec. 17, 1938–March 31, 1939
(£ millions)

Revenue surplus, say	222
Defence expenditure financed by loan, say.....	90
Net revenue surplus.....	132
Deduct net capital repayments	8
Balance, applied to reduction of floating debt.....	124

The suggestion, therefore, is that by March 31st the floating debt will have been reduced by £124 millions.

The next step is to look at the present and future composition of the floating debt. In arriving at the estimates for March 31st it has been assumed, *faute de mieux*, that Ways and Means Advances, tap issues of Treasury bills and "outside" holdings of Treasury bills all remain unchanged (these assumptions have been broadly correct in the first quarters of the last two calendar years). The table also ignores any disturbances that may affect the composition of the floating debt on the last day of the financial year. This table follows at the head of page 664.

On the confessedly questionable assumption that the whole brunt of the impending seasonal reduction in the floating debt will fall upon the market and the banks, these calculations lead to the conclusion that by March 31st these holders will be left with only £47 millions of Treasury bills. Admittedly, this is probably too bad to be true, and in any case many of these figures must be re-

Each year for the last twelve years the Standard has declared a

42%

ANNUAL COMPOUND REVERSIONARY BONUS

In 1938 this yielded for the year to many of the older members over

80%

on the original sum assured

THE STANDARD LIFE

ASSURANCE COMPANY

HEAD OFFICE: 3 GEORGE STREET, EDINBURGH
LONDON 46 Queen Victoria Street, E.C.4, 15a Pall Mall, S.W.2

Dec. 17, 1938-March 31, 1939		
(£ millions)		
Treasury Bills—	Dec. 17,	March 31,
Tender—	1938	1939
(a) Held by syndicate	170.7	46.7
(b) Held by others	329.3	329.3
(c) Total tender issue	500.0	376.0
Tap	474.2	474.2
Ways and Means Advances (from public depts.)	51.5	51.5
Total Floating Debt	1,025.7	901.7

garded as purely illustrative. Still, there appears no doubt that by March 31st the discount market will be seriously short of Treasury bills.

It is not easy to see a remedy. No one would suggest that the Government should increase expenditure or delay the collection of taxation simply to help the money market out of a difficulty. Theoretically, if notice were given at once, the £100 millions of 1 per cent. Treasury bonds could be redeemed just before the end of March, but as these are a "money market" security, the cure would be worse than the disease. The trouble is that during recent years the money market has been partly living upon Treasury bills

Finance and Banking

In Aid of Sterling.—Two semi-official measures taken in recent weeks in order to help the resistance to the pressure against sterling have come to light in the last few days. The first is a request made to the clearing banks through the usual channels to discourage, as far as possible, the raising of credit against the security of gold. The complete ban against loans secured by gold was raised in May of this year. It was followed by a fairly substantial gold re-hoarding movement, which found considerable support in the facilities freely offered by the clearing banks. In addition, the readiness to advance clearing bank money against gold provided the main pillar on which the forward gold market in London was built up in the latter part of this year. As part of the recent speculative and hedging pressure against sterling has taken the form of spot purchases of gold financed by London banks, or of forward purchases of the metal, the authorities have evidently seen fit to restrict to a certain extent the working of this particular machinery. The request is of special importance at the moment, in view of the maturity of fairly heavy forward purchases of gold effected during the final week of September, when the pressure against sterling was at its height. As a result of the restriction of facilities available to finance this gold, a good deal of the metal in question is being resold spot as contracts mature. These re-sales have been an important factor in the gold market during the past week.

* * *

The second of these measures is the request which was also made to the clearing banks to abstain from operating on their own account in the forward dollar market. The premium on forward dollars has recently risen to a figure equivalent to an interest-rate of 2½ per cent. per annum, and London banks have naturally been attracted by this return into keeping part of their liquid funds in New York—however meagre the immediate direct yield on the dollar assets. Any extension of such "swap" operations by London banks, however, would have the two-fold effect of adversely influencing credit conditions in the London market and of making it cheaper for speculators against sterling to back their views by buying dollars forward. Hence the request which has been made to the clearing banks by the authorities.

* * *

Forward Business in Bills.—Of greater significance than the unusually sharp and prolonged seasonal rise in money and bill rates this year-end has been the rising

issued to finance the Exchange Equalisation Account's gold holdings. These halcyon days for the moment have come to an end, and the only alleviation is that the disappearance of foreign money from London, which is the cause of the Account's recent gold losses, has also reduced the total demand for Treasury bills. It is clear, however, that this is only a partial alleviation. It equally appears that either the money market will have to grin and bear it or else the Government will have to find some new way of increasing the supply of Treasury bills.

There is, however, one final point of more general importance. If the banking system is starved of Treasury bills, it will either suffer in liquidity or else have to contract its investments and advances. There is no need to labour this point at the end of this analysis, especially as it is well known that the banks measure their liquidity by their discounts and call and short loans as well as by their cash. Still, the point is of some cogency, if the regime of cheap and plentiful credit is to be maintained. For these reasons neither the authorities nor the public, any more than the discount market, can view next spring's prospects entirely with equanimity. This analysis, in fact, is a warning of an impending development, for which it is not easy to see a remedy.

tendency in the last few days of the rates at which forward business in discounts is arranged. Such forward business may be ranged into two classes. First, there is the short-term business which only occurs around the year- or half year-end. Recently that business has taken the form of selling the March bill—which the market has been tendering for, and has not been able to sell spot to the banks—for delivery in the first days of the New Year. Until last week such forward business was being done at ½ or ⅞ per cent. These rates implied the unquestioning belief of the market that once the seasonal pressure was over the bill rate would revert to the irreducible minimum which obtained during the greater part of the past year. This week, however, this mood has changed and forward business in the March bill has not been feasible at under ¾ per cent. The second type of forward business is of the long-term type engineered so largely by the Eastern banks. This is a business which is going on regularly throughout the year. These banks know that their acceptances to Eastern trade bills will be leaving their London offices in a fairly regular rhythm, and as far as possible they try to arrange the discount of these bills three or even six months in advance. Business in such three months' bank acceptances for delivery six months ahead could have been arranged a week or so ago at ¾ to ⅞ per cent. This week it could not have been done at a better rate than ¾ to ⅞ per cent. As portents of a fundamental change in the money rate structure, these higher forward rates may be charged with significance.

* * *

Dr Schacht's Proposals.—Although statements in Berlin and London took pains to emphasise that Dr Schacht's visit to Mr Montagu Norman in London was purely personal, it is understood that he submitted last week to Mr Rublee, the head of the Inter-Governmental Committee for the Jewish refugees, an official offer from his Government indicating the terms on which the German Government was prepared to transfer part of the property of the Jewish emigrants. According to the proposal, an international loan would be issued, secured by the Jewish property in Germany, which would be pooled. The service of the loan would be met out of the proceeds of additional exports which the Governments concerned with the fate of Jewish refugees would agree to take. These Governments would also have to guarantee the loan in order to make it marketable. Dr Schacht is believed to have suggested a

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Economist

*Two Doors from
St. Paul's Cathedral*

first that something like 70 or 75 per cent. of the proceeds of the additional exports should be allocated to Germany and only the balance to the service of the loan. Since some of the Governments were inclined to reject this proposal out of hand, however, it was subsequently modified to the extent that Germany's share would only correspond to the value of the imported raw material contained in the manufactures representing the additional exports. Even so, the scheme has the great disadvantage of amounting to an undertaking on the part of the guarantor Governments to maintain their purchases of German goods at an increased level for the whole period of the loan. A decline of their imports below the agreed level would entail a reduction or suspension of the service of the loan, which would then become a charge on the Budgets of the guarantor countries. It is feared that under such an arrangement Germany might relax her efforts to push her exports, and the guarantor Governments would have to go out of their way to encourage German imports in order to avoid having to pay up under their guarantee.

* * *

A New Standstill Grievance.—In addition to numerous grievances of old standing, Standstill creditors are now burdened with a new one. This arises from the disappearance of some of the Standstill debtors through

their absorption by other German banks, when the Standstill debt of the absorbed firm is added to that of the absorbing bank. In some cases, such changes are disliked by Standstill creditors. Although there is a widespread belief that, owing to the high degree of Government control in Germany, all debtors are equally good or equally bad, this is not the view taken by British bankers abroad. The risk of insolvency by any individual debtor, as distinct from the insolvency of Germany as a whole, is a real one, and it is only natural that foreign banking creditors are not keen to put too many eggs in one basket—even though they may be frozen eggs. There is, however, no remedy under the existing agreement. If the Standstill creditors were too insistent, the result would be that the Standstill liabilities of the disappearing firms would simply be transferred to a rump organisation retained mainly for that purpose under the name of the original firm. If the choice lies between this solution and the increase of the Standstill liabilities of the absorbing banks, then the latter solution seems to be distinctly preferable. In all fairness, however, Standstill creditors should be given the option of the repayment of the liabilities of the disappearing firms, even if such repayment could only assume the form of payment into registered mark accounts. This would not necessarily entail increased selling of registered marks, since many creditors would retain their holdings with the Gold Discount Bank.

MONEY MARKET NOTES

The Bank Return

THERE has been a further expansion in the note circulation to £503.0 millions, but this week's figure represents the Christmas peak. Actually the circulation is £6.3 millions less than last year's peak, but during the intervening year more than £6.3 millions of notes must have been dishoarded. This means that this Christmas's active note circulation is greater than it was a year ago.

	Dec. 22, 1937	Dec. 7, 1938	Dec. 14, 1938	Dec. 21, 1938
	£ mill.	£ mill.	£ mill.	£ mill.
Issue Dept.:				
Gold	326.4	326.4	326.4	326.4
Notes in circulation	509.3	487.8	495.3	503.0
Banking Dept.:				
Reserve	38.0	68.7	61.1	53.4
Public Deps.	10.8	18.6	15.6	12.5
Bankers' Deps.	98.2	102.9	99.5	98.3
Other Deps.	36.5	35.9	36.0	37.3
Govt. Secs.	96.5	66.1	68.4	72.1
Discounts & Advances	7.5	17.9	16.8	14.9
Other Secs.	21.5	21.5	21.7	24.8
Proportion	26.1%	44.3%	41.1%	36.6%

As a result of the Christmas currency withdrawals, the Reserve has dropped to £53.4 millions. This week's decrease has only been partially neutralised by fresh acquisitions of Government securities, but disbursements have reduced public deposits by £3.1 millions. There has therefore been only a small reduction in bankers' deposits, which are also the same as they were last Christmas.

The Money Market

THERE was a strong demand for money this week, and on Monday the clearing banks had only just enough to go round. Loans were renewed this week by the clearing banks at their normal rates, but new money was charged for at $\frac{1}{4}$ per cent. for loans against bills and $\frac{1}{4}$ per cent. for loans against bonds. Bond-money from outside lenders has been a firm $\frac{1}{4}$ per cent. Conditions were a little easier on

Thursday, and one or two of the banks were ready to lend at $\frac{1}{4}$ per cent. against bills, but others were still charging $\frac{1}{2}$ per cent. There has been a keen demand for January money at $\frac{1}{4}$ per cent., but the clearing banks are not lending, and so there is not as much as the market wants.

	Dec. 23, 1937	Dec. 15, 1938	Dec. 22, 1938
	%	%	%
Bank Rate	2	2	2
London Deposit Rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	12-54-1*	12-1*	12-114*
Others	$\frac{1}{2}$	$\frac{5}{8}$	$\frac{7}{8}$
Discount Rates:			
Treasury bills	11 $\frac{1}{8}$	7 $\frac{1}{8}$	15 $\frac{1}{8}$ -1
Three months' bank bills	23 $\frac{3}{4}$ -34	15 $\frac{1}{8}$	15 $\frac{1}{8}$ -1

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

The reasons for this shortage of money are, first, the Christmas currency withdrawals, which have not been fully neutralised by the authorities; and, second, the fact that the market held few mid-December maturities. This last is the consequence of the special buying at the time of the crisis. On Wednesday some relief was given by the special buying of early January Treasury bills at $\frac{1}{4}$ per cent. and late Januaries at one per cent. Market discount rates are firm at $\frac{1}{4}$ —1 per cent. for all three months' bills.

The Bullion Market

BUSINESS was very limited during most of the week. On Wednesday there was an arbitrage demand, combined with some purchases stimulated by the reaction to the Chancellor's statement on foreign lending. This was met largely by Continental re-selling, and the Control only had to meet about one-fifth of the day's demand. Otherwise the Control has had to find very little gold, as

a small demand from arbitrageurs and the Continent has been met out of Continental re-selling—partly arising from the maturity of previous forward purchases.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Disc. count	Amt. dealt in	Cash	Two Mths.
1938			£'000	d.	d.
Dec. 16	148 8 $\frac{1}{2}$	1 pm	713	19 $\frac{1}{2}$ $\frac{1}{2}$	19 $\frac{1}{2}$ $\frac{1}{2}$
" 17	148 11	1 pm	262	20	19 $\frac{1}{2}$
" 19	148 8	1 pm	234	20 $\frac{1}{2}$	19 $\frac{1}{2}$
" 20	148 10	1 pm	225	20 $\frac{1}{2}$	19 $\frac{1}{2}$
" 21	149 3	$\frac{1}{2}$ pm	1,076	20 $\frac{1}{2}$	19 $\frac{1}{2}$
" 22	149 0	$\frac{1}{2}$ pm	291	20 $\frac{1}{2}$	19 $\frac{1}{2}$

* Above or below American shipping parity. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing.

The New York price of silver remained at 43 cents per ounce .999 fine during the week.

The silver market is having a quiet close for the year. There is still some uncertainty as to Washington's policy of silver prices for the New Year, but there are relatively few open positions. Up to December 17th, when the last boat sailed to reach New York before the end of the year, there was some arbitrage buying and bear covering, balanced by Indian selling. This week there has been no arbitrage, as the silver would arrive in the New Year, by which time the American price may have been changed. There was, however, a special order from America, which probably represents silver required for coinage. This absorbed the Indian silver on offer, and also kept the price above the American parity.

Foreign Exchanges

THE market has been very idle, with practically no business in belgas, guilders or Swiss francs. These rates have followed the dollar, Thursday's

Investment

Foreign Issues Embargo Reimposed.—The offer of 2,200,000 shares in F. W. Woolworth at the beginning of November involved a transfer of £6,084,250 to the United States at a time when sterling was weakening appreciably. This offer is the outstanding example of a type of transaction specifically covered in last February's relaxation of control over foreign lending. Greater latitude was also given at that time for issues involving British or Empire funds for acquiring assets or developing enterprise in foreign countries. These relaxations were justified by the Chancellor of the Exchequer by the prevailing position of the exchanges. By contrast, their withdrawal obviously arises from the persistent loss of gold to the United States. From the investment aspect, the withdrawal of relaxations is probably more important than the continuation of the other features of control which have never been officially relaxed—including, in particular, issues by foreign governments. Yet apart from such large transactions as the Woolworth offer, it may be doubtful if the strain on the pound arising from security dealings permitted last February exercises a determining influence on the exchanges. Total subscriptions for issues whose proceeds were destined for foreign countries amounted to only £2,820,000 this year, compared with £6,343,000 for 1937. Contrasted with the capital transfers of the autumn, such sums are insignificant. But if stricter control is called for (and many observers expected it some weeks ago) it is well to have it explicitly stated from the Treasury bench. In fact, it involves no change whatever in the machinery of the Foreign Transactions Advisory Committee, to whom all projects have been referred, even since February. Indeed, the general ban has remained operative ever since 1931, for the F.T.A.C. has undertaken the detailed work of supervision only since 1936. The technique of control has evidently come to stay, but whether it should be perpetuated in its present informal shape is another matter.

* * *

Unit Trusts and the Ban.—The recovery in Wall Street during last summer was accompanied by several unit trust formations offering the British investor an interest in American securities. Three trusts of this type have made their units available to the public, while the recent offer of Supervised Shares Incorporated also falls within the Treasury's purview. Indeed, the offer for sale showed that London and Boston Securities (the selling agents) have given an undertaking to the Treasury to discontinue the sale of the shares at any time on the request of the Commissioners. It is understood that the unit trusts specialising in American securities have been permitted, in the first place, to sell up to 500,000 units, and so far no request appears to have been made that they should discontinue business before this limit is reached. The terms of the Chancellor's statement on Tuesday, however, are such that few managers would care to advertise an investment in American securities in flat contrast to the wish of the authorities.

quotations being Bel.27.66 $\frac{1}{2}$, Fl.8.58 $\frac{1}{2}$ and Frs. 20.66 $\frac{1}{2}$. The dollar has also been an idle market, but sterling fell to \$4.65 $\frac{1}{2}$ on Wednesday, as the result of the announcement of the tightening-up of the restrictions on foreign lending. On Thursday sterling rose to \$4.66 $\frac{1}{2}$. The main trend this week has been the continued liquidation of maturing forward positions in dollars, which were opened during the crisis three months ago. This liquidation is partly due to a desire to hold sterling over the end of the year, but it is reported that steps have been taken to discourage new for-

ward purchases of dollars, on the ground that the open position in dollars has lately been too large. With spot dollars coming on the market, buyers have been holding back in the hope of a better rate, and the Control has been buying quietly up to an amount which may have totalled \$100 millions during the past fortnight. The real question is whether a new demand for spot dollars will arise after the end of the year. The existing premium of 2 $\frac{1}{2}$ cents on three months' dollars offers a tempting profit, while the need for making-up at the end of the year will have passed. On

British-American Tobacco.—For the six years from 1931 to 1936 British-American Tobacco paid regular 20 per cent. tax-free dividends, in each case slightly exceeded by disclosed earnings. For the year to September 30, 1937, a $\frac{1}{4}$ per cent. tax-free bonus was added to the usual payment, but for 1937-38 the market had regarded this bonus as being at least in doubt. These doubts have been confirmed, for the distribution is reduced to the former level; but the accounts, as usual, provide scant guidance to the company's fortunes last year. Disclosed net profits and dividends have been reduced from £5,760,480 to £5,590,886—a movement which emphasises the reduced prosperity of many overseas markets and the upheaval in the important Chinese trade. Perhaps the omission of any provision for benevolent fund (which received transfers in such favourable years as 1929, 1936 and 1937) reflects the directors' views of the year's trade. The profits of recent years are analysed in the following table and chart:—

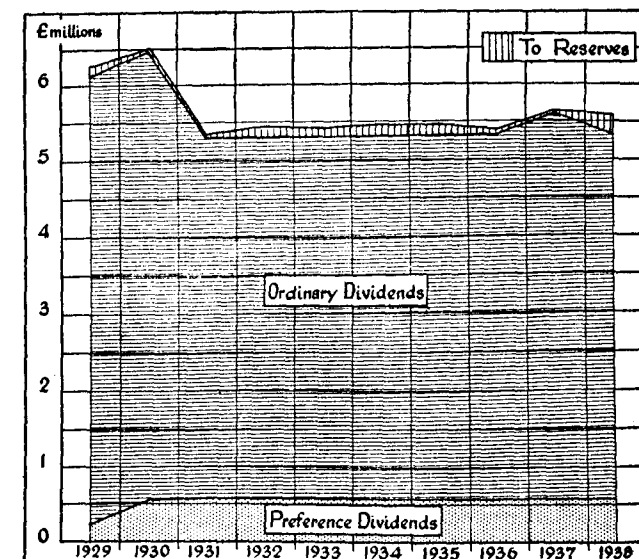
	Years ended September 30		
	1936	1937	1938
	£	£	£
Profit	5,541,756	5,760,450	5,590,886
5% pref. dividend	225,000	225,000	225,000
6% pref. dividend	360,000	360,000	360,000

Ordinary Stock:

Earned	4,956,756	5,175,450	5,005,886
Paid	4,736,352	5,033,399	4,739,510
Earned % tax free	20.9	21.8	21.1
Paid % tax free	20	21.4	20

To benevolent fund	150,000	100,000	...
Carry forward	2,428,281	2,470,331	2,736,707

BRITISH-AMERICAN TOBACCO PROFITS—1929-38



the other hand, free sterling balances are mostly held by those who will not be anxious to do anything to the detriment of sterling. French francs were bid all the week, as the result of the continued repatriation of French funds, and the French Control was a steady buyer of sterling. There was no sign of any attempt to convert this sterling into dollars. On Wednesday the spot Paris rate was allowed to drop to Frs. 177.10, but it has since come up to Frs. 177.20. One month's francs have been at par to a very slight premium, with three months' francs at Fr. $\frac{1}{4}$ discount.

The balance sheet provides the usual exhibition of financial strength, though, with nearly £37 millions out of £50 millions total assets in subsidiaries, "Bats" has to be judged by its dividend record rather than its reported results. Apart from a rise in stocks from £3,811,959 to £4,389,102 and a corresponding fall in cash, there is no significant change to record in the balance sheet. At the current price of 93s. 9d. "Bats" ordinary yield £5 17s. 9d. gross per cent. The advantage of 10s. per cent. gross in the yield, compared with Imperial Tobacco, is a fair compensation for the predominant export interests of British-American Tobacco.

Fairey Aviation Progress.—Although the increased dividend and profits of Fairey Aviation have provided a signal for profit-taking, the results are in every way satisfactory. Net profits, struck after providing for the service of the 5 per cent. notes, have jumped from £248,678 to £395,708. The taxation reserve provision shows a proportionate jump from £85,500 to £135,000—it may, in fact, cover a hidden reserve, for in the past three years the amount provided has regularly exceeded one-third of disclosed net profits. The following table shows that ordinary earnings have advanced from £162,678 to £260,125, covering the 15 per cent. tax-free ordinary dividend with the generous margin of more than 10 per cent. :—

	Years to September 30th		
	1936	1937	1938
Trading profits and divs., after 5 per cent. Note service	55,196	248,678	395,708
Directors' fees	500	500	583
Tax reserve	19,000	85,500	135,000
Ordinary shares—			
Earned	35,696	162,678	260,125
Paid	38,125	125,344	151,762
Earned %	9.4	16.2†	25.7†
Paid %	10	12½†	15†

To reserve	35,000	99,601
Carried forward	36,489*	38,823

† Free of tax.

* Includes £5,480 profit on sale of investments.

In an expanding balance sheet the increase in stocks and work in progress, less advances against contracts, is outstanding. The net total has increased from £351,398 to £571,181. Debtors have similarly increased from £240,727 to £374,444, and, despite the substantial increase in the taxation provision, the creditors' item shows an advance of no more than £21,000 to £437,843. A significant change has occurred in the subsidiary companies' financing, for the amounts due to the parent company, including dividends receivable, have been reduced by approximately one-third from £947,011 to £651,539. This may well be due to the progress of the Stockport company. Now that the aircraft industry has established firm financial relations with the Government, the current high level of output should ensure satisfactory returns for the leading producers in the next year or two. A gross yield of £7 12s. per cent. on Fairey Aviation 10s. shares at 27s. 3d. may be regarded as reasonable.

United Molasses Outlook.—Tanker replacement policy occupied an important section of Mr F. K. Kielberg's speech at the United Molasses meeting on Decem-

ber 16th. Three tanker steamers are to be replaced by three new motor vessels, specially designed for the molasses trade, at a total cost of about £600,000. This sum, however, will be comfortably met from the company's own resources without help from additional finance. The decision to order new tonnage at a time when many tankers are lying idle is an act of long-sighted faith, for by the time when the tankers are ready for service two years ahead, the board hopes to see trading conditions improved. The sale of Macfie and Sons' business at Liverpool to Tate and Lyle last year was also connected with the question of replacement. For economical working, United Molasses would have been called upon to reconstruct and relocate the plant at a cost which could not be justified for a business so recently acquired. In view of this week's interest in Parliament in power alcohol, and fears that the use of molasses for this purpose might be killed by legislation, Mr Kielberg's references were particularly interesting. He explained that since the 9d. duty had been imposed, the company had followed the policy of selling molasses at a very narrow profit margin in order to encourage the use of power alcohol. And while the chairman is not of opinion that the Government would be likely to jeopardise the use of power alcohol, he emphasised that, if the worst should happen, the company's earnings would be little affected. Shareholders will note that trading during the current year has been reasonably hopeful. October and November showed a 20 per cent. increase in deliveries, compared with the same months in 1937, and except for two vessels under repair, the whole of the company's fleet is in commission.

Seager Evans.—Our comments on the Seager Evans report last week were tempered by the hope that the chairman would provide a comprehensive explanation of defects in the accounts. On no major issue, however, did he satisfy this expectation on Wednesday. The omission of the consolidated accounts was extenuated by the old argument that competitors might discern valuable trading information from the figures. This argument is in any case inadequate; but also it is not an obvious paraphrase of the statement in the report that "owing to the more widespread interests which have been acquired, the accounts are presented in somewhat different form." Last week, shareholders were promised a full explanation why the negotiations which had been in progress since October were postponed. They learned that "one of the strongest groups in the industry" had approached the company, that a darker European outlook intervened, but that both sides were still in "close touch." The chairman, however, appealed to stockholders not to press at this juncture for detailed information. On the subject of the development account, Sir Allan Horne declared that it was neither possible nor practicable to tell "to what major extent" the company's business has improved since 1934 (when the Development Account was first created). The number of active customers has apparently doubled in the period, but in the absence of any indication of turnover such statistics are not of great use. Similarly, the goodwill of the parent company may stand in the books at £1, but that gives no indication of the book value of the group's goodwill, which stood at £42,183 at July, 1937, after deducting a capital reserve of £45,246. Despite the failure of the recent negotiations (whose success would have strengthened the financial position), the present cash stringency is to be relieved by a funding operation to replace bank indebtedness, though this will not involve a public issue. On the report and speech, stockholders can only regard the present position as unsatisfactory.

Bowater's Paper Prospects.—Mr Eric Bowater's review at the Bowater's Paper meeting on Thursday concluded on a moderately hopeful note. The past two years have been a period of considerable trial for the group, confronting it at first with high raw material prices and lat-

year by falling newsprint consumption (which actually compelled considerable short-time working). The group still has high price raw materials contracts to complete, as we suggested last week, but raw material prices are falling. Prices for ground wood and sulphite pulp reached a peak of 82s. 6d. and £16 5s. per ton respectively in the middle of 1937, but the quotations for next year's delivery are no higher than 52s. 6d. and £8. In this connection, the acquisition of control of the Corner Brook mills and the Gander River timber limits may be regarded as a species of insurance policy, protecting the group against an undue advance in raw material prices. Mr Bowater did not examine the earnings prospects of the group in the near future, though he declared that the directors looked to the future with greater confidence than had been possible twelve months ago. From the end of March newsprint prices will be reduced 5s. per ton to £11 5s.—a reduction which should be offset by lower costs. But the resumption of ordinary dividends belongs, at the earliest, to 1939-40, and will require higher newsprint consumption.

Anthracite Scheme Withdrawn.—The decision of the board of Amalgamated Anthracite to withdraw the reorganisation scheme (which was criticised in these columns on December 3rd) does credit to their discretion and fairness of mind. Following as it does the rejection of the Fine Cotton Spinners' scheme (which we criticised on the same ground as being insufficiently drastic), the abandonment of the Amalgamated Anthracite proposals suggests two principles for observance in framing capital schemes. In the first place, to write down assets to a valuation basis is not sufficient unless the residual capital is brought within reasonable sight of dividends. And, secondly, directors should give some indication, wherever possible, of the probable course of future profits, so that the relevance of their proposals may be tested. Preference shareholders' rights, it is too often forgotten, are rights in perpetuity. Unless there is a reasonable chance that the shareholder's participation in future profits will be comparable with the rights he sacrifices, inequity will result. The fact that two such important schemes have not become effective is a welcome object-lesson of the force of reasoned criticism in our financial democracy.

Malayan Tin Prospects.—From the profits aspect, Malaya's tin quota does much to offset its direct benefit—higher prices. This point emerges clearly from Mr C. V. Stephens' addresses to Malayan Tin and Southern Malayan shareholders, in which he examined the effects of the international restriction scheme. Malaya, of course, presents a special problem as a low cost producer, but Mr Stephens was emphatic that the restriction scheme had done the industry generally the greatest service. The standard tonnage allotted to Malaya when the scheme started in 1931, in Mr Stephens' opinion, did "scant justice" to her productive capacity, though the rise in the standard from 71,940 to 77,335 tons as from July 1, 1938, had done something to remedy the position. Dissatisfaction had been caused in Malaya by the fixing of the domestic quota at only 25 per cent. of capacity (apart from production for the buffer stock), as against a rate of 35 per cent. fixed by the Restriction Committee. But this, in Mr Stephens' view, arose from internal causes—in particular from allotting excessive assessments when the scheme started, and from the number of assessment tonnages granted since. On the other hand, the sale of quotas, with its danger of abuses, came in for strong criticism. Profits of representative tin companies were as good in 1931-37 as in the pre-restriction period, 1924-30; hence, substantial profits were obtained in this period with a minimum output, and resources were conserved. Mr Stephens is also a supporter of the buffer stock scheme, as he explained to Southern Malayan tin shareholders. It is evident, indeed, that he is satisfied with the effectiveness of control. But the investor who requires more generous earnings and dividends must await an expansion in demand, whose absence, at the

moment, is attested by the necessity for building up a buffer stock.

The Week's Company Profits.—The number of companies publishing results this week is seasonably small, and our analysis of profit and loss accounts on page 692 covers only 20 reports (excluding one company for which comparable figures are not available). British American Tobacco profits, however, swell the total to £6,493,000, representing a fall of 2½ per cent. compared with profits of £6,651,000 earned by these companies a year earlier. Aggregate net profits of 2,381 companies reporting this year amount to £301,033,000, against £280,450,000, an increase of 7½ per cent. The results are discussed in preceding Notes and on page 671 under the heading "Shorter Comments."

Company Meetings of the Week.—In this issue reports of company meetings begin on page 680. At the Mexican Railway Company meeting, Mr Vincent W. Yorke remarked that only pressure on the Government by the National Railways of Mexico would provide a favourable solution of the company's problems. Reviewing the year's working of *Carreras, Ltd.*, Mr Edward S. Baron reported that home sales had expanded in all parts of the country, and that export sales had also increased. Mr F. K. Kielberg's address at the *United Molasses* meeting is discussed in a Note on page 668. At the *Ind Coope and Allsopp* meeting, Colonel the Right Hon. Sir G. L. Courthorpe explained the reasons for increasing the company's capital. Public-house improvement had cost money, and it was thought advisable to replenish the company's funds. At the *Stoll Theatres Corporation* meeting, Sir Oswald Stoll discussed the effect on the values of certain properties produced by the lack of facilities for insurance against war risks. Members of the *Industrial Credit Company* were informed by Mr J. P. Colbert that the company had under consideration the underwriting of a substantial amount of new issues. At the *Scottish Australian Company* meeting, Mr J. C. Inglis explained that the large increase in the clip had not been enough to counteract the fall in world prices of wool. Discussing the liquid position of *Booker Brothers, McConnell and Company*, Sir Alfred P. Sherlock showed that the main subsidiary had investments of over £250,000, in addition to £232,000 lent to the parent company. At the *Ariston Gold Mines* meeting, Mr Francis Allen described the nature of the capital expenditure which was to be met by the new share issue. Viscount Elibank reported to *London and Rhodesian Mining and Land Company* stockholders that the farming and ranching interests had shown improved results. Mr C. V. Stephens' comments on the tin restriction scheme at the *Malayan Tin Dredging* and the *Southern Malayan Tin Dredging* meetings are discussed in a Note on this page. At the *Killinghall Tin* meeting, Mr W. Arthur Addinsell emphasised that the year's adversities cast no reflection upon the potential value of their properties or upon the operations of the dredge. Mr Eric V. Bowater's comments at the *Bowater's Paper Mills* meeting are discussed in a Note on page 668. At the *Aerated Bread Company* meeting, Viscount Greenwood explained that the obsolescence reserve had now been used for the purpose for which it was created, and future profits would not be subject to any further charge. Addressing *Mitchell Cotts* members, Mr Alexander Hamilton expressed satisfaction with the results of the Fraser and Chalmers (S.A.) acquisition. *Anglo-Ecuadorian Oilfields* shareholders were informed by Mr. H. C. R. Williamson that the shallow drilling area had continued to develop on satisfactory lines.

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GREENWOOD

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
JANUARY 10 JANUARY 12

THE new Account which opened on Monday is technically the first of 1939, for settlement is not until January 12th. Business naturally opened quietly and as the week progressed the diversions of Christmas, coupled with postal delays, reduced the level of turnover to a minimum. *Gilt-edged stocks* opened easier, and fears of a stringent year-end in the Money Market, coupled with the weakness of sterling and small amount of cash selling, led to a further fall in prices which continued on Wednesday morning. An appreciable recovery, however, was recorded in the afternoon, and War Loan gained $\frac{1}{2}$ on the day. The improvement, however, was not fully held on Thursday. In the Dominion market, the new Australian scrip weakened further from 3 discount to 4 discount.

*

The return of the Czech Financial Mission was followed by a fall of six points in Czech 8 per cent. Loan on Monday and further losses were recorded later in the week. French railway bonds made excellent progress, but German issues tended to lose ground on the trade outlook. Chinese bonds became firmer on the British and American credits, but Japanese issues remained dull.

A fair demand for *home railway* prior Tuesday, however, the business was reduced to a minimum and small losses resulted from a complete lack of investment interest. The market received the poor traffics calmly and, although the senior preference issues were affected, debenture stocks were maintained and the guaranteed group showed quite small declines. A further setback was reported in London Transport "C" stock.

*

The Argentine rail market remained active and the debentures received good support on the favourable crop prospects. Although buying in mid-week was not important, the tone remained firm and some prices advanced further. Idle conditions in the *industrial shares market* were naturally intensified

this week. Steel shares provided almost the only special feature towards mid-week, on Sir John Anderson's announcement of a £20 millions steel shelters programme, which produced gains for Guest Keen, Dorman Long, and Colvilles. Thornycroft reacted slightly after their long climb. Coal shares hardened a little after early neglect. Amalgamated Anthracite preference and ordinary gave way on Tuesday, though the preference issue recovered on the news that the capital plan had been dropped. Engineering and electrical equipment shares were irregular. In the motor section, there was some support on Monday for the "heavies," but other movements were mixed. After a small reaction, Leyland became firm in mid-week in anticipation of the preliminary results. Business in aircraft shares was quiet, but prices remained steady. Imperial Airways went ahead, but encountered some profit-taking in mid-week. Textile and rayon shares continued neglected. Breweries were steady early in the week, though many shed a few pence on Wednesday from absence of support. Tobacco shares were dull and undecided. In the provision and catering group, Manbré and Garton and Lovell and Christmas were firm. Miscellaneous shares were easier for choice, especially in the building material section, but Associated Portland Cement made a useful advance on Thursday. Shipping shares were quiet, but firm.

*

Business in *oil shares* was again negligible, and inquiry was confined to the leaders. Though firm at first, prices sagged from neglect in mid-week. The tone of the rubber share market remains heavy, and the few price changes were downward.

*

The turnover was reduced in *mining shares*. Kaffir prices were firm at the opening, but succumbed to holiday conditions in mid-week and lost ground. Neither Paris nor the Cape was a decisive influence, but both centres were sellers when they dealt at all. Initial interest in "Palms" and Western Holdings was not maintained throughout the week. Rhodesian coppers did not maintain their early firmness. Base metal shares were again neglected, but for some revival of interest in wolfram issues.

"FINANCIAL NEWS" INDICATORS

1938	Total Barings*	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 16	5,755	6,750	78.8	123.5
Dec. 19	5,535	5,405	78.5	123.3
Dec. 20	4,510	5,100	78.0	123.0
Dec. 21	4,285	5,406	78.0	123.0
Dec. 22	4,095	4,855	78.5	123.0
1938 High	...	...	97.2	131.0
Low	...	...	73.7	119.9
			Jan. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of 151 industrial ordinary share prices stood on Tuesday, December 20, 1938, at 61.1, compared with 61.3 a week ago and 63.8 a month ago. The corresponding average yields are 6.15, 6.13 and 5.87 per cent. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price 1938 High
	Nov. 22, 1938	Dec. 13, 1938	Dec. 20, 1938	
Insurance (10)...	117.2	113.5	112.3	121.5
Bldg. mts. (6)...	78.6	70.9	67.9	87.1
Coal (9)...	81.7	79.4	78.3	106.7
Elec. mfg. (12)...	121.1	116.9	115.4	129.7
Oil (4)...	80.8	76.8	78.2	92.1
Home rails (4)...	33.4	34.3	34.6	71.0
Miscell. (20)...	59.7	58.1	57.9	66.7

Group	Yield (%)			Price 1938 Low
	Nov. 22, 1938	Dec. 13, 1938	Dec. 20, 1938	
Insurance	3.64	3.76	3.80	102.7
Bldg. mts.	7.04	7.74	8.07	67.9
Coal	6.29	6.71	6.77	69.0
Elec. manufg.	5.54	6.00	6.08	108.0
Oil	7.49	7.88	7.71	67.1
Home rails	10.10	9.94	9.82	33.3
Miscellaneous	5.25	5.52	5.45	53.7

New York

INDUSTRIAL stocks held steady for the two opening days this week, but on Wednesday the Dow industrial average again descended below the resistance level of 150 which it had broken through only a week earlier. Turnover fluctuated around the million mark, but stocks moved within narrow ranges. The reduction in steel mill activity from 57.6 per cent. to 51.7 per cent. of capacity according to the Iron and Steel Institute came as a discouragement to the market, though it was attributable to end-year influences. Steel shares and aircraft issues were among the firm features at the beginning of the week. On Tuesday the market failed to maintain its firmest prices. Rails improved temporarily in response to the "Square Deal" legislative suggestions of the "Informal Committee" but became more hesitant later. In mid-week, stocks again opened with firm appearance, only to lose it in the later dealings. Rails were encouraged by optimistic market talk, though there was no real buying force at work.

New York Prices

Close Latest 15, 22, 1938 1938		Close Latest Dec. Dec. 15, 22, 1938 1938	
1. Rails and Transport		4. Manufacturing	
Atchafalaya	39 1/2	Briggs	31 5/8
Balt. & Ohio	7 1/8	Chrysler	80 3/4
B.M.T.	12 1/4	Elec. Autolite	36 1/2
Can. Pacific	5 3/4	Gen. Motors	50 3/8
Ches. & Ohio	35 1/4	Hudson Mtr.	8 7/8
C.N. Ry. Pft.	25 1/2	Nash Kelvint	4 1/2
Illinois Cent.	17 1/8	Packard Mtr.	24 1/2
N.Y. Central	19 1/2	Bendix Avtn.	23 1/2
Norfolk Pac.	11 1/8	Boeing Airplan	33 1/2
Pennsylv. R.	21 1/2	Douglas Air.	78 7/8
Southern Pac.	19 1/4	United Aircrft.	41 3/4
Southern Ry.	20 3/8	Air Reduction	66 1/2
Union Pac.	92	Allied Cheml.	185 1/2
Greyhound	21 1/2	Col. Carbon	95 1/2
		Dupont	150 1/2
		Un. Carbide	148 1/2
		U.S. Ind. Alc.	25 1/2
		Allis Chalmers	48 1/2
		Gen. Electric	44 1/2
		West' hse Elec.	120 1/2
		American Can	98 100 1/4
		Addressograph	27 1/4
		Caterpillar	47 1/8
		Cont. Can.	40 29 1/2
		Ingersoll Rnd	114 1/2
		Int. Harvester	60 5/8
		Johns Manvil	106 103
		Corn Radiator	17 1/2
		Corn Prods.	65 1/2
		J.I. Case & Co.	90 3/4
		Glidden	24 1/2
		G. Am. Trans	56 1/2
		Allied Stores	11 1/2
		Celanese of A.	24 23 1/4
		Ind. Rayon	25 1/2
		Colgate Palm.	14 1/4
		Eastm'n Kdk.	181 181 1/2
		Gillette	7 1/2
		Loews	57 1/2
		20th Cen. Fox	25 1/2
			24 1/2
3. Extractive and Metal		5. Retail Trade, etc.	
Am. Rol. Mill	22 1/2	Mont. Ward	53 50 1/8
Beth. Steel	76 74 1/2	J. C. Penney	76 1/2
Beth. Steel P.	109 1/4	Sears Roebck	74 1/2
Republic St.	24 1/4	Walgreen	16 1/2
U.S. Steel	66 1/2	Woolworth	49 1/2
U.S. Steel Pft.	116 1/2	Borden	16 1/2
Alaska J'neau	9 1/2	Gen. Foods	37 1/2
Am. Metal	40 1/4	Kroger	25 1/2
Am. Smelting	52 1/2	Nat. Dairym	12 1/2
Anacosta	28 1/2	Nat. Dairy	12 1/2
Bohm Alum.	28 1/2	Am. Tob. B.	85 1/2
Cerro de Pas.	49 1/2	Lorillard	21 20 1/2
Int. Nickel	54 1/2	Reyn. Tob. B.	44 42 1/2
Kennecott	43 1/2	Nat. Distillers	27 1/2
Patino Mines	11 1/2	Schenley Dis.	18 15 1/2
Tex. Gil. Sul.	32 1/4		
U.S. Smelt.	60 56 1/2		
Vanadium	28 26 1/2		
Atlantic Refg.	23 1/2		
Phillips Petr.	42 1/2		
Shell Union	14 1/2		
Shell Un. Pft.	105 1/2		
Socomey Vac.	13 1/2		
Stan. Oil Cal.	28 1/2		
Stan. Oil N.J.	51 1/2		
Texas	44 1/2		

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

	1938			
	Low Mar. 30	High Nov. 9	Dec. 7, 1938	Dec. 14, 1938
347 Ind'ls. ...	75.9	117.9	109.6	112.0
32 Rails ...	19.0	31.8	27.9	29.0
40 Utilities ...	57.7	83.2	77.9	78.3
419 Stocks ...	63.7	98.2	91.2	93.0
Av. yield %	8.35	3.30	3.68%	3.52%
	High	Low		

* 50 Common Stocks.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Dec. 15	Dec. 16	Dec. 17	Dec. 19	Dec. 20	Dec. 21
128.0	127.0	126.6	125.9	125.8	125.0
1938 High: 136.1 November 12th. Low: 83.6 March 31st.					

1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	
Dec. 15	1,800	12,640	334
" 16	1,150	8,980	253
" 17	450	4,640	124
" 19	1,100	9,110	220
" 20	940	8,580	230
" 21	1,060	8,870	257

* Two-Hour Session.

Capital Issues

ONLY one new issue has competed with normal Christmas attractions this week. This consists of the $5\frac{1}{2}$ per cent. £1 preference shares (issued at par) and 2s. ordinary shares (issued at 2s. 6d.) of *Thomas Hardman and Sons*. The company manufactures machinery cloths, used in paper making and the laundry and printing trades. The offer is remarkable for the disclosure of the company's profits for a period of no less than fifteen years, in which period earning power has been maintained at a very satisfactory level. On the latest profits, the preference dividend cover is satisfactory, and the earnings for the ordinary shares amount to 17 $\frac{1}{2}$ per cent. on the issue price.

CAPITAL ISSUE TOTALS

Week ending December 26	Nominal Capital	Conversions	New Money
To the Public	112,500	...	115,625
To Shareholders	347,000	175,014	199,986
By S.E. Introduction	660,000	...	734,500
By Permission to Deal	Nil	...	Nil
Sav. Certs., week ended December 17	Dr. 200,000	...	Dr. 200,000
	Including Conversions	Excluding Conversions	
Year to date	296,251,907	271,690,083	
1938 (New Basis)	296,251,907	271,690,083	
1937 (New Basis)	519,594,729	458,056,701	
1938 (Old Basis)	203,686,595	180,105,586	
1937 (Old Basis)	310,103,661	251,642,012	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign ex U.K.	Countries
1938 (New Basis)	212,311,409	53,683,402	5,695,272	
1937 (New Basis)	387,530,638	63,417,704	7,108,359	
1938 (Old Basis)	152,986,332	24,299,182	2,820,072	
1937 (Old Basis)	223,169,096	21,130,416	6,342,500	

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1938 (New Basis)	147,191,726	21,795,937	102,702,420
1937 (New Basis)	229,616,672	30,672,931	197,767,098
1938 (Old Basis)	130,348,169	12,754,505	37,002,912
1937 (Old Basis)	169,339,824	10,523,640	63,778,548

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

BY OFFER FOR SALE

Thomas Hardman and Sons.—Offer for sale of 100,000 $5\frac{1}{2}$ per cent. cumulative £1 preference shares at par and 125,000 2s. ordinary shares at 2s. 6d. Makers of woollen, etc., machinery cloths. Profits, after depreciation: 1935-36, £27,589; 1936-37, £31,666; 1937-38, £29,138. Net assets £288,971, bought for 100,000 preference and 1,000,000 ordinary shares, of which this offer part. Whitehead Industrial Trust take issue for £100,000 and expenses or preference at par and ordinary at 2s. 4d. net. Lists closed 9.1 a.m. December 20. Oversubscribed.

ISSUE TO SHAREHOLDERS ONLY

Amalgamated Banket Areas.—Issue of 1,400,000 5s. shares at 7s., in the proportion of one new share for five shares held.

BONUS SHARES

Ashanti Goldfields Corporation, Ltd.—A capital bonus is to be issued to all shareholders on registers on January 31, 1939, in proportion of one new share for every five held.

RESULT OF ISSUE

Australian Four per Cent. Loan.—Underwriters of the £2,517,800 4 per cent. conversion stock, 1955-70, had to take up 60 per cent.

SHORTER COMMENTS

Company Results of the Week.—Despite the reduction in tariffs, gross revenue of **ADELAIDE ELECTRIC SUPPLY COMPANY** rose by 2.3 per cent. to £986,618 in 1937-38, but owing to higher expenses net profits are £30,000 lower at £365,592. The general slackening in business activity has affected the hotel and catering trades. **FREDERICK HOTELS** trading profits amount to £111,083 against £142,561, and out of net profits of £23,583, only a half-year's preference arrears are being paid. A 12 per cent. drop in net profits, from £49,532 to £43,409 has also been experienced by **R. E. JONES, LTD.** One of the few companies this week to record higher profits is **BRITISH VACUUM CLEANER & ENGINEERING** whose earnings amount to £81,818 against £73,587. An issue of ordinary shares is to be made to provide for further development. A loss has again been made by **HUNZIKER (GREAT BRITAIN)**, although it is appreciably smaller than in 1936-37; after depreciation, the net loss is £17,479 against £30,151. In view of the low rubber quota prevailing in the past year, it is satisfactory that **NAMØ TONGAN RUBBER** ESTATES net profits of £30,008 are only £5,000 lower than in 1936-37.

MISCELLANEOUS

Temperance Permanent Building Society.—This Society is making (as from January 1, 1939) a new issue of fully-paid £25 shares, bearing interest at the increased rate of 3 $\frac{1}{2}$ per cent. tax paid (equal to £4 16s. 6d. where tax at 5s. 6d. is borne). It is announced also that reserves now represent nearly 19 per cent. of combined share and deposit capital, and that Mr. A. W. Betts, F.C.I.S., joint manager and secretary, has been appointed sole general manager as from January 1, 1939. Building societies' interest rates were discussed on page 611 of *The Economist* of December 17, 1938.

Standard Life Assurance Company.—Each year for the last twelve years the company has declared a 42s. per cent. annual compound reversionary bonus. In 1938 this yielded for the year to many of the older members over 80s. per cent. on the original sum assured.

Cable and Wireless Traffic Index.—The traffic index for November, 1938 (on basis of 1929 = 100) was 68.0, against 68.7 for October, 1938, and 72.5 for November, 1937.

Imperial Chemical Industries.—It is understood that an important internal development will take effect by Imperial Chemical Industries from the beginning of 1939. Five persons, already in the company's service—Messrs W. A. Akers, F. W. Bain, W. F. Lutyens, A. J. Quig and F. Walker—will become executive managers. Though they will not have formal status as members of the management board, they will attend the board's meetings.

British Vacuum Cleaner.—Net profit year to September 30, 1938, £77,513 (£77,282). To reserve for tax and N.D.C., £10,000 (£7,736). Ordinary dividend, 40 per cent., as before. To development reserve, £10,000 (nil). To staff pension fund, £2,500 (nil). In 1936-37, £25,000 was put to reserve. Carry-forward raised from £8,450 to £13,717.

Cannon Iron Foundries.—Trading profit year to September 30, 1938, £32,962, a fall of £29,186. No ordinary dividend, against 10 per cent. To general reserve, nil (£5,000). To tax reserve, nil (£2,500). Carry-forward reduced from £10,988 to £7,943.

Apex Trinidad Oilfields.—Preliminary statement for year to September 30, 1938, shows oil profits, £482,875 (£489,714). Amortisation of wells, £158,604 (£138,754). Net profit, £237,377, a decline of £32,497. Ordinary dividend reduced from 45 to 40 per cent. Carry-forward raised from £118,556 to £128,371. The report and accounts will be issued January 3, 1939.

(Continued on page 692)

INVESTORS' INCOME & RESERVE TRUST

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Against a common portfolio of no less than 175 first-class preference and ordinary shares, two types of sub-units are presented, on one of which 2/5ths of the income arising is held to reserve. You apportion your investment to suit your needs and you can change from one type of sub-unit to the other.

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

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in C.N.Z. (e) Allowing for exchange. (f) Flat yield. (g) Yield worked on 4% basis.
 (h) Yield on 4½% basis. → Based on payment of 2½%.
 Yield worked on a 5½% basis. (i) To redemption price in year shown. (o) Yield worked at 8% of face value.
 ↑ Free of Income Tax. (y) Yield based on 47% of coupon. (z) Yield on 5½% basis.

* Bid and offered prices are free of Commission and Stamp Duty. (a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 20% basis.
(m) Including bonus of 5% free of tax. (p) Annas per share. Latest annual dividend equal to about 6.945% tax free. (e) 8½% paid free of income tax.
+ Free of Income Tax. (r) Yield worked on 6% basis. (f) Allowing for rate of exchange.

Industry and Trade

New Anglo-French Coal Agreement.—The coal-mining industry has now been informed of the new arrangements, under the trade agreement of June, 1934, for the purchase of British coal by French consumers, which will come into operation at the beginning of 1939. The difficulties which have arisen over the imports of British coal were discussed on page 622 of last week's *Economist*. There has been no material change in the French quota system, but the French Government has agreed that French railways and gas and electricity undertakings, hitherto excluded from the quota, shall also purchase 49.5 per cent. of their foreign requirements from Great Britain. Another important modification is the undertaking that licences to import coal into France shall not be issued in excess of the current demand. In the past the issue of excess licences has enabled French importers to cover their requirements from other countries than Great Britain. It is believed that this practice was mainly responsible for the fact that in the first nine months of 1938 British licences for approximately 700,000 tons were unused. It has also been agreed that transfers of foreign purchases from the country designated on the licence to other countries shall be limited in future to amounts not exceeding 3 per cent. (instead of 80 per cent.) of the total. The terms of the coal-pitwood exchange agreement have also been amended; coal import licences issued under this arrangement will not in future be valid for more than eight months, and the accumulated arrears of France's intake, amounting to about 450,000 tons of South Wales coal, are to be liquidated by amounts not exceeding 120,000 tons in any one quarter.

THE FINANCIAL NEWS IN 1939

New and Essential Services to Investors

Next week's issue of *The Economist* will contain an important advertisement by *The Financial News* announcing several new features designed to interest the Investor and the Business Man, which will be appearing in its columns in

1939

The concessions made by the French Government should increase Britain's coal exports to France by more than 1½ million tons per annum, on the basis of the quota percentages operative during the past twelve months. On the other side, the British Government and coal-owners have agreed to two new and important provisions. First, a Joint Consultative Committee is to be appointed which will deal with complaints by French importers of unreasonable prices. Its investigations are to have regard to the relation between the prices quoted by British collieries in France and other export markets. Secondly, the French Government has been given the right (after consultation) to terminate the agreement (a) if British imports of iron ore from French sources fall by more than 5 per cent. below those in 1938 and (b) if the European coal markets are regulated by an international coal cartel or by an agreement between Britain and Germany concerning quantities and prices of coal exports.

* * *

A Cotton Enabling Bill.—Last Tuesday, Mr Oliver Stanley, President of the Board of Trade, informed the House of Commons that the Joint Committee of Cotton Trade Organisations had submitted to him a revised draft of its proposals. The new draft does not differ materially from the previous one, discussed on page 559 in *The Economist* of December 10th, which, in order to obtain a greater measure of agreement within the industry, had been shorn of many provisions embodied in the original scheme. In their somewhat emasculated form, the proposals now provide only for two types of scheme, one for the elimination or reduction of redundant plant and the other for the establishment of minimum prices or margins. The provisions for pool and quota schemes and for the legalisation of wage agreements had already been eliminated. The latest draft is also *minus* the provision for "scrap and build" schemes. The various organisations represented on the Joint Committee have been asked to express their views on the revised proposals not later than January 14th. Moreover, the Executive of the Joint Committee was authorised to ascertain also the opinion of individual firms. Mr Oliver Stanley expressed the hope that it would be possible to complete the drafting of the Bill early in the New Year so that those concerned might have an opportunity of expressing their views. Meanwhile, the improvement in the cotton trade, noticeable in October and early November, has not been maintained, and the volume of new orders has again fallen to small dimensions. Although many members of the cotton trade believe that an Enabling Act would assist the industry, they do not expect that it will bring back prosperity and are consequently urging that the Government should assist the industry to increase its exports.

* * *

Cotton Yarn Price Agreements.—The proposals of the Enabling Bill lend interest to a review of the existing price agreements in the spinning section of the industry. The first move was made in August, 1934, when spinners of coarse American counts, known as the Royton branch, comprising about 30 mills with 3,000,000 spindles, decided to put into operation minimum prices for yarn. On the whole, this scheme has been well maintained, although two weeks ago it was found necessary to reduce the margin by ¼d. to ½d. per lb. The new prices, however, are still remunerative to producers. In December, 1936, a price agreement was brought into operation for the 42's American weft range of yarns, the number of mills and spindles

involved being 60 and 4,500,000 respectively. A few weeks ago, when this scheme was due for renewal, four firms resigned, and there were fears that the agreement would break down; it now appears to have been renewed to the end of March with some slight modifications. In October, 1937, spinners of 56's American weft range of counts followed suit by concluding a price agreement comprising fifteen mills and 850,000 spindles. In November, 1937, the position of one of the most difficult sections was tackled and an agreement was reached for medium American ring yarns among the owners of 75 mills containing 4,500,000 spindles. But, owing to dissensions among members, this agreement had to be abandoned last September, and its termination was followed by severe price-cutting. In order to obtain orders, some spinners in this section reduced their prices by 2d.-2½d. per lb. In the Egyptian spinning branch of the industry a price agreement between producers of mule yarns came into operation in March, 1937. Initially this agreement was made for six months, but it was subsequently renewed for twelve months to September, 1939. This section comprises 150 mills, with about 13,500,000 spindles. Negotiations are now taking place for an agreement among Egyptian ring spinners, there being 70 mills containing about 2,000,000 spindles in this section. At present there are in Lancashire about 20,000,000 spindles producing yarns made from American type cotton, and about 8,500,000 spindles are covered by price agreements. In the Egyptian branch there are about 15,500,000 spindles, including 13,500,000 mule spindles and 2,000,000 ring spindles. The owners of about 11,000,000 mule spindles are selling under a price agreement, but there is no price agreement for ring spindles. On the whole, therefore, some 55 per cent. of the yarn spun in Lancashire is now sold under price agreements.

* * *

International Steel Cartel.—The Committee of Comptoirs of the International Steel Cartel have held several meetings in Brussels at which a number of questions mainly connected with the organisation of export markets were discussed. The plan to alter the sterling-gold conversion rate, on which prices are based, has been abandoned owing to the recovery of the pound. The prices of Continental steel materials for the British market, which were reduced only a few weeks ago, will have to be cut again for the first quarter of 1939, as a result of the reduction in British domestic prices. In order to further the collaboration with producers outside the Cartel it is contemplated to send delegations to British India and Australia with a view to discussing the competition of foreign materials with domestic products. The improvement of the arrangements with American producers was again on the agenda, and it was reported that American competition has diminished. Further discussions concerned a convention with the Scandinavian steel merchants on the regulation of sales to these markets; changes of the exports quotas for Great Britain and Czecho-Slovakia; measures against unauthorised exports by French exporters; the allocation of special quotas to the Belgian re-rollers, and a corresponding increase in the total export quotas of the Belgian group. Price questions were not extensively discussed as incoming orders are satisfactory for this season and because no appreciable increase of purchases is expected from a reduction of prices.

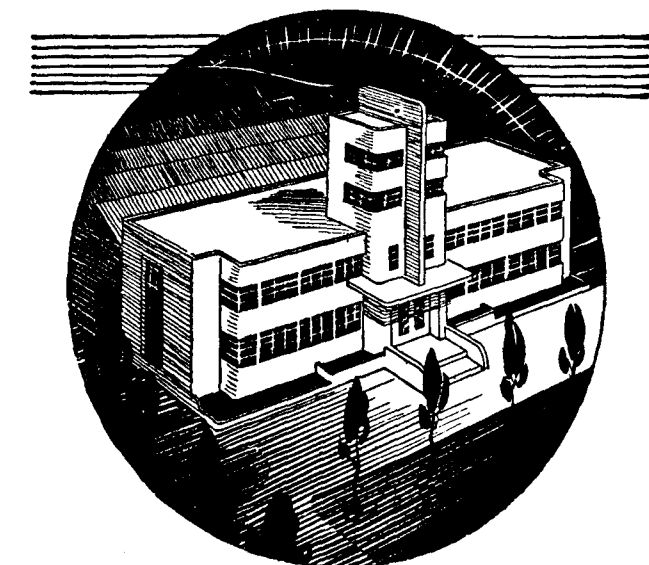
* * *

Sheep and the Government.—In the House of Commons on Tuesday Mr Morrison announced the Government's remedy for the slump in English sheep prices. He proposes to authorise the Empire Beef Council, set up in April, 1937, to regulate the imports of beef, to regulate also, from January next, imports of mutton and lamb. Mr Morrison apparently believes with the National Farmers' Union that increased imports are the

main cause of the fall in sheep prices, though, on the facts set out in the table below, it is difficult to see a rational

U.K. IMPORTS OF MUTTON AND LAMB				
Imports into U.K. (Jan.-Nov.)	1937	1938	1938 as % of 1937	
Mutton	'000 cwt. 1,416	1,479	+ 4.4	
Lamb	'000 cwt. 4,809	4,761	- 1.0	
Tinned, etc.	'000 cwt. 252	303	+ 20.3	
Total	6,492	6,566	+ 1.1	
Sales of fat sheep and lambs at representative markets in England and Wales; 49 weeks	'000 1,948	2,167	+ 11.2	

basis for this view. Further, as was pointed out in *The Economist* of November 12th, the prices of imported mutton and lamb have hardly fallen in the past year; the slump has been confined to home-grown meat. In the eighteen months of its existence, the Empire Beef Council, which is composed of representatives of the British Government and of the countries mainly concerned in the British beef market, seems to have taken a wise view of its responsibilities to the British consumer. It is to be hoped therefore that the Council will not allow itself to be pushed into a drastic control of mutton and lamb imports, which would directly raise the prices of imported meat and only indirectly, and to a much smaller degree, raise those of British sheep. The truth is that sheep farming, like pig keeping, suffers from a recurring cycle of boom and depression; after the unprofitable years of 1932-34, two years of rising prices and slowly increasing numbers, culminating in the very profitable season of 1937, have brought their own reaction, which is likely to be continued into 1939. The census of livestock held in June, 1938, showed an increase compared with 1937 of 10 per cent. in the number of ewes kept for breeding, so that another large crop of lambs is now expected.



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Land Fertility Committee.—The provisions of the Agriculture Act, 1937, for increasing the use by farmers of lime and basic slag, met with general approval, as measures likely to increase the efficiency of producers. The Land Fertility Committee, which was set up to administer the Government subsidy, recently issued its first report, covering the ten months from August, 1937, when the provisions came into force, until May, 1938. During this period, some 140,000 occupiers of agricultural land in the United Kingdom applied for a subsidy in respect of 1.4 million tons of lime and 409,000 tons of basic slag, and received a trifle over £1 million in subsidy. Compared with the total acreage under crops and grass in England and Wales, one in every 2½ acres benefited in these ten months from a ton of lime and one in 70 acres from a ton of basic slag. The distribution of lime has proceeded efficiently; the number of suppliers is large, new sources of supply have been tapped, and the maximum prices laid down by the Committee (and revised upward in April to meet increased wage costs) have given satisfaction. Trouble has been experienced with the supplies of basic slag, the output of which is largely dependent on the activity in the iron and steel industry. There has been very considerable delay in many cases between the approval of an application and the actual delivery of the slag, with the result that the fertiliser has had to be applied at the wrong time of the year. The maximum prices for basic slag for the year June, 1938-May, 1939, were reduced by order of the Ministry of Agriculture by amounts ranging from 8d. to 2s. 6d. per ton from the level ruling in the first period; it is hoped that these reductions will stimulate the demand from farmers. It would also be a great advantage if the Committee were empowered to give grants in aid of field drainage, an operation which is needed on probably as many acres as lime and slag.

Increase in Egg Supplies.—During the whole of the current year British imports of eggs in shell have been at a higher level than in 1937, the excess in the eleven months January to November amounting to 2.8 million great hundreds, or 12.5 per cent. of the 1937 imports. Prices, however, were well maintained in spite of these larger supplies, until a few weeks ago; the very mild weather during the autumn months stimulated the British output (which accounted in 1937 for about 60 per cent. of total supplies) at a time when production is usually at a seasonal minimum. Consequently, wholesale prices are now considerably below the levels ruling last year, as is shown in the table below, which is taken from *The Weekly Dairy*

WHOLESALE PRICES OF EGGS IN LONDON (s. per gt. hundred)

	Four weeks ended		Dec. 5, 1938	
	s. d.	s. d.	s. d.	s. d.
National Mark Standard	23	9	21	0
Danish 15½ lbs.	16	2	14	9½

† Average of three quotations.

Produce Notes. The sudden change in the weather, however, is likely to reduce supplies in a few days and prices may again improve.

Wholesale Prices Steadier.—The past fortnight has witnessed a slight strengthening of British wholesale prices. The complete *Economist* index has risen by 0.4 per cent. and the primary products index by 0.3 per cent. For the United States, *The Economist* primary products index has fallen by 0.1 per cent., while the complete Irving-Fisher index is unchanged. French wholesale prices are also unaltered.

SEPTEMBER 18, 1931 = 100

Date	The Economist Indices		Price of Gold (sterling)	U.S.A. Irving-Fisher	France, Statistique Generale	Italy, Milan Chamber of Commerce	Germany, Statistisches Reichsanwalt
	British Complete Index (sterling)	Primary Products (sterling)					
1936 Dec. 30	131.3	163.9	187.3	166.7	128.8	113.0	95.4
1937 Jan. 27	134.2	164.2	184.5	167.0	131.0	115.9	95.7
Feb. 24	136.3	168.2	185.5	167.4	131.8	116.8	96.2
Mar. 31	144.3	181.9	199.7	167.4	137.3	121.8	97.5
Apr. 28	142.0	169.9	183.5	165.4	135.6	120.5	97.0
June 2	142.7	170.2	178.9	165.6	134.3	119.8	97.5
June 30	139.5	165.9	176.8	165.7	134.1	119.8	97.5
July 28	140.2	167.1	171.8	164.5	133.8	130.8	97.1
Aug. 25	137.9	164.4	165.3	164.2	133.0	133.3	98.1
Sept. 22	136.0	164.0	166.3	165.1	133.7	139.4	97.6
Oct. 20	133.6	156.2	152.3	165.4	138.8	141.6	97.3
Dec. 1	127.5	145.4	138.9	164.8	125.1	134.0	97.0
Dec. 29	127.8	147.4	135.3	164.2	120.5	135.8	97.0
1938 Feb. 2	126.6	144.4	135.4	164.5	119.8	137.9	97.0
Mar. 2	125.1	143.1	138.7	164.5	120.3	138.1	97.2
Mar. 30	122.7	137.0	129.3	164.6	117.7	139.4	97.1
Apr. 27	124.4	137.8	127.5	164.3	116.9	139.9	97.0
May 25	119.6	132.2	121.9	165.5	117.2	145.6	96.3
June 22	119.3	133.2	124.8	165.8	117.6	147.3	96.9
Aug. 3	119.2	138.0	127.1	167.2	117.4	144.6	97.5
Aug. 31	116.5	133.5	125.0	168.6	116.8	144.9	97.3
Sept. 28	116.2	134.8	127.0	173.0	116.6	146.0	97.0
Oct. 12	116.8	135.9	126.8	172.3	116.7	147.3	96.9
Oct. 26	116.1	134.9	127.0	171.6	116.6	147.8	97.3
Nov. 9	114.8	133.1	127.2	172.2	116.7	147.6	97.4
Nov. 23	114.3	132.6	126.0	175.7	116.7	148.7	97.7
Dec. 7	113.3	132.0	126.6	174.8	115.7	147.8	97.7
Dec. 21	113.7	132.4	126.5	175.7	115.7	147.8	97.8

* These figures relate to December 16th. † Monthly average.

Details of changes in the component series of the complete index are given below:—

The Economist INDEX

(1927 = 100)

	Sept. 18, 1931	Dec. 15, 1937	Dec. 7, 1938	Dec. 21, 1938
Cereals and meat...	64.5	90.5	66.4	67.7
Other foods	62.2	64.0	57.5	57.1
Textiles	43.7	58.8	52.7	52.7
Minerals	67.4	94.9	94.2	94.4
Miscellaneous	65.8	79.2	75.3	75.0
Complete index	60.4	77.2	68.4	68.6
1913 = 100	83.1	106.2	94.2	94.5
1924 = 100	52.2	66.7	59.2	59.4

Grain and meat prices are firmer than a fortnight ago, but in the other food group a rise in tea was offset by declines in coffee, cocoa and cheese. Cotton yarn and cloth prices are lower, but there were slight increases in flax and jute. In the minerals group copper and spelter were higher. Among miscellaneous materials there were declines in Swedish timber, hides and tallow, but some improvement in linseed oil and rubber.

British coal industry that France was not taking her share of British coal guaranteed by the trade agreement of 1934.

Coal

Sheffield.—On the eve of the holiday the market has been quiet, and demand generally has been slow. The cold snap brought a slightly improved demand for house coal, but requirements have been smaller than usual at this time of the year. There has been little

business in industrial steam coal, and the coke trade has been exceptionally slow. Blastfurnace coke prices will automatically fall in the New Year under the sliding-scale agreement regulating furnace coke prices with those of pig iron. Coke makers are not inclined to reduce prices of other sorts.

★

Newcastle-on-Tyne.—The severe weather has brought a keener demand in the inland and domestic coal trade of the North-East coast, but there is no additional inquiry from abroad. Northumberland steam collieries continue to work fairly regularly, screened grades being firm, but there is still difficulty in the disposal of smalls. Durham manufacturing coal is offered fairly freely, whilst gas qualities have a steady demand in the home market. Shipments of patent oven coke to the Scandinavian countries are good but there is no greater activity in the home market.

★

Glasgow.—There has been no marked change in conditions in the Scottish trade. Generally, new buying is very restricted, both in the home market and for export, and the only feature has been some activity on end-year account in Fife, where supplies are now well booked for the remainder of the year. In all other districts there is still a surplus of supplies, but prices remain steady under the control arrangements. Business still remains disappointing.

★

Cardiff.—The severe frost has led to a partial interruption of work both at the docks and at the collieries, and this has further accentuated the depressed condition of the market. Shipments in the foreign and coastwise trades at the South Wales docks last week totalled only 331,800 tons, compared with 456,489 tons in the corresponding week last year, and notwithstanding the approach of the holidays no substantial improvement is anticipated in this week's loadings. There is very little current inquiry, but although discussions are proceeding between the colliery owners and shipowners over f.o.b. bunker and depot prices for 1939, a fair number of long-period contracts have been renewed. The market in sized coals, especially in the smaller grades, is firm, but the market is not absorbing other grades, and stocks have increased. Satisfaction is expressed with the terms of the new Anglo-French Trade Agreement, but it is qualified by the fear that the general import quota may be further reduced, unless there is a substantial increase in French coal consumption early in the New Year.

Iron and Steel

London.—The British iron and steel markets are closing the year in more cheerful circumstances than might have been expected even a few weeks ago, says the official report of the London Iron and Steel Exchange. The reduction in prices to domestic consumers which was followed by a corresponding drop in export quotations for Empire markets has created a favourable impression amongst buyers. There has been no great increase in the actual volume of business as yet, but this is not surprising in view of the approach

of the holidays. A noticeable expansion in inquiry has taken place, however, for delivery in 1939 and it seems likely that the demand for most descriptions of steel will improve in the New Year.

In the pig iron market the reduction of 10s. per ton in the price of foundry and forge iron has stimulated buyers' interest.

Business in semi-finished steel has broadened and most producers have a fair amount of work in hand. Consumers, who have been buying from hand to mouth for a long period, are now showing more inclination to place forward contracts.

In the finished steel section of the market indications point to a considerable improvement in the demand after the holidays. Inquiry is active, and consumers are taking more interest in forward delivery.

No further market reports will be issued by the *London Iron and Steel Exchange* as it has been decided to wind up the organisation at the end of this year. For some time it has been apparent that owing to the changes in trading consequent upon the reorganisation of the iron and steel industry, the Exchange could no longer fulfil many of the functions for the performance of which it was established.

★

Middlesbrough.—Business has tapered off with the approach of the holidays. There is, however, an optimistic feeling and confidence that there will be increased activity early in the New Year.

The announcement regarding the reduction in the price of forge and foundry pig iron was made early this week, the reduction being 10s. per ton from January 1st; the duration of the new price has not been specified. The price of No. 3 Cleveland foundry pig iron from January 1st will be 99s. per ton delivered in this area. East Coast hematite will cost 120s. 6d. per ton for No. 1 quality delivered in the North-East area. Although foundries in this district are closing down for the holidays, it is not expected that this will lead to substantial accumulation of pig iron at the makers' yards. One furnace has been transferred from basic iron to hematite and two blast furnaces which have been idle for some months will be restarted early in the New Year on foundry and basic iron respectively.

Producers of semi-finished steel are expecting increased demands as the stocks which had accumulated during the early part of the summer at consumers' works have now been liquidated. Manufacturers of finished iron and steel are hoping for substantial orders as a result of the recent reductions in prices. Most of the works and rolling mills are closing down for holidays for three or four days.

There is no change in the foreign iron ore position, buyers being well covered, but the increase in the number of blast furnaces in operation will lead to an increase in the consumption of blast furnace coke. Deliveries of heavy steel scrap from now until the end of the year will be severely restricted, partly on account of the holidays and partly because of the lower prices which will come into force on January 1, 1939.

★

Glasgow.—Since the announcement of the cut in prices more interest

has been shown in the markets, and producers are hopeful that the early part of the year will see plants very fully employed. The only weak spot is the consumption of shipbuilding material. Bar re-rollers and sheet makers are not very busy, but buyers are, of course, holding back all but urgent demands until the reduced prices become operative. Tube makers remain busy and present indications point to a fairly long spell of steady work for the Lanarkshire tube plants. Holidays which commence next week will be of normal duration. Only where repairs and alterations to be carried out are on a big scale will plants be closed down for a longer period.

★

Sheffield.—On the eve of the holiday there is stagnation in the iron and steel market, and until the opening of the New Year the effect of the cut in iron and steel prices cannot be estimated with any degree of accuracy.

A little forward business in hematite iron has been arranged, and for special qualities the demand is moderately steady. There is little business in bar iron pending an announcement concerning prices.

There has been limited buying of basic steel billets, but elsewhere conditions have been quiet. So far as can be ascertained the prices of fine steels in which Sheffield has a big business will remain unchanged.

Most of the works here will close down until Wednesday next week, but at some establishments the holiday may be rather longer to permit of overhaul and repair to plant which has been running continuously for some time.

★

Cardiff.—Although the price of steel bars has been cut, an announcement has not yet been made concerning the f.o.b. and inland prices of tinplates in 1939. This delay appears to have hampered business in tinplates. The local manufacturers have held meetings to consider the matter, but they have not yet reached a decision. Current sales, partly out of stock, have not contracted appreciably, but production has continued to decline, and in the week ended December 10th equalled only 37.70 per cent. of capacity, compared with 70.65 per cent. during the corresponding period last year. Shipments at the Swansea docks last week were smaller than for any other normal week during the year, and for the fifty weeks ended December 15th the decrease in the volume of the export trade was 40 per cent. The position in the other re-rolling branches of the iron and steel industry, as well as in those of pig iron and steel ingot manufacture, is relatively much better.

Textiles

Wool (Bradford).—Manufacturing conditions continue to be only moderately satisfactory, and much machinery is still standing idle. Lean margins are the outstanding feature of this year's operations, and profits are non-existent. In the struggle to keep combs, spindles and looms running, prices have been cut to the bone, and the business done is so unremunerative that balance sheets

(Continued on page 686)

INDUSTRIAL REPORTS

The sudden onset of "Christmas weather" has found the country as unprepared as for the international crisis in September. There has been a run on articles rendering the cold less unbearable; on the other hand, the building and other trades involving outdoor work, as well as traffic, have been seriously hampered by the cold weather. The volume of new business has declined with the approach of the holidays. Apart from a spurt in the demand for house coal, the coal trade has been

dull. Consumers of iron and steel have not yet shown much response to the reduction in prices, though purchases are expected to increase next year. The Government's proposed provision of air raid shelters involving an expenditure of £20 millions and purchases of steel amounting to some 1½ million tons, will assist the iron and steel industry. Similarly, the new arrangements made between the British and French Mines Departments, discussed on page 674, have largely met the complaints of the

BRITISH WHOLESALE PRICES

CEREALS AND MEAT			
Dec. 14, Dec. 21, 1938 1938			
GRAIN, etc.—			
Wheat—	s. d.	s. d.	
No. 2, N. Man. 496 lb.	27 9	27 0	
Eng. Gaz. av. per cwt.	4 3	4 3	
Liv. Dec. per cental	4 8	4 8	
Flour, per 280 lb.—			
Straights, d/d London	22 6	22 6	
Manitoba, ex store	24 0	23 9	
Barley, Eng. Gaz., av. per cwt.	7 7	7 8	
Oats	5 11	6 0	
Maize, La Plata, landed, 480 lb.	28 6	29 0	
Rice, No. 2 Burma, per cwt.	7 1½	7 1½	
MEAT—			
Beef, per 8 lbs.—			
English long sides	4 0	4 0	
Argentine chilled hinds	4 2	4 2	
Mutton, per 8 lb.—	4 0	4 4	
English wethers	4 8	5 4	
N.Z. frozen wethers	2 10	2 10	
Lamb, per 8 lb.—	4 8	4 8	
N.Z. frozen	5 6	5 6	
Pork, English, per 8 lb.	6 2	6 8	
BACON (per cwt.)—			
English	98 0	98 0	
Danish	97 0	97 0	
Dutch	95 0	95 0	
Irish	92 0	92 0	
HAMS (per cwt.)—			
Canadian	98 0	98 0	
United States	95 0	96 0	
OTHER FOODS			
BUTTER (per cwt.)—			
Australian	110 0	108 0	
New Zealand	112 0	111 0	
Danish	144 0	144 0	
CHEESE (per cwt.)—			
Canadian	71 0	71 0	
New Zealand	70 0	70 0	
English Cheddars	86 0	86 0	
Dutch	62 0	63 0	
COCOA (per cwt.)—			
Accra, g.f.	21 6	21 6	
Trinidad	37 0	37 0	
Grenada	26 0	26 0	
COFFEE (per cwt.)—			
Santos sup. c. & f.	34 0	33 0	
Costa Rica, medium to good	60 0	60 0	
Kenya, medium	70 0	70 0	
EGGS (per 120)—			
English (15-15½ lb.)	16 6	17 0	
Danish (15½ lb.)	14 6	15 0	
FRUIT—			
Oranges, S. African boxes	14 0	10 3	
Brazilian Rio Pera boxes	18 9	16 0	
Lemons, Naples boxes	10 3	10 3	
Sicilian boxes	10 3	10 3	
Apples, Amer. (var.) barrels	17 0	17 0	
Canadian: Nova Scotia (var.) barrels	10 3	10 0	
Grapes, Almeria barrels	25 0	25 0	
Grapefruit, S. African	12 6	11 6	
Jamaica, Seeded	10 9	10 9	
Jaffa, Seedless	12 6	11 6	
Cyprus, seedless	17 0	17 0	
LARD (per cwt.)—			
Irish, finest bladders	50 0	50 0	
U.S.	46 0	46 0	
PEPPER per lb.—			
Black Lampong (in Bond)	0 2½	0 2½	
" (Duty paid)	0 3½	0 3½	
White Muntok (f.a.q.) (in Bond)	0 3½	0 3½	
" (Duty paid)	0 3½	0 3½	
POTATOES, (per cwt.)—			
English, King Edward, Siltland	5 0	5 0	
SUGAR (per cwt.)—			
Centrifugals, 96, prpt. shipm.	6 0	6 3	
c.i.f. U.K./Cont.	19 6	19 9	
REFINED LONDON—			
Yellow Crystals	23 7½	23 10½	
Cubes	24 1½	24 4½	

* Weeks ended Dec. 8th and 15th.

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

SUGAR (per cwt.)—cont.			
Dec. 14, Dec. 21, 1938 1938			
Crushed	21 10½	22 1½	
Granulated	20 7½	20 10½	
Home Grown	19 10½	20 1½	
TEA* (Auction Average) (per lb.)—			
N. India	13 16	12 94	
S. India	14 04	13 51	
Ceylon	15 26	15 37	
Java	11 57	11 43	
Sumatra	10 42	10 41	
Africa	11 86	11 44	
Total	13 64	13 66	
TOBACCO (per lb.)—			
Virginia stemmed and unstemmed, common to fine	0 8	0 8	
Rhodesian stemmed and unstemmed	0 9	0 9	
Nyasaland stemmed and unstemmed	1 10	1 10	
East Indian	1 4	1 4	
Stemmed	0 4	0 4	
Unstemmed	1 0	1 0	
TEXTILES			
COTTON (per lb.)—			
Raw, Mid-American	5 02	5 10	
" Sakellaridis, F.G.I.	7 55	7 58	
" Giza, F.G.I.	7 60	7 63	
Yarns, 32's Twist	8 3	8 3	
" 40's Twist	9 4	9 4	
" 60's Twist (Egyptian)	17 1	17 1	
Cloth, 32 in. Printers, 116 yds.	16 1	16 1	
" 36 in. Shirts, 75 yds.	22 6	22 6	
" 38 in. ditto, 38 yds.	9 6	9 6	
" 39 in. ditto, 37½ yds.	8 7	8 7	
" 16x15, 84 lb.	8 7	8 7	
FLAX (per ton)—			
Livonian ZK	70 10	72 0	
Pernau HD	72 0	76 0	
Slanetz Medium, 1st sort	94 0	91 0	
HEMP (per ton)—			
Italian PC	70 0	70 0	
Manilla, Dec.-Feb. " J2 "	20 0	20 0	
JUTE (per ton)—			
Native 1st mks., c.i.f. H.A.R.B.	18/18/9	19/8/9	
Dec.-Jan. Dundee	18/10/0	18/10/0	
Sisal, (per ton)—			
African, Dec.-Feb.	16 15	16 15	
SIK (per lb.)—			
Canton	7 3	7 3	
Japan	8 0	8 0	
Italian, raw, fr. Milan	7 3	7 3	
WOOL (per lb.)—			
English, Southdown, greasy	12½	12½	
Lincoln hog, washed	11½	11½	
Queensland, scd. super combg.	22½	22½	
N.S.W., greasy, super combg.	13	13	
N.Z., greasy, half-bred 50-56	12	12	
Crossbred 40-44	10½	10	
Tops—			
Merinos 70's average	26½	26½	
64's	25	25	
Crossbred 48's	16½	16½	
46's	16	16	
MINERALS			
COAL (per ton)—			
Welsh, best Admiralty	19 6	19 6	
Durham, best gas, f.o.b. Tyne	18 9	18 9	
Sheffield, best house, at pits	22 0	22 0	
IRON AND STEEL (per ton)—			
Pig Cleveland No. 3, d/d.	109 0	109 0	
Bars, Middlesbrough	265 0	265 0	
Steel rails, heavy	202 6	202 6	
Timber	21 6	21 6	
NON-FERROUS METALS (per ton)—			
Copper—			
Standard cash	43/0/0	44/0/0	
Three months	43/1/3	44/1/3	
Three months	43/5/0	44/3/9	
Tin—			
Standard cash	214/0/0	214/0/0	
Three months	214/5/0	214/2/6	
Three months	215/0/0	215/2/6	
Lead, soft foreign—			
Cash	14/2/6	15/2/6	
English, pig	14/13/0	15/5/0	
Spelter, G.O.B.—			
Spot	13/12/6	13/17/6	
Aluminium, ingots and bars	13/15/0	13/18/9	
" rolling billets	94/0/0	94/0/0	
Nickel, home and export	102/0/0	102/0/0	
Antimony, Chinese	180/0/0	180/0/0	
Wolfram, Chinese	56/0/0	53/0/0	
Platinum, refined	58 0	58 0	
Quicksilver	61 0	61 0	
" per 76 lb.	7/10/0	7/10/0	
" per 76 lb.	15/4/0	15/4/0	

GOLD, per fine ounce			
Dec. 14, Dec. 21, 1938 1938			
Cash	149 0	149 3	
SILVER (per ounce)—			
Cash	1 8½	1 8½	
MISCELLANEOUS			
CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton (tree, non-returnable)—			
4-ton loads and upwards	42s.	per ton	
CHEMICALS—			
Acid, citric, per lb., less 5%	1 0	1 0	
" Nitric	0 2½	0 2½	
" Oxalic, net	0 5½	0 5½	
" Tartaric, English, less 5%	1 1	1 1	
Alcohol, Plain Ethyl, per proof gal	1 14	1 14	
Ammonia, carb. per ton	20/0/0	20/0/0	
" Sulphate	7/9/0	7/9/0	
Borax, gran. per cwt.	13 6	13 6	
" powder	15 0	15 0	
Nitrate of soda per ton	8/0/0	8/0/0	
Potash, Chlorate, net per ton	37 0	37 0	
" Sulphate per ton	10/15/0	10/15/0	
Soda Bicarb. per ton	11/0/0	11/0/0	
Crystals per ton	5/5/0	5/5/0	
Sulphate of copper per ton	19/5/0	19/5/0	
COPRA (per ton)—			
S.D. Straits, c.i.f.	10/11/3	10/13/9	
HIDES (per lb.)—			
Wet salted, Australian	0 4½	0 4½	
West Indian	0 3	0 3	
Cape	0 4½	0 4½	
Dry and Drysalted Cape	0 6½	0 6½	
Market Hides, Manchester—			
Best heavy ox and heifer	0 4½	0 4½	
Best cow	0 4½	0 4½	
Best calf	0 5½	0 5½	
INDIGO (per lb.)—			
Bengal, gd. red-vio. to fine	5 0	5 0	
LEATHER (per lb.)—			
Sole Bends, 8/14 lb.	1 1	1 1	
Barked Tanned Sole	2 0	2 0	
Shoulders from DS Hides	0 6½	0 6½	
" Eng. or WS do.	0 8½	0 8½	
Bellies from DS do.	0 5½	0 5½	
" Eng. or WS do.	0 7½	0 7½	
Dressing Hides	1 1	1 1	
Ro. Eng. Calf, 20/35 lb. per doz.	3 6	3 6	
PETROLEUM PRODUCTS (per gall.)—			
Motor Spirit No. 1, London	1 6	1 6	
Petroleum, Amer. std. bbl. Lond.	0 10	0 10	
Fuel oil, in bulk, for contracts, ex. instal. Thames—			
Purcase	0 3½†	0 3½†	
Diescl	0 4½†	0 4½†	
ROSIN (per ton)—			
American	14/5/0	14/10/0	
RUBBER (per lb.)—			
St. ribbed smoked sheet	0 8½	0 8½	
Thin hard Para	0 7½	0 7	
SHELLAC (per cwt.)—			
TN Orange	39 6	39 0	
TALLOW (per cwt.)—			
London town	16 9	16 9	
TIMBER—			
Swedish u/s 3x8 per std.	21/0/0	20/15/0	
" 2½x7	20/10/0	20/5/0	
" 2x4	18/10/0	18/5/0	
Canadian Spruce, Dis.	23/0/0	23/0/0	
Pitchpine per load	13/10/0	13/10/0	
St. Deals per std.	35/0/0	35/0/0	
Teak per load	25/0/0	25/0/0	
Honduras Mahogany logs c. ft.	0/12/0	0/12/0	
English Oak Planks	0/6/0	0/6/0	
English Ash Planks	0/7/0	0/7/0	
VEGETABLE OILS (per ton net)—			
Linseed, naked	22/7/6	23/0/0	
Rape, refined	31/5/0	31/5/0	
Cotton-seed, crude	19/0/0	19/0/0	
Coconut, crude	15/5/0	15/7/6	
Palm	13/7/6	13/7/6	
Oil Cakes, Linseed, Eng.	8/15/0	8/15/0	
Oil Seeds, Linseed—			
La Plata, Dec.	11/0/0	11/1/3	
Calcutta	12/10/0	12/12/6	
Turpentine per cwt.	32 9	33 3	

COMMODITY STATISTICS

Coal				
COAL OUTPUT ('000 tons)				
District	Week ended Dec. 3, 1938	Dec. 10, 1938	1937	1938
Northumberland	303.8	310.6	13,114.9	12,285.3
Durham	649.7	667.6	30,584.6	28,950.4
Yorkshire	889.7	938.1	41,448.8	39,007.0
Lancs, Cheshire and N. Wales	352.3	359.2	16,196.0	15,596.8
Derby, Notts & Leicester	653.5	713.9	30,773.9	29,272.6
Staffs, Worcs, Salop & Warwick	405.1	421.1	18,434.6	17,914.5
South Wales & Monmouth	692.5	692.2	35,053.2	23,244.4
Other English districts*	124.5	125.5	5,080.0	5,032.6
Scotland	618.2	636.5	29,360.8	27,757.2
Total	4,689.3	4,864.7	220,046.6	209,060.8

* Including Cumberland, Gloucester, Somerset, and Kent.

Cotton				
RAW COTTON delivered to Spinners ('000 bales)				
Variety	Week ended Dec. 9, 1938	Dec. 16, 1938	Aug. 1, 1937	Aug. 1, 1938
American	21.7	22.1	504	409
Brazilian	9.1	9.3	142	96
Peruvian, etc.	2.8	3.0	57	37
Egyptian	7.8	2.7	129	105
Sudan Sakel	2.6	4.1	68	70
East Indian	3.3	3.8	113	142
Other countries	2.2	2.5	83	56
Total	49.5	47.5	1,096	915

Metals			
SALES ON LONDON METAL EXCHANGE			
	Week ending Dec. 14, 1938	Dec. 21, 1938	From Jan. 1 to Dec. 21, 1938
Copper	Tons 6,500	Tons 4,625	Tons 463,300
Tin	1,075	1,270	88,760
Lead	7,850	5,850	377,400
Spelter	3,450	2,900	280,775

U.K. STOCKS	
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COMPANY MEETINGS

STOLL THEATRES CORPORATION,
LIMITED

CONDITIONS IN ENTERTAINMENT INDUSTRY

SERIOUS EFFECTS OF TAXATION

SIR OSWALD STOLL'S VIEWS

The tenth ordinary general meeting of the Stoll Theatres Corporation, Limited, was held, on the 21st instant, at the London Coliseum, St. Martin's Lane, London, W.C.

Sir Oswald Stoll (chairman and managing director) presided.

The Secretary (Mr Roland J. Bentley, F.C.C.S.) having read the notice convening the meeting and the auditors' report,

The Chairman said:—Ladies and gentlemen,—I rise to move the adoption of the report and accounts, which I assume may be taken as read.

Comparing the items of the balance sheet with those of the previous balance sheet: On the share capital and liabilities side—the ordinary share capital is the same. The management share capital is the same. Loans secured by sub-mortgage of mortgages, and interest thereon—the liability is down by £3,016. Bank overdraft is up by £1,200. Bills payable are up by £641. Creditors are up by £522. Subsidiary companies are up by £6,524. As to the profit and loss account, the credit balance is better than last year by nearly £5,000.

On the assets side: Investments in and advances to subsidiary companies are down by £152,780. Lease of Tyne Theatre and interest in Liverpool site are up by £14,964. Sundry stocks on hand are down by £55. Debtors are up by £57. Cash at bank and in hand is down by £408. As to the item of £148,937; this is a new item relating to the realisation of the Alhambra. This company held the bulk of the shares in the Alhambra Company. In the realisation this company received £1 6s. 6d. for each £1 share which it held. But as the Alhambra Company shares were originally taken over by this company at a higher price in paper than £1 6s. 6d. there is this difference of £148,937, which we look to being made up as times improve.

Without allowing for such sum of £148,000 odd being so made up, the statement of assets and liabilities of the group appearing on page 3 of the directors' report shows a surplus of assets of £1,457,875 against the share capital of £1,531,486 held by the shareholders, excluding the shares held by our own subsidiary companies. This represents about 19s. per share for the shareholders.

PROPERTY AND WAR RISKS

The certificate of values has been left as last year. Messrs Douglas Young and Company were of the opinion that the position throughout the country, and especially the disturbed state of the property market, made the times so abnormal that another year should elapse for settled conditions to materialise.

In our judgment it would not be right to calculate values of properties which cannot be insured against war risks. As is pointed out by the directors in their report to the shareholders, the declared policy of the board is for the properties in which it is interested to be realised.

The Government has been approached on the question of insurance against war risks. The Federation of British Industries, the City of London Court of Common Council, local authorities, and many business organisations have been urging the Government to carry out a national scheme of insurance against war risks.

In this connection I do not think that I can do better than quote what the chairman of a large property company said only last week in addressing a meeting of shareholders. He said that he regretted the absence of any facilities for insuring property against damage done by war and that the problem was not unsolvable, and that while individual insurance companies might not feel justified in accepting so formidable an unknown risk, it should be simple for them to do so in conjunction with the Government, the insurance companies bearing a percentage of the risk and the Government the remainder, with the premium divided in an equitable manner.

VALUES OF PROPERTIES PREJUDICED

The confidence of investors has been shaken for a considerable time owing to the disturbed international situation. This, together with the fact that no insurance against war risks is possible at present, has prejudiced the values of properties owned by the sub-

sidary companies and this company. It is expected that a national scheme of insurance against war risks will be formulated shortly which will no doubt help the property market considerably. These factors have also affected unfavourably the attendances at the theatres.

It is of course well known that the broadcast for A.R.P. Volunteers last March was extremely good, but on the other hand it was bad for business. The B.B.C., it is said, is about to submit a private report to the Government. In such report a demand will be made for a refund of the £1,100,000 which the Treasury deducted from radio licence revenue this year. It will also be suggested that as the Treasury has benefited to the extent of £12 millions from radio licences during the lifetime of the B.B.C., and does nothing in return for it, a Treasury grant of £2,000,000 should be made to meet B.B.C. development.

There is a decline in the profits of the B.B.C., no doubt due to its shortage of cash by reason of the increase in the number of licences not being maintained and the fall in the profits of its publications, falling income, and rising expenses. The B.B.C. is also to demand payment from State funds for certain State services rendered by the B.B.C.

LARGE AMOUNT PAID TO GOVERNMENT

This is almost like a statement of the case against Entertainments Duty which we ourselves could justly make. Our company and its subsidiaries have paid in Entertainments Duty more than £3,000,000, and the Government has done nothing for it. Of this sum at least £1,000,000 ought really to be refunded, if only because it is Entertainments Duty on the living stage which should never have been imposed, even if the duty could be justified against the cinema.

As to the other companies than ours, it is not for me to discuss the affairs of particular companies, but I should regard with doubt all stories of great success in theatres and cinemas, because the theatres where the artistes appear in person at every performance remain subject to Entertainments Duty.

I am surprised when I am told that others choose to pay dividends in spite of the duty and notwithstanding fierce competition subsidised by banks, on the guarantees of insurance companies, and notwithstanding higher rates and other adverse circumstances. When I inquire, I learn that things are said to be booming (though as a matter of fact they are not booming at all), but that the capital situation is difficult. The shares of some companies rise like rockets: then the whole situation is changed.

One company claiming great things has, I find, written down its capital by about one and a-half million pounds, but it never says anything about that. Under Entertainments Duty no entertainment can get satisfactory results. This amounts to a substantial slice out of the life of all entertainments.

The question of dividends is naturally of interest to all shareholders, including yourselves. So far as the board is personally concerned, this, of course, is of great interest, because we have a great stake in this company and naturally feel acutely the lack of dividends. The entertainment business such as we carry on is, under normal circumstances, a most paying one, and extremely good dividends are yielded by that class of business. I must mention two of the abnormal circumstances which militate against this company and also against other companies and concerns in the same line of business as ourselves.

These abnormal circumstances are foreign politics combined with the general international problems and also the Entertainments Duty which affects so grievously all entertainment enterprises.

PRUDENT FINANCIAL POLICY

You will see that the credit balance in the profit and loss account is to be carried forward, and the board think it only prudent to do this. At the same time, I am personally of opinion that the Entertainments Duty will be abandoned by the Government so far, at any rate, as it concerns the living stage.

My view in regard to the effects of foreign politics and the general international problems is clearly that, threatening though at times the outlook seems, there are strong hopes for believing that this particular cloud will disappear, and, of course, if it does, the country would be in for a long period of prosperous trade, and naturally the amusement industry would be the first to benefit.

This is quite apart from the obvious benefit which would at once accrue to this company on the abandonment of the Entertainments Duty.

But, of course, the main policy of the board is to ensure, as soon as possible, the carrying out of its policy, which is to realise the properties owned by the subsidiary companies and this company.

I beg formally to move: "That the directors' report and balance sheet at September 30, 1938, and profit and loss account for the

year ending that date be approved and adopted, and that the balance of £114,485 18s. 11d. at credit of profit and loss account be carried forward to the current year's accounts."

Mr Douglas McCraith seconded the resolution.

The chairman, having replied to questions by shareholders, put the resolution to the meeting, and it was carried by a large majority.

The retiring directors were re-elected and the auditors were reappointed.

MEXICAN RAILWAY COMPANY,
LIMITED

RELATION OF RECEIPTS TO LABOUR COSTS

The one hundred and forty-seventh ordinary general meeting of this company was held, on the 21st instant, in London.

Mr Vincent W. Yorke, who presided, in the course of his address, said: There has been no change for the better in our affairs since our meeting in June last and the very gloomy anticipations which I held out to you then have been fully realised. There have been few developments in the last six months either in political or commercial circles, and our own situation has continued steadily to deteriorate.

As regards the half-year under review, both passenger and express receipts show increases amounting together to some P53,000, and national goods traffic an increase of P39,000, but foreign traffic, which is the best paying traffic which we carry, is down by no less than P298,000. Working expenses, however, in spite of the volume of traffic being slightly decreased, show an increase of P345,000, or 4.5 per cent. We show a truly deplorable result of a loss of P75,000 for the half-year.

As regards the current half-year, gross receipts show the serious decrease of P651,000 at the end of October and P703,000 at the end of November.

The question is constantly present in our minds as to how long we can keep the business alive in the face of continuous losses. We can resort, of course, to the usual expedients adopted by companies who get into low water; neglect the upkeep of the property and get such extensions of credit as we can from our suppliers. But it is difficult to neglect such a property as we operate without allowing it to fall into a dangerous state.

The only favourable solution of the problem that I can imagine, and it certainly is not in sight to-day, is that pressure may be brought to bear on the Government by the National Railways of Mexico. These railways were expropriated by the Government last year and handed over to a syndicate of employees last January. Their management is suffering from exactly the same troubles as we are, and it is difficult to see how this large system is to be worked with any degree of efficiency under present conditions. There would seem to be two remedies open to the Government, to apply either an increase in rates or a cut in wages. Any measure in either of these directions would necessarily have to be applied to our railway also, and might offer some relief from our present disabilities. Unless, however, some action of this sort is taken by the Government every railway in the country must fall not only into financial but physical bankruptcy in the not remote future. So far the property has been maintained in quite fair order.

As regards general conditions the situation is still dominated by the oil question, which seems to be no nearer a settlement than it was six months ago. The output of oil, which is of immense importance to the Government as a source of revenue, has seriously diminished, and they are finding great difficulty, it is understood, in disposing of such oil as is not needed for internal consumption. Exchange, which stood six months ago at 3.95 to the United States dollar (after having been pegged at 3.60 for three years or more), has now fallen to nearly 5 to the dollar. This fall in exchange hits our business very hard. It appears to me impossible to-day to find any point on the Mexican horizon from which to derive any comfort.

Our debenture holders approved last month of an extension of the existing scheme of arrangement for a moratorium for a further three years.

The report was unanimously adopted.



EST. 1795
V.S.O.P.
LIQUEUR BRANDY

MATURED AND BOTTLED AT CHATEAU DE COGNAC

UNITED MOLASSES COMPANY,
LIMITED

STRONG FINANCIAL POSITION

FAVOURABLE PROSPECTS

The thirteenth annual general meeting of the United Molasses Company, Limited, was held, on the 16th instant, in London.

Mr F. K. Kielberg (chairman and managing director), in the course of his speech, said:—The first point I shall deal with is the sale to Messrs Tate and Lyle, Limited, of Macfie and Sons' refinery, Liverpool. Owing to the age of the plant and the unfavourable location, it had become increasingly difficult to operate Macfie's refinery economically, and we recognised, even at the time of our purchase of the controlling interest in that company, that it would be unavoidable at an early date to scrap the plant and build a modern refinery in a more suitable location. This would have involved a large capital expenditure and the transfer of the business to another port. Such a transfer would have meant a serious loss to Liverpool, and would have caused great hardship to many business interests directly or indirectly connected with the activities of the company. To have incurred so large a capital expenditure so soon after our acquiring the controlling interest in Macfie's might furthermore have made it very difficult for your company to make adequate provision for compensation and pensions to the old employees of Macfie's. The sale to Messrs Tate and Lyle, Limited, greatly helped to solve this grave problem. Their refining capacity in Liverpool was sufficient to absorb the Macfie business without any capital outlay on new plant, and made it possible to include in the purchase price a sum sufficient to make suitable provision for old employees.

NEW TANKERS ORDERED

In consequence of the sale of the motor vessel "Athelchief" and the need of replacing within the next few years the company's two tank steamers "Athelmer" and "Athelstane," of 8,300 tons deadweight capacity each, we have recently invited tenders for three motor tank vessels—two of 10,500 tons deadweight capacity each, and one of 12,500 tons deadweight. The total cost of these three vessels will be approximately £600,000. No question of additional finance arises, as the company's resources are obviously ample to meet this capital expenditure, which will be spread over approximately two years. Although the present position of the tanker market is far from satisfactory, and a large amount of tonnage is lying idle, your directors have sufficient faith in the future development of the company's business to consider it advisable to place the orders for these three tankers now. We feel convinced that the company will need the additional tonnage by the time the vessels can be ready for service in two years' time.

CAPITAL AND ASSETS

Some disappointment has been expressed at our failure to submit to this meeting a recommendation to write up the nominal value of the ordinary shares to at least 10s. in order to bring the issued capital more into line with the capital actually employed in the business. From the ordinary stockholder's point of view it makes, of course, no difference whether the nominal value of the company's shares is 6s. 8d., 10s. or 20s. The actual net value of the assets and the earning power of the company are the facts which are of importance to the stockholder, but I must admit that it frequently proves a handicap to the management of a company to have an issued capital much below the true value of the assets employed in the business. This tends to create an exaggerated idea of the company's prosperity, and to be a cause of embarrassment to the executive in many different ways.

On the other hand, a company with world-wide interests cannot, in questions of financial policy, afford to ignore the disturbed international situation prevailing throughout the world to-day. That is the main reason why your directors have decided for the time being to postpone the consideration of this question. We want to feel satisfied that the world barometer is set fair before even considering so important a step. Some stockholders have expressed the fear that legislation may kill the use of molasses in the production of power alcohol, and the company's earnings in consequence suffer a severe setback. Personally, I see no reason to fear that the Government will adopt measures likely to kill the use of power alcohol in this country, but should this happen, the effect on the company's earnings would be hardly noticeable.

Deliveries during the first two months of the current financial year showed a 20 per cent. increase over deliveries during the corresponding period of last year, and prospects appear reasonably promising.

The report was unanimously adopted.

AERATED BREAD COMPANY, LIMITED

THE NEW BUILDINGS

LORD GREENWOOD'S SPEECH

The eighty-fifth annual general meeting of the Aerated Bread Company, Limited, was held, on December 16th, at Caxton Hall, London.

The Rt. Hon. The Viscount Greenwood (the chairman) said that it was common knowledge that the year covered by the accounts under review that day had been one of difficulty to all engaged in the catering industry. The general recession in trade which had intensified as the European crisis in September approached, and the higher prices for commodities which had had to be paid, had taken toll of profits throughout the trade. This company had borne its share of the common burden. In addition, and in particular to this company, the year under review had been one of transition. Their old bakeries and factory had disappeared. In their place and on their site now stood one of the most modern plants in existence.

After explaining the differences in the various items in the balance sheet, he went on to say that the reserve for obsolescence on reconstruction of factory, which last year had amounted to £110,000, had been utilised for the purpose for which it had been created, namely, to write off the total book values of all the buildings demolished and all the plant scrapped or rendered obsolete. Future profits would not be burdened with any further charge in that connection.

The development reserve, £50,000, had been created out of the balance available from their taxation settlement. It would be utilised in providing for the obsolescence which inevitably arose in the reconstruction and modernisation of branches. Such modernisation was a fundamental requirement in the progress of the business. The general reserve at £43,300 remained unaltered.

DIVIDEND OF FIVE PER CENT

The balance from trading account after all expenses amounted to £179,415. Increased prices of foodstuffs only had cost the company nearly £18,000 more in 1938 than in 1937, and increased rates £1,600 more than in the previous year and nearly £13,000 more than three years ago. Dividends from subsidiary companies represented a return of 7½ per cent. net, equal to more than 10 per cent. gross.

That was the ninth year in succession in which a dividend of 5 per cent. had been paid. Over those nine years the net assets of the company had been increased by over £130,000 after the provision out of profits of more than £672,000 for depreciation and obsolescence and the distribution of nearly £700,000 in dividends to shareholders. The total number of ordinary shareholders was over 7,500 and the average holding was slightly over 160 shares each.

A LONG-TERM POLICY

In his address two years ago he had said that they did not limit their vision to the immediate future. They had planned and were pursuing a deliberate long-term policy for the extension, development and the improvement of the whole business. That policy included the reconstruction and modernisation of their branches and the rebuilding and re-equipment of their bakeries and factory. Many of their branches had now been reconstructed and modernised. Many more would be undertaken and completed in the current year and in the future. The past year had seen the peak of their effort in connection with their bakeries and factory. The current year would see the final completion of that portion of their task. They were now in a position to concentrate their efforts on the further improvement of their products, the reduction of their costs and to giving even better value to their public. They did not enter into full possession of their improved manufacturing facilities until next month. The current year could not receive the full benefits ultimately to be derived from their new plant.

THE FUTURE

Shareholders generally expressed a desire to hear something about future prospects. It was seldom wise to take up the rôle of prophet and he could not call to mind in his long experience an occasion or period when the realm of prophecy was less safe than it was to-day. He regretted that there was in some quarters an unjustifiable timidity which seriously affected the trade of the Metropolis and a loud pessimism which might slow down the influx of visitors from the provinces and all parts of the world. Those visitors made for the prosperity of London and were in a large measure potential customers. As far as the board of the company was concerned, they declined to be pessimistic. They were determined to continue their long-term policy of development and, subject to interruption from causes beyond their control, their confidence in the future of the company remained unabated.

The report was unanimously adopted.

BOWATER'S PAPER MILLS, LIMITED

RESULTS REFLECT TRADE RECESSION

The annual general meeting of Bowater's Paper Mills, Limited, was held, on the 22nd instant, at Southern House, Cannon Street, London.

Mr Eric V. Bowater (the chairman of the company) who presided, said that a year ago he had had occasion to refer to the recession in business beginning to make itself apparent, due, he suggested, to the unsettled international situation. The prolongation and intensification of those unsettled conditions had been accompanied by a falling off in trade which had become more pronounced as the International situation deteriorated during the course of the year. It was not to be expected that their industry would escape the far-reaching effects of such a universal recession in trade.

Dealing with the results of the associated companies, the chairman said that the combined trading profits of those companies for the year under review, excluding inter-company dividends, had amounted to £775,000, which, after providing £270,500 for depreciation and £63,000 for debenture interest, had been sufficient to cover the £413,500 required for preference dividends with a margin of £28,000.

ACQUISITION OF CORNER BROOK COMPANY

A year ago he had spoken of negotiations with the Government of Newfoundland and other interested parties in connection with the acquisition in that country of a permanent source of supply of raw materials, of which their requirements aggregated approximately 1,000,000 tons per annum. Those negotiations had envisaged the acquisition of the Cander River timber limits on the east coast of Newfoundland, and the erection of a sulphite pulp mill with the appropriate housing accommodation for employees, and so forth. Early in the present year, however, it had been intimated to the board that the International Paper Company of America was disposed to consider the sale of its holding of the entire common stock of the International Paper and Paper Company of Newfoundland, owning pulp and paper mills at Corner Brook, and extensive timber limits on the west coast of Newfoundland. On examination of that project it had been found that much of what they themselves needed and regarded as necessary could be obtained therefrom both sooner and on a more economical basis.

As shareholders had been informed, negotiations for the acquisition of the common stock of that company were brought to a satisfactory conclusion during the summer.

The Government of Newfoundland had been immediately informed of the change in the company's plans, and negotiations in regard to the Cander River limits had recently been satisfactorily concluded on terms that did not necessitate the erection of a sulphite mill on the east coast of Newfoundland, and the Corner Brook Company had also entered into an agreement for the acquisition of the Cander timber limits from the owners thereof. For the purpose of financing the acquisition of the common stock in the Corner Brook Company, their company had formed Bowater-Lloyd, Newfoundland, Limited, which company had made an issue of £1,250,000 4½ per cent. debenture stock. In connection with the operation a large measure of support had been received from their many stockholders, and they had also been accorded the whole-hearted approval and co-operation of their newspaper customers in this country.

A MAGNIFICENT BUSINESS

Shareholders would have gathered from his remarks that they possessed a magnificent business, resting on wide and firm foundations. As a result of the acquisition of the Corner Brook mills, they were now the largest newsprint manufacturers in the world, with mills equipped with up-to-date plant and machinery, and capable of meeting any fair competition, and they enjoyed the goodwill of the newspaper and publishing industries. The past two years had been undoubtedly the most difficult through which the company and its English associates had ever passed. The fact that during that period they had been able, after providing out of revenue approximately a million and a quarter pounds for maintenance and improvement of plant and machinery and depreciation, to earn sufficient to pay debenture interest and the full dividends on all their preferred capital, must be regarded as some indication of their earning power in normal times.

There were signs pointing to some revival in world trade, and, granted a period of tranquillity and reasonable trading conditions, the directors looked forward to the future with greater confidence than had been possible twelve months ago.

The report was unanimously adopted.

CARRERAS, LIMITED

ANOTHER RECORD PROFIT

The thirty-fifth annual general meeting of Carreras, Limited, was held, on the 19th instant, at Arcadia Works, Hampstead Road, London.

Mr Edward S. Baron (chairman and managing director of the company), who presided, said: Ladies and Gentlemen,—The net profit for the year, after charging all expenses, including the full amount of advertising and making full provision for depreciation on buildings, plant and machinery, is £1,604,634, an increase of £253,038 on the previous record reported last year. The amount brought forward was £1,026,671, making the total sum available £2,631,305.

A contribution to the superannuation fund for the men has been provided for on the usual basis, and your directors propose that a further sum of £20,000 should be allocated to the female staff pension fund, making the fund £45,656. Your directors are confident that the shareholders will be in full agreement with their desire to strengthen this fund from time to time.

ISSUE OF BONUS SHARES

After making provision for income tax and National Defence Contribution, the preference shares dividends and a dividend on all classes of ordinary shares at the same rate as last year, there remains a balance of £1,484,681 to be carried forward. Your directors have given very careful consideration as to how this balance should be dealt with, and have come to the conclusion that a further step should be taken towards adjusting the capital of the company so that it may be more commensurate with the magnitude of your business. They therefore recommend that £1,240,100 be capitalised, which will permit of bonus shares being distributed in the proportion of four "B" ordinary shares for each ordinary and/or "A" ordinary share and one "B" ordinary share for every two "B" ordinary shares held by shareholders on January 4, 1939.

This is our thirty-fifth annual meeting and it finds your company in an even stronger financial position than at any period in its history!

It may not be inappropriate to repeat words used by the late Mr Bernhard Baron ten years ago at the twenty-fifth annual meeting, when he said: "I think you will agree that as shareholders we are fully justified in being proud of our record and in giving and receiving congratulations on the results of twenty-five years of successful work." The successes of those earlier years have been continued through a further decade, and prove, I hope, that we have not only availed ourselves of the lessons taught by past experience, but have endeavoured to adapt our policy to the requirements of modern conditions.

In the industry to which we belong there has been and continues to be strong but healthy competition. The results of the past year, however, show that our brands have steadily grown in public favour; our home sales have expanded in all parts of the country, and export sales have also increased in spite of the very difficult world conditions.

Members of the board have visited U.S.A., Canada and Continental countries during the year and these personal contacts have been and are invaluable in the development of our export business.

INCREASING POPULARITY OF BRANDS

The progress of our business is primarily due to the increasing popularity of our brands and their consistently high quality, but there is another factor which is of great benefit to the company. I refer to the increased efficiency which we are always striving to attain through improvements to our plant and general organisation. The service we receive from our factory and office workers and from our sales and publicity staff at home and abroad is worthy of our appreciation and thanks, and, as a tangible expression of that appreciation your board has decided to make a Christmas gift of two extra weeks' wages to every employee who has been with us during the whole of the past twelve months, and of a proportionate amount to those with shorter service.

This business has been built up by courage, optimism and a progressive spirit; also a constant vigilance to ensure quality and value to the public, and a considerate attitude towards the staff. With the continuance of the policy which the board are pursuing, we face the future with confidence.

With regard to the coming year, I am happy to say that so far sales are in advance of the same period a year ago—and, if general conditions remain fairly normal, your directors hope to be able to maintain and still further develop the prosperity of your business.

The report was unanimously adopted and a final dividend making 35 per cent., less tax, on all classes of ordinary shares was approved.

MITCHELL COTTS & COMPANY, LIMITED

A HIGHER DIVIDEND

The ordinary general meeting of Mitchell Cotts and Company, Limited, was held on the 20th instant, in London.

Mr Alexander Hamilton, chairman and managing director, said that the balance of £69,518 available for reserve and dividend had been earned on ordinary capital of £379,648 as compared with £29,019 on an ordinary capital of £200,000 a year ago. A final dividend of 7 per cent. was now recommended, making 11 per cent. for the year, compared with 10 per cent. a year ago.

Last year he had referred to the difficult conditions prevailing in South Africa which had hampered the company's coal business in Natal. Those difficulties had eventually passed, and they had been able to reap some benefit from the better trading conditions, as a result of which profits from their coaling business had shown a satisfactory improvement. The steamers owned by the subsidiary companies, the Saint Line and Sun Shipping Company, had done well, and though the present world freight situation was less favourable than could be desired, the future of British shipping was receiving careful attention from shipowners and Government.

The results from their acquisition of Fraser and Chalmers (S.A.), Limited, were very satisfactory, and the present year promised also to be good. The other general operations of the company's subsidiaries in South Africa remained very helpful to the successful working of the whole organisation.

All days and Onions had also had a successful year, and the extra expenditure authorised a year ago on extensions and improvements now approaching completion it was believed would add considerably to the earning power of those works. The board were continually on the look-out for new sources of revenue and for that reason, and also because it fitted in admirably with many of the company's existing ramifications, they had had no hesitation in acquiring the shares of Contomichalos Darke and Company (1929) Limited, with its subsidiaries which operated mainly in the Sudan and Egypt. Shareholders would be asked to authorise an increase in capital to provide for that purchase and for other future purposes.

The report was adopted and the increase of capital approved.

IND COOPE AND ALLSOPP, LIMITED

ANOTHER GOOD YEAR

The twenty-sixth ordinary general meeting of Ind Coope and Allsopp, Limited, was held, on the 20th instant, in London.

Colonel the Right Hon. Sir G. L. Courthope, Bt., M.C., M.P. (the chairman), said that the company had had another good year. Explaining the considerations which had led the board to increase the ordinary stock issued by £218,213, the chairman said that they had been spending a lot of money on public-house improvement and rebuildings, a policy which had been thoroughly justified by experience, but it absorbed a lot of cash and they thought it advisable to replenish their coffers before they got too low. They wished at the same time to give something by way of bonus to the stockholders. They also wished to bring the issued capital into closer relationship with the actual amount of working capital employed in the business.

With these considerations in view the board decided to offer existing stockholders one share for every eight held at the price of £3. This gave them a substantial bonus, provided the company with over £600,000 in cash, and enabled them to add over £400,000 to general reserve. This addition would enable them to issue a further share for every five now held, to write off a substantial sum from certain wasting assets, and to retain the general reserve at the satisfactory figure of £1,000,000. This proposed issue must not be regarded as having a bonus value.

The trading profit for the year showed an increase of nearly £25,000. The board recommended a final dividend of 20 per cent., less tax, on the ordinary stock, making a total of 27½ per cent. for the year. It was also proposed to capitalise £392,782 by the issue to the ordinary stockholders of one share for every five now held.

There now appeared to be some recovery in trade conditions which justified an optimistic view of the future, and he was confident that they would obtain their full share in any improvement which took place.

The report was unanimously adopted, and the proposed capitalisation of reserves was approved.

At an extraordinary general meeting held subsequently a resolution was passed adopting new articles of association.

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

SATISFACTORY PROGRESS

The annual general meeting of this Company was held, on the 21st instant, in London.

Sir Alfred P. Sherlock (the chairman) said that the profits amounted to £98,604. That was somewhat better than anticipated when he addressed shareholders a year ago and, in view of the conditions which had existed were, he thought, extraordinarily good. One of the most satisfactory features was that those profits included only a moderate dividend from their main subsidiary, Bookers Demerara Sugar Estates, Limited.

Their general business had been well maintained, but, as the colony in which they were principally interested had to restrict the cultivation of its staple crop under the International Sugar Agreement, he was afraid they could not look for much, if any, increase of business, because he did not see immediate prospects of any very great development in other directions.

It was unwise to-day to make any forecast, but unless something unforeseen happened he hoped the excellent results achieved this year might be repeated, although their estates company would not do so well. Their business was of its very nature speculative, but the company was in a better position to-day to meet setbacks than at almost any period of its existence.

One criticism he had sometimes heard was that their position was not liquid enough, but that was more apparent than real because, if they took the business as a whole, their main subsidiary had, in addition to the £232,000 cash lent to the parent company, investments of over £250,000, of which £150,000 were realisable at any time and therefore had an investment and interest income of over £20,000 per annum. There was a further reason for the proposed issue of 40,000 new 6 per cent. cumulative preference shares, which was that, in view of the excellent year, they were anxious to give the ordinary shareholders a small bonus and were not willing to borrow money to do that. Preference shareholders, however, need have no anxiety about their security.

The report was unanimously adopted.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

RESTRICTION OF UNDERWRITING ACTIVITIES

The fifth annual general meeting of this company was held at 9 Leinster Street, Dublin, on the 15th instant.

The Chairman, Mr J. P. Colbert, in moving the adoption of the report and accounts, said:—We present the accounts to you this year in a slightly different form. We show the amount of our loans and advances in the balance sheet after providing for reserves, and the figure shown for investments is also after deducting reserves. The amount appearing in the balance sheet in respect of our investment portfolio is substantially under the market value of the investments according to the most recent market quotations. Also we are of opinion that the intrinsic value of many of the investments is in excess of the present depressed market values.

Turning now to the profit and loss account we report, in respect of the latest year, a gross profit of £32,995, being a decrease of £5,630 on last year. The net profit, at £25,207, shows a decline of £5,781. The reason for the decline is that during the year our underwriting activities were restricted owing to the serious depression in the stock markets. The flotation of the £10 millions financial agreement loan and the international tension during portion of the year brought about a situation in which we considered it would be advisable to defer the bringing out of industrial issues. In consequence, our revenue from the underwriting of public issues has shown a decline, and the board have reluctantly come to the conclusion that the final results for the year, though very satisfactory in the circumstances, are not sufficient to justify the payment of a dividend. At the moment, however, we have under consideration the underwriting of a very substantial amount of new issues.

Deducting the provision for income tax and corporation profits tax from our net profit, and adding the balance brought forward from last year, there remains a total to be dealt with of £28,090. Of this sum we propose that £10,000 be added to our reserve fund and £7,500 to the investment reserve, leaving a balance to be carried forward of £10,590.

Our total underwriting turnover since the commencement of business is now £4,597,107, making a total of issues by companies in the Dublin market since we were established, amounting to £7,490,249.

SCOTTISH AUSTRALIAN COMPANY, LIMITED

ADVERSE PASTORAL CONDITIONS

The annual general meeting of the Scottish Australian Company, Limited, was held, on the 16th instant, in London.

Mr J. C. Inglis (chairman and managing director), in the course of his speech, said:—This year we do not have to go back to the bad figures of the year 1935, but, as compared with £75,000, we have come back to a net profit of not quite £300. You will naturally inquire how this has come about. First, the seasons were most unpropitious, for we had drought conditions which have been stated to have been the worst for nearly forty years.

It is true that in the year we are dealing with we had a large increase in the volume of our clip, thanks to the reasonably full stocking of all our stations. That was not sufficient to counteract the entirely inexplicable and unjustifiable decline in the world prices of wool.

The real problem before the board was whether in all the circumstances a dividend should be paid on the consolidated ordinary stock. In the past the ordinary stockholders have been the real contributors to a considerable part of the reserve fund, and it therefore seemed to us that the comparatively small call we have made on the reserve fund to pay a dividend of 3 per cent. on the ordinary stock was in accordance with the spirit of our regulations.

You will now wish me to speak of the future. What about the price of wool and the seasons? Although we have got a fine clip of wool for disposal, and competition is quite keen, the price of wool is not what the commodity requires.

As regards the seasons, at present we have no pronounced lack of rain, except, perhaps, on some of our wheat-growing properties, but the pastures have grown dry, and we should warmly welcome bounteous rains in all parts of Queensland and New South Wales. I am glad, however, to tell you that our big new freehold property in New South Wales is enjoying a better season. Though the results of the past year were disappointing, there is no need for discouragement. Our balance sheet shows how strong we are financially. We have many fine properties, ably managed. Every year the quality of our wool improves. With decent seasons and reasonable prices for wool our results should be satisfactory to us all.

The report was unanimously adopted.

ANGLO-ECUADORIAN OILFIELDS, LIMITED

PRODUCTION AND PRICES

The twentieth annual general meeting of Anglo-Ecuadorian Oilfields, Limited, was held, on the 20th instant, at Winchester House, Old Broad Street, London.

Mr H. C. R. Williamson (the chairman), after referring to the effect of the action taken by the Ecuadorian Government early in 1938 under a series of what he described as arbitrary decrees directed against foreign companies, and to the recent election of Dr Mosquera as President, said that political conditions in Ecuador remained exceedingly uncertain. It was, however, anticipated that an early return to normal conditions might be looked for, and the directors were not without hope that, in this event, favourable consideration might be given by the authorities to the various questions which were still at issue between the Government and the Company. Work on the field had proceeded normally, but they had not been fortunate in their ordinary deep drilling, only one deep well having been brought in during the year. Nevertheless, production from the old wells had not only been maintained, but actually increased. The shallow drilling area had continued to develop along satisfactory lines.

With regard to the oil market, the prices of crude oil at the wells in the Texas and mid-continent fields were reduced in September and October last by, in all, 20 cents and 25 cents per barrel respectively. These cuts, if maintained or aggravated, could not but have an adverse effect upon the Company's profits. In view of the good statistical position of the industry in the United States as regards stocks of crude and some products, one would have expected that crude oil prices could have been maintained. What was required was co-operative action in the United States, but this was difficult in view of the anti-trust laws. They could only hope that the efforts now being made to overcome the existing difficulties would be successful and so result in better world prices for crude oil.

The report and accounts were unanimously adopted, and a dividend of 10 per cent., less tax, was declared.

MALAYAN TIN DREDGING, LIMITED

DIVIDEND OF 65 PER CENT.

The twenty-seventh annual general meeting of this company was held, on the 16th instant, in London.

Mr C. V. Stephens (the chairman), in the course of his address, said:—The average permissible output for the year worked out at 64.75 per cent. of assessed production, a decrease of 8.25 per cent. when compared with the previous year's average. The quantity of ground dredged, 11,617,300 cubic yards, was nearly 1½ million cubic yards more than in the previous year. The average recovery of concentrates was 0.33 kati per cubic yard. The total quantity of tin ore produced was 2,303 tons. The average price realised for ore sold was £131 7s. 3d. per ton, as against £145 4s. 11d. for the previous year.

The net profit for the year is £157,745. The directors recommend payment of a final dividend of 10 per cent., making 65 per cent. for the year, and leaving £71,589 to be carried forward. The total dividend paid for the year of 65 per cent. has been exceeded only twice in the history of your company.

At the last annual meeting I was able to inform you that the company had entered into an agreement to prospect an area of some 6,000 acres, with the right to select up to 3,000 acres. The prospecting of this land was started towards the end of last year, and the progress already made justifies us in entertaining the hope that we shall be successful in proving an area large enough to make a very substantial and valuable addition to the life of the property.

It has always been my opinion that the standard tonnage allotted to Malaya at the inception of the Restriction Scheme in 1931 did scant justice to her productive capacity. Nevertheless, I consider the scheme has from its inception proved to be of the greatest service to the tin industry of that country, and I regard the raising by the International Tin Committee of the standard tonnage from 71,940 tons to 77,335 tons as from July 1st last as placing the production of Malaya on a much more equitable basis.

The year under review started with a permissible domestic quota of 80 per cent. in the F.M.S., but owing to the severe recession in American industrial conditions, the International Tin Committee found itself compelled to reduce from time to time the permissible production percentage.

The report was unanimously adopted.

SOUTHERN MALAYAN TIN DREDGING, LIMITED

BRIGHTER OUTLOOK FOR THE INDUSTRY

The twelfth annual general meeting of this company was held, on the 16th instant, in London.

Mr C. V. Stephens (the chairman), in the course of his address, said:—The permissible output in Malaya for the year averaged 64.75 per cent. of assessed production. The quantity of ground dredged during the year was 15,499,900 cubic yards, 1,670,700 cubic yards more than in the previous year. The average recovery of concentrates was 0.35 kati per cubic yard, and the total quantity of tin ore produced was 3,201 tons. Sales of ore realised an average price of £127 3s. 4d. per ton. The balance available is £36,346, out of which the directors recommend payment of a final dividend of 2½ per cent., making 38½ per cent. for the year, and leaving £25,533 to be carried forward.

Last year I referred briefly to the detrimental effect of the abnormal fluctuations in the price of tin. I suggested that the introduction of a buffer stock scheme would impart a reasonable measure of stability to the price in the interests of both producers and consumers. The scheme was subsequently brought into operation under the auspices of the International Tin Committee, and although it is somewhat early days I consider the influence it has already exercised on market operations during recent months has greatly assisted in raising the price from £170 to the present figure of £215 per ton. I believe the scheme will prove to be of great benefit to the consumer in ensuring him his supplies at a reasonable price, and to the producer in giving him a fair price for his produce. In addition it should ease in some degree the drastic quota changes to which operations have been subject in the past.

Your company possesses a fine fleet of dredges and a very valuable property, and it is in a better position than most companies to withstand the strain of adverse economic conditions. With the armament programme in operation in this country and the large expenditure which is shortly to commence on armaments in America, we have reason to think that the worst stage of the trade recession is now behind us and that we may look forward to a return of more healthy conditions for our industry.

The report was unanimously adopted.

KILLINGHALL TIN, LIMITED

DIVIDEND OF 15 PER CENT.

The ninth annual general meeting of Killinghall Tin, Limited, was held, on the 20th instant, at 7 Martin's Lane, London.

Mr W. Arthur Addinsell, the chairman, said in the course of his speech:—The net profit amounts to £26,782 (after charging the annual premium of £7,900 on the capital redemption policy), equal to about 17½ per cent. on the issued share capital, and it savours somewhat of ingratitude to describe the results as disappointing. Yet that is a fair description when comparison is made with previous years, and especially last year, when the profit amounted to £103,620, equivalent to over 68 per cent. on the issued capital.

Last year the sales of tin ore amounted to 675 tons, as compared with 1,084 tons in the previous year. The average gross price realised per ton was £136 as compared with £177. The average recovery per cubic yard was 0.57 lbs. against 1.11 lbs. The working cost per ton rose from £33 to £52 as a consequence of the decline in recovery. The adversities of the year do not reflect upon the potential value of your property, the operations of the dredge, or the efficiency of the local administration.

The company has entered into an arrangement with the Killinghall Rubber Company to acquire a mining sub-lease over a further 104 acres. The area is described by our general managers as likely to prove payable under favourable conditions. To what extent the whole will be dredgable has not yet been ascertained, but clearly it will add to the life of the mine.

An item appearing for the first time is an investment in Felspar Prospectors, Limited, representing a holding of 8,000 shares of \$1 (2s. 4d.) each, on which 30 cents (approximately 8½d.) per share was called up to the date of the accounts. Felspar Prospectors, Limited, was registered in the F.M.S. under the auspices of Messrs Osborne & Chappel, and its objects are, as its title implies, to prospect tin-bearing areas in the Malay Peninsula and elsewhere. The shares were allotted to the group of companies under the local management of Messrs. Osborne & Chappel, approximately in proportion to their assessments under the Tin Restriction Enactment. I need not dilate upon the advantage secured by this unity of policy and control, and I trust it will prove a profitable investment.

The report and accounts were adopted and a final dividend of 2½ per cent., making 15 per cent. for the year, was declared.

ARISTON GOLD MINES (1929), LIMITED

INCREASE OF CAPITAL APPROVED

The ninth ordinary general meeting of the Ariston Gold Mines (1929), Limited, was held, on the 20th instant, in London.

Mr Francis Allen (the chairman) said that to-day their ore reserves of 1,082,833 tons stood in their books at a cost of 2s. 1d. per ton, as against their previous year's figure of 929,907 tons at a cost of 2s. 8d. per ton. An interim dividend for the current year at the rate of 10 per cent., less tax, would be paid on January 12th next.

They were asking shareholders to approve an increase in capital to meet heavy capital expenditure, already incurred, and to meet further capital expenditure which would be necessary to complete the new shaft to the 20th level ready for use and also continue the sinking of the shaft to the 24th level, together with the further necessary equipment for dealing with the increased tonnage. They had to finance the development south from their new shaft and to open up the Anfargah property and also the deep drive northwards. That explained why they were asking for £280,000.

The most important feature was the persistence in depth of their main orebody and the discovery of their No. 2 orebody, as also payable values encountered between their north shaft and their new shaft, but it was too early yet to bring in any additions to the ore reserves from those sources other than the No. 2 orebody. The reduction in working costs and the increase in the ore reserves they considered most gratifying.

Close investigation had provided that further careful exploratory work should be carried out at Broomassie and they had been in consultation with the Marlu and Gold Coast Selection Trust companies and their technical advisers on the question of forming a separate company. In any new company Ariston would have a very substantial interest, but its financial obligation would be limited to driving their deep levels from the north shaft out to Broomassie. Under the new scheme the Marlu company would carry out an intensive prospecting campaign over the Ariston area to investigate the value of known occurrences of crush zones similar to those deposits now being so successfully worked by the Marlu company.

The report was unanimously adopted and the increase of capital to £900,000 by the creation of 800,000 shares of 2s. 6d. each was approved.

LONDON AND RHODESIAN MINING AND LAND COMPANY, LIMITED

SATISFACTORY PROFIT

The ordinary general meeting of this company was held, on the 16th instant, in London.

The Right Hon. Viscount Elibank (deputy chairman), in the course of his speech, said that the result of the year's working was a profit of £104,540, which must, in view of the conditions which had been ruling, be considered satisfactory. The addition of the balance from the previous year made a total available of £152,292, of which stockholders had had £100,000, being at the rate of 10 per cent. for the year, distributed as to 5 per cent. interim dividend and 5 per cent. final dividend.

There was an increase in the total of their investments of roughly £26,000. Those investments had a total valuation at June 30th of £783,785, or an appreciation of £200,000, which was really a further unrealised profit. Of the total of the investments at £583,926 approximately 90 per cent. was dividend or interest earning securities.

Even on the basis of last year's figures, when times had been by no means propitious, they had a revenue coming in of about £85,000 a year, apart from any profit on ranching or profit from the sale of shares. Their usual dividend of 10 per cent. should therefore, unless something unforeseen occurred, be maintained. He was pleased to advise stockholders that the directors had now declared an interim dividend in respect of the current year of 5 per cent. actual, less tax.

After dealing with their various share interests, he said that royalties from mining interests amounted to £14,001, compared with £15,474, there being five fewer producing properties. As to their real estate, they had sold 19,883 acres during the year, and had disposed of Taramal House and Agency Chambers in Bulawayo at satisfactory prices. With regard to their farming and ranching interests, they were able to report that they had had improved results; the price realised for the stock sold coming out at £5 17s. 11d. per head, compared favourably with £4 14s. 9d. in the previous year and £3 18s. in the year before. They expected, therefore, that owing to the more favourable conditions they would receive a better return on their investment in ranching after all the bad years they had been through.

The report and accounts were unanimously adopted.

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at the end of the year will show serious losses. However, the worst is past, and the outlook is better both with home and export markets. The trade welcomed the reduction in the heavy American duties on semi and fully manufactured materials and is looking forward to an improvement in exports to the United States in the coming year. It is reported that the Government of the United States is contemplating a reduction in import duties on raw wool in order to develop a bigger export trade with Australia.

THE COMMODITY MARKETS

ALTHOUGH there was no appreciable increase in the volume of purchases, the movement of the prices of many important primary products in this country and in the United States has been in an upward direction during the week ended last Wednesday. The firmer price trend is due mainly to the improvement of business confidence in the United States and to the sustained recovery in the pound in terms of dollars. Thus, Moody's index of the prices of staple commodities in the United States (December 31, 1931=100) rose from 140.4 to 141.3 during the week ended last Wednesday. Since many consumers may be expected to increase their purchases of raw materials early in the New Year, the outlook for prices seems now more favourable than in recent weeks.

Wheat, exceptionally, showed a further decline in price after the publication of the official estimate of the yield of the Argentine crop. Raw sugar was again marked up. Cotton was dearer on bearish crop news from India, and linseed was marked up following the publication of the first official estimate for Argentina, which was lower than expected. Among non-ferrous metals, tin was unchanged in price, but copper, lead and spelter registered an advance.

Metals

Copper.—The price of standard cash closed on Wednesday at £44 per ton, showing a net gain of £1 on the week. The demand was very small as a result of the pending holidays and the end-year preparations. Simultaneously, however, offerings showed a sharp con-

traction so that the undertone of the market was remarkably firm. Reports indicate that the domestic price in the United States will probably be maintained at its present level of 11.25 cents per lb., as the reimposition of restriction outside that country on December 15th had a very encouraging effect on United States sentiment. At 11.25 cents per lb. the U.S. domestic price shows a substantial premium over the London quotation, so that exports from that country are being discouraged.

Tin.—The price of tin closed unchanged on Wednesday at £214 per ton. The price fluctuated within fairly wide limits during the week. The activity of the Welsh tinplate industry has declined in the last few weeks, but reports from the United States speak of a pending increase in the employment of tinplate mills there. It is believed that consumers' stocks on the other side of the Atlantic have fallen substantially in recent months and need replenishment. The tin outlook, therefore, remains encouraging, particularly as an increase in buying will make the market dependent on pool releases and the pool will hardly sell at current prices.

Lead and Spelter.—The price of lead rose by 10s. to £15 2s. 6d. per ton, while spelter gained 5s. to close at £13 17s. 6d. per ton. In both cases the rise was more or less due to the strength of copper prices. The Metallgesellschaft figures of the world's lead smelter output for October are disappointingly high and do not indicate any restriction of output. At 106,775 metric tons, the October output was 294 tons up on the month and 2,805 tons up on the monthly average of 1937. The extra-U.S.A. production for the first ten months of the year reached 1,071,540 metric tons, against 1,030,971 tons in the corresponding period of last year. As production already exceeded consumption last year and consumption has fallen considerably this year, there must be a substantial oversupply of lead at present.

Grains

The Argentine wheat crop has been officially estimated at 39.5 million quarters, the second largest crop on record; the final estimate of the 1937

crop was 23.1 million quarters. This news naturally had a bearish influence on the grain market, and with a small demand prices for c.i.f. wheat are about 1s. per quarter lower than at the end of last week. The colder weather, which will improve the demand for animal feeding stuffs, steadied the market in maize, which was also helped by reports that navigation on the Danube will be suspended for some weeks, owing to ice.

Other Foods

Provisions.—Egg prices have fluctuated with the changes in weather and are now higher than a week ago. The bacon and butter markets have been firm. Demand for chilled beef was good over the week-end, but trade in other types of meat has been slow.

Colonial Produce.—Refined sugar prices were raised by 1½d. per lb. at the end of last week and again on Monday. At the last sales of the year, prices for tea were well maintained. Markets in coffee and cocoa have been steady.

Fruit and Vegetables.—Trade improved during the week. Supplies of green vegetables have been damaged by frost and prices have risen. Demand for oranges and apples has been good.

Miscellaneous Commodities

Oils and Oilseeds.—The Argentine linseed crop was officially estimated at 1,620,000 tons, compared with a final estimate for the 1937 crop of 1,585,000 tons. The increase was less than had been expected, but the forecast had little influence on prices, as crushers are well supplied until after the holidays. Demand for Egyptian cottonseed has slowed down, but prices remain steady at £7 per ton for December loading. Trade in other vegetable oils is poor.

Rubber.—Little business has been done in the market, except for nearby rubber; rubber afloat to the Continent and for December-January shipment obtained at one time a premium up to ½d. per lb. over spot. On the week, spot prices show little change.

CURRENT STATISTICS

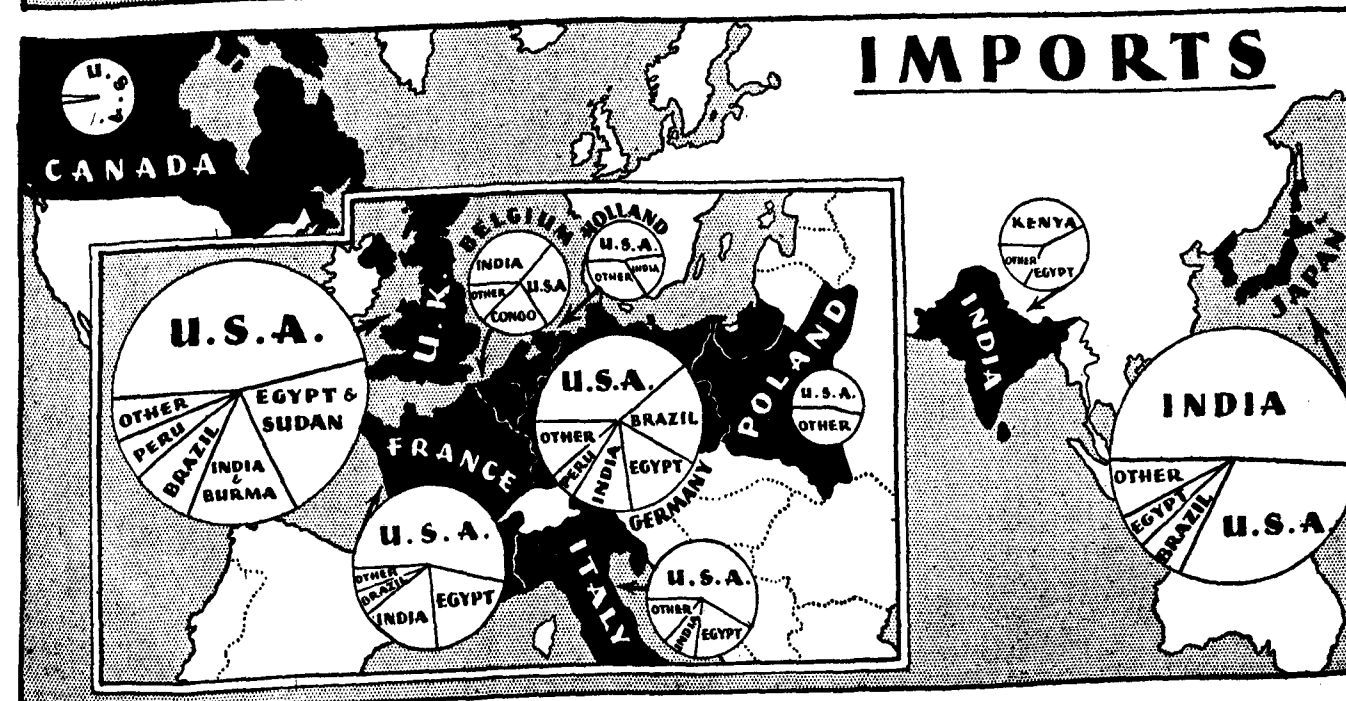
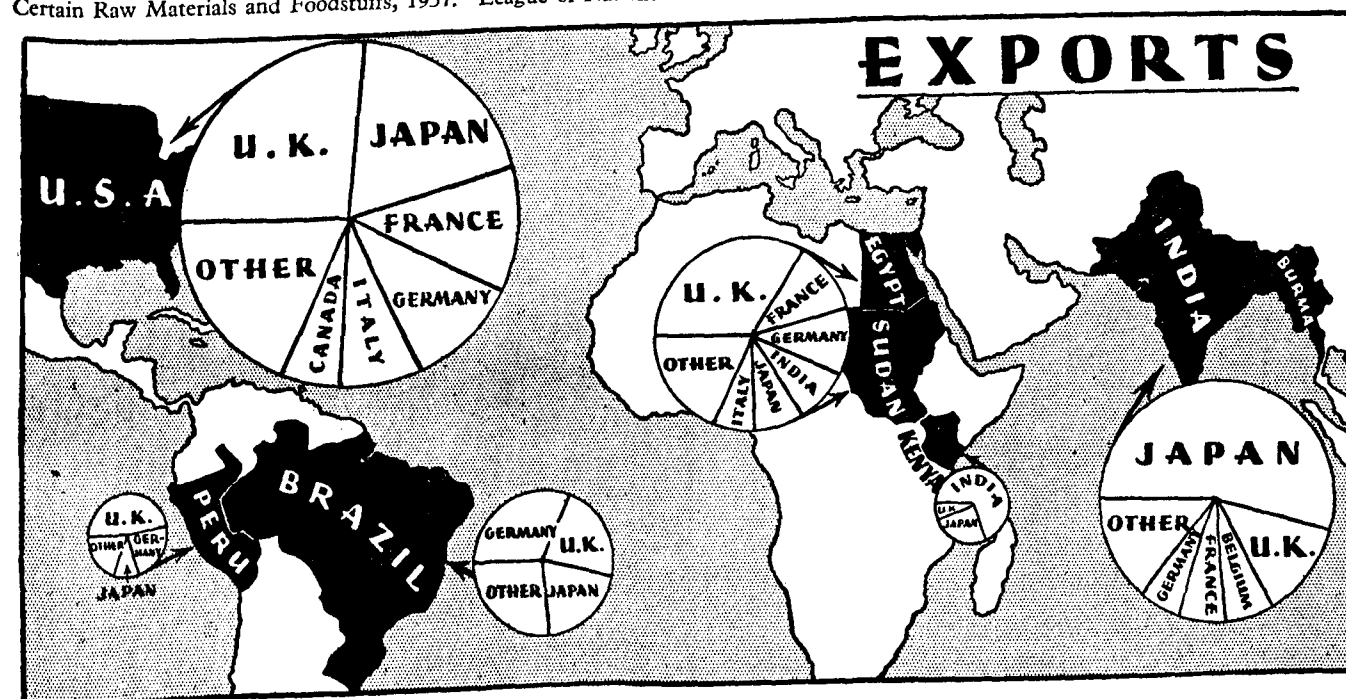
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World Trade in Raw Cotton

We present below two charts illustrating world trade in raw cotton in 1937. The areas of the circles indicate the quantities exported from the principal producing countries in the upper panel and the quantities supplied to the principal importing countries in the lower panel. The figures of German imports include the whole of Austria's imports and half those of Czecho-Slovakia. Source: International Trade in Certain Raw Materials and Foodstuffs, 1937. League of Nations and Allen and Unwin. Price 5s.



Finance

GOVERNMENT RETURNS

For the week ended December 17, 1938, total ordinary revenue was £14,389,000, against ordinary expenditure of £18,635,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £241,704,000, against a deficit of £165,487,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937	April 1, 1938	Week ended Dec. 17, 1938	Week ended Dec. 17, 1937
ORDINARY REVENUE					
Income Tax	£341,150	84,759	94,739	1,045	1,389
Sur-tax	62,000	9,470	11,220	480	480
Estate, etc.	88,000	65,040	51,310	1,910	1,700
Duties	24,000	15,530	14,020	340	420
N.D.C.	20,000	33	12,470	12	530
Other In.					
Rev. Duties	1,250	450	770	30	10
Total I. Rev.	536,400	175,282	187,529	3,817	4,529
Customs	227,950	161,142	162,524	3,967	4,505
Excise	116,150	86,800	84,800	6,600	4,833
Total Cust. and Excise	344,100	247,942	247,324	10,567	9,338
Motor Duties	36,000	11,360	11,361	...	152
P.O. (Net Receipt)	8,670	12,060	11,330	500	350
P.O. Fund.	2,400	25	...	...	...
Crown Lands	1,330	990	960	...	...
Rec. from Sun. Loans	5,250	4,287	4,791	...	...
Misc. Rec.	10,500	9,909	8,769	...	20
Total Ordinary Revenue	944,650	461,855	472,064	14,884	14,389
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,442	49,940	51,720	950	1,400
Total...	1,025,092	511,795	523,784	15,834	15,789

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937	April 1, 1938	Week ended Dec. 17, 1938	Week ended Dec. 17, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Dt.	230,000	181,252	182,423	2,201	2,295
Payments to N. Ireland	8,900	4,891	5,306	...	...
Other Cons. Fund Serv.	5,239	1,991	1,844	...	90
Total...	244,139	188,134	189,573	2,201	2,385
Supply Serv.	702,409	439,207	524,194	18,700	16,250
Total Ord. Expend.	946,548	627,341	713,767	20,901	18,635
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	49,940	51,720	950	1,400
Total...	1,026,990	677,281	765,487	21,851	20,035

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Fire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £106,519 to £2,629,824, the other operations for the week (as shown below), but excluding £1,500,000 issued under the Defence Loans Act and £255,000 issued to Sinking Funds, raised the gross National Debt by £6,107,000 to about £8,397 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES IN DEBT		NET REPAYMENTS, ETC.	
Treasury Bills	1,898	Nat. Sav. Certs.	200
Pub. Dept. Adv.	4,860	P.O. and Telegr.	...
W. result	...	(Money) Sinking	400
end-year	...	N. Savings	30
however, off.	6½	Simultane.	21

however, off. 6½ showed a sharp cor

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to December 17, 1938, are shown below:—

Ordinary Exp. (£ thousands)		Ordinary Rev. (£ thousands)	
Fire issues	713,767	Fire receipts	472,064
Defence Loan	3,758	Gross bor.	252,453
Issues	10,000	Less	...
Incr. in balances	266	Sinking Fds.	6,726
		Net borrowing	245,727
	727,791		727,791

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
Dec. 18, 1937	622.0	317.3	41.6	...	980.9	358.9
Dec. 31, 1937	889.7	39.4	55.7	...	984.9	...
Sept. 3, 1938	550.0	316.9	44.1	...	911.0	361.0
Oct. 10, 1938	545.0	324.2	46.0	...	915.1	370.2
Nov. 17, 1938	537.0	334.5	48.2	...	919.7	382.7
Dec. 24, 1938	526.0	345.5	49.8	...	921.3	395.3
Jan. 30, 1939	526.0	345.5	49.8	...	921.3	395.3
Feb. 13, 1939	521.0	379.1	49.3	...	949.4	428.4
Mar. 15, 1939	526.0	383.6	45.8	...	955.4	429.0
Apr. 22, 1939	526.0	379.3	41.4	...	946.7	420.7
May 29, 1939	522.0	386.1	44.0	...	952.1	430.1
Jun. 5, 1939	517.0	405.3	46.1	...	968.4	451.4
Jul. 12, 1939	517.0	405.3	46.1	...	968.4	451.4
Aug. 19, 1939	522.0	403.7	41.7	...	967.4	452.6
Sep. 26, 1939	522.0	404.1	45.4	...	971.5	449.0
Oct. 3, 1939	517.0	445.4	49.5	...	1,011.9	491.9
Nov. 10, 1939	507.0	465.3	46.7	...	1,019.0	512.0
Dec. 17, 1939	500.0	474.2	51.5	...	1,025.7	525.7

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

TREASURY BILLS

Date of Tender	Amount			Average Rate	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
Dec. 17, 1937	50.0	76.8	50.0	13 9/17	85
Dec. 31, 1937	50.0	80.5	50.0	10 11/59	47
Sept. 2, 1938	45.0	74.6	45.0	10 5/87	37
Oct. 9, 1938	45.0	63.1	42.0	11 11/02	60
Nov. 16, 1938	40.0	55.8	37.0	18 10/75	66
Dec. 23, 1938	40.0	58.2	40.0	19 7/07	62
Jan. 30, 1939	45.0	68.8	45.0	25 1/42	48
Feb. 13, 1939	50.0	71.6	50.0	14 3/44	60
Mar. 21, 1939	50.0	72.6	45.0	15 5/57	69
Apr. 28, 1939	40.0	77.3	39.0	18 9/41	44
May 28, 1939	35.0	72.5	35.0	10 9/78	48
Jun. 25, 1939	35.0	67.9	35.0	10 5/87	44
Jul. 23, 1939	35.0	62.7	35.0	10 6/16	52
Aug. 20, 1939	35.0	62.6	35.0	14 11/37	38
Sep. 17, 1939	35.0	69.6	35.0	17 7/80	32
Oct. 14, 1939	35.0	74.8	35.0	17 11/03	18
Nov. 11, 1939	35.0	68.8	35.0	19 2/10	52
Dec. 9, 1939	30.0	70.6	30.0	20 0/79	27

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On December 16th applications at £99 15s. 0d. per cent. for bills to be paid for on any day except Monday of the following week were accepted as to about 27 per cent. of the amount applied for. Applications at higher prices were accepted in full. Applications for bills to be paid for on Monday at £99 15s. 1d. were allotted in full. £35.0 millions of Treasury bills are being offered on December 23rd.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
48 weeks to —					
Dec. 4, 1937	29,605,690	22,204,267			
Dec. 3, 1938	29,724,199	22,293,150			
Week to —					
Dec. 4, 1937	618,567	463,925			
Nov. 26, 1938	553,339	415,004			
Dec. 3, 1938	625,232	468,924			

BANK OF ENGLAND RETURNS

DECEMBER 21, 1938

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In Circuln.	503,037,982	Other Govt.	11,015,100
In Bnkg. Department	53,377,746	Securities	218,640,389
		Other Secs.	84,976
		Silver Coin	259,535
		Amt. of Fid. Issue	230,000,000
		Gold Coin & Bullion	326,415,728
			556,415,728

BANKING DEPARTMENT

Props. capital £		Govt. Secs. £	
Rest	14,553,000	Other Secs.	72,121,164
Public Depts.	3,378,282	Discs., etc.	14,911,250
Other Depts.	12,522,205	Securities	24,795,987
			39,707,237
Bankers	98,337,684	Notes	53,377,746
Other	37,312,266	Gold & Silver Coin	897,290
	135,649,950		166,103,437

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

THE WEEK'S CHANGES

Both Departments		Compared with	
		Dec. 21, 1938	Last Week
COMBINED LIABILITIES			
Note circulation	503,038	+ 7,689	- 6,278
Deposits: Public	12,522	+ 3,086	+ 1,750
Bankers	98,338	+ 1,210	+ 122
Others	37,312	+ 1,310	+ 815
Total outside liabilities	651,210	+ 4,703	- 3,590
Capital and rest	17,931	+ 41	- 16
COMBINED ASSETS			
Govt. debt and securities	301,777	+ 3,985	- 14,382
Discounts and advances	14,911	+ 1,908	+ 7,426
Other securities	21,881	+ 2,827	+ 3,094
Silver coin in issue dept.	260	+ 49	+ 247
Gold coin and bullion	327,313	- 206	+ 9
RESERVES			
Res. of notes & coin in banking department	54,275	- 7,895	+ 16,267
Proportion of reserve to outside liabilities			
(a) Bankg. dept. only ("proportion")	37.7%	- 4.5%	+ 10.5%
(b) Gold stocks to deposits and notes ("reserve ratio")	50.3%	- 0.4%	+ 0.3%

COMPARATIVE ANALYSIS

		1937		1938	
		Dec. 22	Nov. 30	Dec. 7	Dec. 14
Issue Dept.: Notes in circ.		509.3	480.8	487.8	495.3
Notes in banking dept.		37.1	45.6	68.7	61.1
Govt. debt and securities		219.7	199.2	229.2	229.4
Other secs.		0.3	0.6	0.6	0.1
Gold		326.4	326.4	326.4	326.4
Deposits					
Public		10.8	23.1	18.6	15.7
Bankers		98.2	97.1	102.9	99.5
Others		36.5	37.2	35.9	36.0
Total		145.5	157.4	157.5	148.1
Bkg. Dept. Secs.					
Government		96.5	90.2	66.1	68.4
Discounts, etc.		7.5	17.6	17.9	16.8
Total		21.0	20.6	21.5	21.7
Total		125.5	128.4	105.5	111.8
Banking dept. reserve		38.0	46.8	69.9	62.2
"Proportion"		26.1	29.7	44.3	41.1
Reserve ratio†		50.0	51.3	50.8	50.7

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in issue Department, £259,535; capital, £14,553,000; rest, £3,378,282.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28th last. The latest return of the Bank of Lithuania appeared in our issue of November 26th. International Settlements, Argentina, Hungary and Poland, of December 10th; Federal Reserve Reporting Members, Reichsbank, Bulgaria, Denmark, Greece, India, Jugoslavia, Latvia, Norway and Sweden, of December 17th.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Dec. 22		Nov. 30	
		1937	1938	1937	1938
RESOURCES					
Gold certis. on hand and due from Treas.	9,120	11,492	12,063	12,079	12,079
Total reserves	9,414	11,865	12,063	12,079	12,079
Total cash reserves	283	363	340	306	306
Total bills discounted	16	7	7	8	8
Bills bt. in open mkt.	19	7	8	9	9
Total bills on hand	18	15	16	16	16
Industrial advances	2,564	2,564	2,564	2,564	2,564
Total U.S. Govt. secs.	2,601	2,586	2,587	2,588	2,588
Total resources	12,801	15,215	15,566	15,569	15,569
LIABILITIES					
F.R. notes in actual circulation	4,346	4,362	4,433	4,483	4,483</

BANK CLEARINGS

LONDON

(£ thousands)

	Month of November			Week ended Wednesday		Aggregate from January 1 to	
	1937	1938	Change	Dec. 22, 1937	Dec. 21, 1938	Dec. 22, 1937	Dec. 21, 1938
Number of wks. days:	26	26	%	6	6	299	299
Town	2,979,818	2,712,718	- 9.0	673,847	641,402	36,007,049	32,886,075
Metropolitan	177,102	172,239	- 2.7	41,101	39,660	2,112,956	2,031,645
Country	323,994	309,653	- 4.4	71,833	72,524	3,729,689	3,606,885
Total	3,481,914	3,194,610	- 8.2	786,781	753,586	41,849,694	38,524,605

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of November			Week ended Saturday		Aggregate from January 1 to	
	1937	1938	Change	Dec. 18, 1937	Dec. 17, 1938	Dec. 18, 1937	Dec. 17, 1938
No. of working days:—	26	26	%	6	6	297	297
BIRMINGHAM	10,871	10,248	- 5.7	2,498	2,545	131,313	116,958
BRADFORD	3,622	3,391	- 6.3	656	713	50,116	39,593
BRISTOL	5,850	5,731	- 2.0	1,326	1,302	65,031	63,320
HULL	3,881	3,485	- 10.2	804	828	45,554	41,801
LEEDS	3,745	3,762	+ 0.5	978	1,227	50,081	47,696
LEICESTER	3,118	3,033	- 2.7	820	875	37,835	35,076
LIVERPOOL	27,318	21,889	- 19.8	5,824	5,267	344,108	259,269
MANCHESTER	46,294	38,489	- 16.8	9,648	8,905	549,956	459,511
NEWCASTLE	6,603	6,693	+ 1.3	1,450	1,486	74,965	75,423
NOTTINGHAM	2,121	1,986	- 6.3	483	475	25,812	24,705
SHEFFIELD	4,709	4,254	- 9.6	1,107	946	55,056	53,389
Total: 11 Towns	118,132	102,961	- 12.8	25,604	24,569	1,429,827	1,217,041
DUBLIN	...	...	...	5,375	5,951	291,038	314,968

† Based on average working day.

‡ 51 calendar weeks.

MONEY RATES

LONDON

	Dec. 15, 1938	Dec. 16, 1938	Dec. 17, 1938	Dec. 19, 1938	Dec. 20, 1938	Dec. 21, 1938	Dec. 22, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank's drafts	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½	1-1½
3 months' do.	1½-1	1	1	1	1	1	1
4 months' do.	1½-1	1	1	1	1	1	1
6 months' do.	1½-1	1½-1	1½-1	1½-1	1½-1	1	1-1½
Discount Treasury Bills							
2 months'	1-1½	1	1	1	1	1	1½
3 months'	1½	1	1	1	1	1	1
Loans—Day-to-day	1-1½	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Short	1-1½	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Deposit advances: 18k.	1½	1½	1½	1½	1½	1½	1½
Discount houses at call	1½	1½	1½	1½	1½	1½	1½
At notice	1½	1½	1½	1½	1½	1½	1½

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938						
Nov. 24	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Dec. 1	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Dec. 8	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Dec. 15	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Dec. 22	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Dec. 22, 1937	Nov. 23, 1937	Nov. 30, 1937	Dec. 7, 1938	Dec. 14, 1938	Dec. 21, 1938
Call money	1½	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½	1½
Bank acceptances:						
Members—eligible, 90 days	1½	1½	1½	1½	1½	1½
Non-mem.—eligible, 90 days	1½	1½	1½	1½	1½	1½
Commercial accept., 90 days	1	1	1	1	1	1

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Dec. 16, 1938	Dec. 17, 1938	Dec. 19, 1938	Dec. 20, 1938	Dec. 21, 1938	Dec. 22, 1938
New York, \$	4.862½	4.66¼	4.66½	4.67¼	4.66½	4.65½	4.66¼
Montreal, \$	4.862½	4.71	4.71	4.71½	4.70¾	4.70½	4.70½
Paris, Fr.	124.21	177½-¾	177½-¾	177½-¾	177½-¾	177½-¾	177½-¾
Brussels, Bel.	35.002	27.71-79	27.72-77	27.74-80	27.67-77	27.60-67	27.63-69
Milan, L.	92.46	88½-89	88½-89	88½-89	88½-89	88½-89	88½-89
Zurich, Fr.	25.22½	20.64-70	20.63-67	20.65-69	20.63-68	20.61-66	20.63-68
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl.	12.107	8.58½-9	8.58½-9	8.59	8.57½-9	8.57½-9	8.57½-9
Berlin, Mk.	20.43	11.63-67	11.63-67	11.63-67	11.62-67	11.60-64	11.61-66
Registered Marks	(c)	53.58	53½-58½	54.59	54½-59½	55½-60	55-60
Br. India Rup.	† 18d.	172½-22	172½-22	172½-22	172½-22	172½-22	172½-22
Hong Kong, \$	† 14½	14½	14½	14½	14½	14½	14½
Shanghai, \$	† 15.899d.	31½-34	31½-34	31½-34	31½-34	31½-34	31½-34
Rio, Mil.	20.58	20.58	20.58	20.58	20.58	20.58	20.58
B. Aires, \$	11.45	17.13½	17.13½	17.13½	17.13½	17.13½	17.13½
Valparaiso, \$	40	116½(d)	116½(d)	116½(d)	116½(d)	116½(d)	116½(d)
Montevideo, \$	† 15d.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
Lima, Sol.	17.38	22-23½	22-23½	22-23½	22-23½	22-23½	22-23½
Mexico, Pes.	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes.	† 25.66d.	25½-26	25½-26	25½-26	25½-26	25½-26	25½-26
Moscow, Rbls.	24.79	24.73½-74	24.73½-74	24.73½-74	24.73½-74	24.73½-74	24.73½-74

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (d) Latest "export" rate. (e) Official rate is 815 sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (j) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Dec. 16, 1938	Dec. 21, 1938	Dec. 22, 1938
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200	100-200	100-200
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Badajoz, Pes.	27.82	23½-24½	23½-24	23½-24
Poznan, Pol.	816½-7	136-137	136-137	136-137
Danzig, Pol.	25.09	21½-25	21½-25	21½-25
Warsaw, Zl.	48.38	24½-25	24½-25	24½-25
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei.	813.8	650-670	650-670	650-670
Istanbul, Pst.	110	578*	578*	578*
Belgrade, Din.	276.32	204-214	204-214	204-214
Kyiv, Lit.	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	673.66	370-400	370-400	370-400
Talinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	† 24.58d.	131½-141½	131½-141½	131½-141½
Singapore, \$	† 28d.	27½-28½	27½-28½	27½-28½
Batavia, Fl.	12.11	8.56½-59½	8.56½-59½	8.56½-59½
Bangkok, Baht	† 21.82d.	22½-26	22½-26	22½-26

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

LONDON—FORWARD

(Closing quotations)

London on	Dec. 16, 1938	Dec. 17, 1938	Dec. 19, 1938	Dec. 20, 1938	Dec. 21, 1938	Dec. 22, 1938
New York cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
2 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
3 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Paris, France	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
2 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
3 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Amsterdam, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
2 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
3 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Brussels, cent.	(d)	(d)	(d)	(d)	(d)	(d)
1 Month	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
2 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
3 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
Geneva, cent.	(p)	(p)	(p)	(p)	(p)	(p)
1 Month	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
2 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1
3 "	1½-1	1½-1	1½-1	1½-1	1½-1	1½-1

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Dec. 15, 1938	Dec. 16, 1938	Dec. 17, 1938	Dec. 19, 1938	Dec. 20, 1938	Dec. 21, 1938
London:—						
60 days	466½	465½	466½	466½	465½	466½
Cables	467½	466½	467½	467½	466½	467½
Demand	467½	466½	467½	467½	466½	467½
Paris, Fr.	2.62½	2.62½	2.63½	2.63½	2.63½	2.63½
Brussels, Bel.	16.85	16.84½	16.84½	16.84½	16.84½	16.84½
Switzerland, Fr.	22.61½	22.61½	22.61½	22.61½	22.61½	22.61½
Italy, Lira	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mark	40.11	40.09½	40.11	40.11	40.10	40.10
Amsterdam, Guilder	54.35½	54.34	54.36½	54.36	54.36	54.36
Copenhagen, Kr.	20.89	20.84	20.87	20.88	20.82	20.86
Oslo, Kr.	23.51	23.46	23.49	23.50	23.43	23.47½
Stockholm, Kr.	24.09	24.05	24.08	24.09	24.02	24.06
Athens, Dr.	0.857½	0.855¼	0.857½	0.857½	0.857½	0.857½
Montreal, Can. \$	98.090	99.000	99.030	99.060	99.000	99.000
Yokohama, Yen	27.29	27.24	27.28	27.28	27.21	27.25
Shanghai, \$	16.45	16.40	16.31	16.35	16.40	16.60
B. Aires, Peso	29.01	28.95	29.01	29.02	28.93	28.97
Rio, Milreis	5.95	5.95	5.95	5.95	5.95	5.95

Usance: T.T.

† Official.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Debenture Interest	Amount Available for Distribution	Appropriation			Carried to Reserve, Depreciation, etc.	Balance Forward	Corresponding Period Last Year	
					Prefce. Amount	Ordinary Amount	Rate			Net Profit	Dividend
Electric Lighting, etc.											
Adelaide Electric, etc.	Aug. 31	146,835	365,592	512,427	185,000	62,500	10	118,900	146,027	395,927	10
Financial, Land, etc.											
Sisal Estates	June 30	8,232	9,880	18,112	8,850	...	...	...	9,262	43,083	14
Hotel, Restaurants, etc.											
Frederick Hotels, etc.	June 30	56,832	23,583	80,415	13,750	...	...	...	66,065	39,452	Nil
Jones (R. E.)	Oct. 31	11,167	43,409	54,576	...	28,021	5	18,109	8,446	49,532	5
Iron, Coal and Steel											
Cannon Iron Foundries	Sept. 30	10,988	13,755	24,743	8,044	...	...	8,756	7,943	31,616	10
Nasmyth, Wilson & Co.	Dec. 31	67	Dr. 7,216	Dr. 7,149	...	...	...	...	Dr. 7,149	Dr. 6,243	Nil
Motor, Cycle and Aviation											
Fairey Aviation	Sept. 30	38,823	260,125	298,948	...	151,762	15†	99,601	47,585	162,678	12†
Oil											
Tampico Oil	June 30	331	Dr. 486	Dr. 155	...	...	...	...	Dr. 155	1,296	Nil
Rubber											
Krubong (Malacca)	Sept. 30	733	731	1,464	...	...	...	784	680	1,002	3
Namoe Tongan	Aug. 31	16,016	30,008	46,024	...	20,250	6	9,000	16,774	35,014	8
Majedie (Johore)	Sept. 30	2,344	2,633	4,977	...	1,645	3	...	3,332	3,496	5
Rembia	Sept. 30	860	1,058	1,918	...	...	...	1,064	854	9,073	5
Tramways											
United of Caracas	June 30	10,727	Dr. 11,323	Dr. 596	...	...	...	...	Dr. 596	Dr. 13,455	Nil
Trunks											
Second British Steamship	Dec. 1	26,288	31,265	57,553	11,458	15,584	6†	...	30,511	28,390	6†
Other Companies											
British-American Tobacco	Sept. 30	2,470,331	5,590,886	8,061,217	585,000	4,739,510	20†	...	2,736,707	5,760,450	21†
British Vacuum Cleaner	Sept. 30	8,550	81,818	90,368	8,250	40,000	40	28,401	13,717	73,587	40
Cement, Ltd.	Sept. 30	...	(c) 17,931	17,931	...	9,300	4	6,000	2,631	(a)	(a)
East India Distilleries, etc.	Sept. 30	6,410	42,614	49,024	14,000	8,000	10	21,798	5,226	30,935	5
Hunziker (Great Britain)	Oct. 31	Dr. 38,924	Dr. 17,749	Dr. 56,673	...	...	...	...	Dr. 56,673	Dr. 30,151	Nil
Purnell and Sons	Sept. 30	3,366	21,988	25,354	9,956	8,700	8	...	6,698	22,377	8
United Match Industries	Oct. 31	12,684	10,480	23,164	6,879	2,266	50	...	14,019	13,111	50
Total Profits, 1938, in £'000's: No. of Cos.											
To December 17		2,361	86,327	294,539	47,603	151,467	...	87,251	94,545	273,800	...
To December 24		2,381	89,119	301,033	48,454	156,545	...	87,558	97,595	280,450	...

† Free of Income Tax.

(c) Five months.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year	Company	*Int. or †Final	Total	Payable	Prev. Year
RAILWAYS	%	%	%	%	RAILWAYS	%	%	%	%	RAILWAYS	%	%	%	%
Midland of W. Aus.	...	2½	...	Nil	Bertrams	...	10	...	10	N.Z. & R.P. Land	...	3½	...	3½
BANKS	...	...	...	...	Blockley	...	3*	...	3*	P.C.T. Construction	...	4	...	4
Canadian of Commerce	2	...	Feb. 1	2	Brit.-Amer. Tobacco	8½d†	20	...	21¼†	Portsmouth Newspr.	7½*	...	Jan. 10	7½*
TEA & RUBBER	...	...	...	...	Brit. Industries Fixed	...	...	...	...	Rio Claro Investment	3½†	6½	...	8
Badulipar Tea	2½*	...	...	2½*	Trust	45d	...	Dec. 30	47-2d	Roberts (J. F. & H.)	6½†	10	...	10
Bah Lias Rbr.	...	8	Dec. 23	15	Brit. N. Guinea Dev.	3*	...	...	2*	Rogers (R. H. & S.)	10†	12½	...	12½
Bila Rubber	...	4	Dec. 23	8	Brunner Investment	3†	4½	...	4½	Rowland & Marwoods	...	10	...	2½
Langen (Java) Rbr.	...	6	Jan. 26	12	Bulmer and Lumb	2½*	...	Jan. 10	3*	Scot. Cons. Trust	18†	21	Jan. 24	4
United Serdang Rbr.	...	9	...	15	Butterley Co.	1½*	...	Dec. 31	2*	Sheepbridge Coal, etc.	15*	3	...	5*
MINING	...	...	...	...	Cape Electric Trams	5*	...	Jan. 16	5*	Shipley Collieries	3½*	...	Dec. 31	3½*
Ashanti Goldfields	50†	95	...	95	Duff Development	...	...	...	...	Smiths Dock	7½	...	...	7
De Beers (Pref.)	10/-ps	...	...	...	English Clays, Lovg.	...	...	...	4½	S. Brit. Investment	2*	...	...	2*
Gopeng Consolidated	1¼*	...	Jan. 7	3½*	Fairey Aviation	...	15	...	12½	Superand Shares Inc.	11 cts.	...	Jan. 16	3½*
Jos Tin (Nigeria)	...	12½	...	15	Folland Aircraft	3*	...	Dec. 23	...	Tamplin's Brewery	3½*	...	Jan. 18	4*
Lon. & Rhodesian	5*	...	...	5*	Gt. Nuhn. Investm.	6½	...	...	6½	Telephone Rentals	4*	...	...	2½*
Parling Mining	2½†	15	Feb. 17	...	Greene, King & Sons	6*	...	...	5*	Trust Houses	2½*	...	...	6½
Ditto	7½†	...	Feb. 17	...	Hall and Company	5*	...	Dec. 21	6*	United Doms. Tat.	(a)6*	...	...	4*
INDUSTRIALS	...	...	...	...	Hardy's Crown Brwy.	4*	...	...	5*	Van den Berghs, etc.	4*	...	...	10*
Alliance Box	5*	...	Dec. 31	Nil*	Jones (R. E.)	...	11	...	5	White (A. J.)	5*	...	Jan. 16	2½*
Amal. Roadstone	2½*	...	Dec. 23	2½*	Liebig's Extract	7†	...	...	11	Witan Investment	2½*	...	...	5*
Apex (Trinidad) Oil	27½†	40	Jan. 21	45	Lon. County Props.	2*	...	Feb. 1	2*	Yorkshire Dyeware	5*	...	...	5*
Armstrong Shuck	...	...	...	...	Lon. Elec. Trust	2½*	...	...	2½*					
Absorbers	a2½*	...	...	7½*	McDougal's Trust	4*	...	Jan. 14	4*					
Assoc. Brit. Picture	a10*	...	Jan. 14	10*	Monsanto Chemicals	16½*	...	...	Nil*					
					Montreal Light, etc.	80-38*	...	Jan. 31	80-38*					

† Free of Income Tax. (a) Paid on a larger capital.

SHORTER COMMENTS

(Continued from page 671.)

Frederick Hotels, Ltd.—Net profit year to June 30, 1938, £23,582, against £39,452, and 2½ per cent. is being paid off dividend arrears, bringing payment to June 30, 1935. For previous year 11 per cent. was paid on the preference shares. Carry-forward increased from £56,832 to £66,664.

P. and O. Banking Corporation.—Shareholders approved, on December 16th, the sale of the undertaking and assets for £2,594,160 to the Chartered Bank of India, Australia and China.

R. E. Jones, Ltd.—Net profit, after tax, year to October 31, 1938, £40,300, compared with £44,929. Ordinary dividend maintained at 5 per cent. To property reserve, £15,000 (£10,000), raising total reserves to £78,121. Carry-forward reduced from £11,167 to £8,446.

Bankers' Industrial Development Company.—It is confirmed that this company (a subsidiary of the Bank of England) is to co-operate in the link-up between the United Steel Companies and John Summers and Sons. It is stated that details of the scheme will be put before shareholders in the next few weeks.

Baltimore and Ohio Railroad.—Net operating income for September, 1938, incorrectly stated on page 406 of *The Economist* of November 19, 1938, to be \$1,715,000, was \$2,715,000, a decrease of \$81,600 on September, 1937.

Savory and Moore, Ltd.—It is proposed that this company should purchase part of undertaking of Pharmaceutical Products, Ltd., whose ordinary capital they already own wholly. Consideration would be £160,000 in 6 per cent. non-cumulative redeemable preference shares. This is a new class, ranking after existing preference,

but before ordinary, thus affecting 7½ per cent. preference shareholders' participating rights. Class and general meetings, January 10, 1939.

Royal Bank of Canada.—Total assets November 30, 1938, \$908,064,712, an increase of \$38,526,600, or 4.43 per cent. Deposits at \$804,108,757 are higher on the year by \$48,019,060. Net profits, \$3,696,233, a decrease of \$15,146. The usual dividend of 8 per cent. has been paid, absorbing \$2,800,000, \$300,000 to pensions and \$200,000 for bank premises. Carry-forward \$2,721,409, an increase of \$396,234.

Cleveland Petroleum Company.—For the year to October 31, 1938, dividends are: on ordinary stock 22 per cent. for year; on deferred 46½ per cent. Net profits £290,719. For previous year, after allowing for different method of providing for income tax, the net profit was £437,225.

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MONTHLY TRADE SUPPLEMENT

Export Weapons

THE two Ministers responsible for Britain's export trade have in the past month been using bold language about the Government's determination to protect British trade against unfair competition from the totalitarian states. Mr Hudson has spoken of beating the Germans at their own game, Mr Stanley has even given his intentions a deliberately jingoistic air. There is plenty of evidence that these declarations have caused concern in Berlin. No secret is made there of Germany's urgent desire to conclude a new Trade Agreement with Great Britain, and there seems to be a new willingness in the last few weeks to have it embrace not merely the direct trade between the two countries, but methods and markets elsewhere. If such willingness is shown, it may be a genuine desire to come to terms with Great Britain. Or it may be an anxiety by a judicious concession or two to direct the energy of British Ministers to other topics than the prosecution of a campaign against German methods of trade. These methods are by now so closely interwoven with the fabric of economic control erected by the Nazi Government that the latter explanation seems the more likely. To judge by the German Press, the Nazis believe that the bold speeches of Messrs Stanley and Hudson are no more than bluff to frighten Berlin into an agreement.

It is possible that the two Ministers do not fully realise what the adoption of "the Germans' own weapons" in-

volves. But there is no reason to believe that they are not in real earnest. That being so, it becomes of urgent importance to examine the next steps that can be taken in the campaign, since the provision of a fund of £10 millions for export guarantees is so manifestly only a beginning. The line of development at which Mr Hudson has hinted is the formation by each exporting industry of a co-operative organisation to supervise, and possibly even to conduct, the export business of the industry. It is suggested that an industry, having formed such an export organisation, should arm it with a fighting fund which could be used to counter the subsidies given to German exporters.

Co-operative organisation for export is a gospel that has been preached at the export industries ever since the war, and there can be no doubt that it would be the means of securing a much more aggressive representation of British industries in foreign countries, as well as obviating the patent wastes of competitive solicitation and bidding. Some such structure of export associations, in fact, is a necessary part of any wider scheme for developing British exports, and it is all to the good that the movement is being pushed by Government Departments.

At the same time, frankness compels recognition of a number of defects in such a scheme if it is intended as the main content of a programme of defending our exports. The only way in which British industries can be expected to raise funds for export subsidies is by levying them on

the domestic market. The proposal involves, in fact, the deliberate penalisation of the domestic consumer to assist the exporter. The effect of our national economic policy in the last seven years has already been to put heavy burdens on the domestic consumer, as the experience of the steel and coal industries indicates, and before we go much further along the same line it would be as well at least to raise the question whether, granted that funds have to be raised for assisting exports, this is the best way to do it. If the raising of the funds is to be left to industry, there will inevitably be large inequalities. *Prima facie*, the industry with the large domestic market and the small export trade is in the best position to raise an effective fighting fund; but these industries are, by definition, those that are least likely to be interested. Industries which concentrate on exports have no domestic market to levy on. And is purely domestic industry not to play its part in a policy that is of national benefit? The levy on German industry, out of which export subsidies are paid, has been Rm. 800 millions (£66 millions at the official rate of exchange) and is, according to report, to be doubled. Is there any prospect that private industrial subscriptions in this country will reach any comparable amount? Furthermore, even if the money can be raised in adequate amount, there will be difficulties in its dispensing. A fund raised by an industry at large and held by an export organisation as trustee for the industry as a whole can hardly be spent with that swift and arbitrary discrimination that is the secret of successful economic warfare.

These comments are not intended to suggest that Mr Hudson's proposals are devoid of merit. Far from it; but they clearly require supplementation if we are to wield the Germans' weapons with any success. There will clearly have to be public money to assist the private fighting funds—if only because those industries that most require the help of fighting funds are least able to raise them. But it would be not only wasteful and ineffective but also wrong in principle merely to hand over public money to export industries for distribution among their members. We must beware of creating conditions in which exporting becomes a "soft option" at the public's expense. The most effective solution would seem to be that an independent officer, or a small independent committee, should be appointed for

each group of exporting industries (or possibly for each geographical area where commercial warfare breaks out), with full power to use the public fighting funds in the public interest. This would secure not only the necessary rapidity of decision, but also the essential co-ordination between different exporters and exporting industries.

Co-ordination, however, does not stop short at exports alone. It is agreed by nearly all students of German methods that the most spectacular successes have been won not on the side of artificially cheapened exports but on the side of artificially enhanced prices for imports bought in bulk. And it is a commonplace that Britain's supreme weapon is her buying power. We shall be tying our right hand behind our back if we fail to use our import trade as a means of maintaining our exports. In many of the countries where Germany has been most successful (e.g. the Balkans) no amount of reduction in the prices of British goods will be of avail unless the Governments concerned can be persuaded to grant favourable rates of exchange and an adequate volume of import permits for British goods. No new principle is involved even for this country, since the group of Scandinavian Trade Agreements made in 1933 were tacitly based on the principle that British goods would be bought at above the competitive price in return for entry to the British market. It is probable, in fact, that a given amount of money and organising energy will produce better results if it is applied with the leverage of our imports than if it is devoted merely to subsidising exports. The fact that we are to fight Germany with her own weapons need not mean that we should refrain from choosing out of the extensive Nazi armoury those in which we have an advantage.

It is well that this whole subject of commercial defence is now receiving intensive examination both in private and in official circles in Great Britain. It is well, too, that the difficulties are being faced and the very wide scope of the new methods that will be required is being realised. To talk as if the task will be easy and can be accomplished by a part-time committee or two is dangerous; for it encourages the German strategists to treat it as bluff. And a country which has to import, and pay for, such a large proportion of its supplies of food and raw materials cannot afford to be caught bluffing.

Lima, Washington and Berlin

THE Pan-American Conference at Lima came to an end, after a fortnight's session, on Tuesday of this week. By the statesmen and the Press of the participating countries the results have been hailed as a success. In the German Press they have been hailed as an exposure and a rebuff of "Yankee Imperialism." A British observer, who can appreciate the relations between the American republics in the light of the somewhat analogous relations between the States members of the British Commonwealth, will dismiss the German verdict as a piece of wishful nonsense and will judge that the Lima conference has been successful in the same measure and manner as our own Commonwealth conferences are apt to be. It has been a substantial success, on which all concerned may fairly congratulate themselves. But at the same time it has naturally not conjured away the problems inherent in the relationship between the parties. These problems are the product of an historical evolution, and they can only be solved through further processes of growth, not by strokes of magic wands.

Before parting, the delegates at Lima passed 110 projects, all cast in the form of resolutions and declarations, not treaties. The most important of these is the Declaration of Solidarity which, in its final form, was drafted by the

Argentine delegation. In this instrument the 21 American Republics reaffirm their continental solidarity and their determination to maintain the principles on which it is based: namely, desire for peace, respect for international law, equality of States, and respect for individual liberty without racial or religious discrimination. On this "ideological" basis, the parties reaffirm their decision to oppose any foreign intervention or activities likely to threaten their sovereignty; and if the peace or security or territorial integrity of one of the American Republics is threatened, the signatories proclaim their intention to render their solidarity effective by consultation, by conventions and, finally, by the adoption of measures rendered advisable by the circumstances—every government acting independently as a sovereign state.

It will be seen that the relation established, or, rather, confirmed, by this Declaration of Lima is that of an entente expressing itself in inter-governmental consultation. The Pan-American organisation is no more a defensive alliance than the British Commonwealth is a federation. But would-be mischief makers from outside would be deceiving themselves if they were to assume that, because an association was loose in form, it could not be effective in action.

The analogy between the British Commonwealth and the Pan-American organisation is indeed illuminating. In each of these two groups of States there is a fundamental common interest powerfully holding the parties together. The American Republics, like the nations of the Commonwealth, have a common heritage, partly spiritual and partly material, which they are, all alike, determined to defend against possible attacks—and these, in both cases, could only come from reactionary military Powers on the Eurasian Continent. In both cases, again, the necessary mutual esteem and confidence exists for vindicating these common interests by common action if the need were to arise. At the same time, there is in both cases one delicate and ever-awkward factor in the situation; and that is the preponderance of one of the partners over the rest in population, wealth, power and international experience.

This means that for the United States, as for the United Kingdom, the problem of co-operation is simpler than it is for her junior partners. The senior partner has only one consideration to take into account, namely, her desire to make the co-operation as effective as possible. She has no more fear of being overshadowed than she has any impulse to domineer. But the other parties' desire to co-operate with their gigantic partner in defence of common interests is tempered by their desire to maintain and assert their own national sovereignty. And while (*pace* Dr Goebbels) the Latin American Republics do not imagine that the United States entertains insidious designs against their sovereign independence, they are naturally on their guard against unintended and automatic effects of the sheer difference in material magnitude. The Latin American countries, like the Dominions, are young nations, in whom the sense of nationhood is correspondingly strong and sensitive; and they have not yet urgently felt the need to subordinate the wish for national self-expression to the necessity for collective security—partly because they are geographically remote from the world's present principal danger spots, and partly because they are politically protected by their association with the very Great Power by whom they are anxious not to be overshadowed.

In Latin America the protagonist in the movement for the assertion of national sovereignty is Argentina, who is as remote from Europe as she is from the United States and is at the same time populous, prosperous, strong and progressive. Moreover, Argentina has a trade with European countries which is a vital element in her national economy. Argentina's attitude of aloofness from too exclusively Pan-American designs has been shown in the past; it does not in the least arise out of any particular sympathy felt in Argentina for Fascist or Nazi philosophy and ideals.

On the contrary, Argentina has the most settled democratic and liberal tradition of any Latin American State. By contrast, the movement for closer relations with the United States has its protagonist in Brazil, even though Brazil is, internally, much more infected by dictatorial methods than Argentina. Brazil does most of her foreign trade not with Europe but with the United States, and she is uncomfortably close to the Old World. If Africa were to pass out of French and British into Italian and German hands, Brazil would soon feel the breeze. Her compact German and Italian colonies also make Brazil understandably nervous lest the power of racial propaganda should undermine the new and composite nationalism on which all the South American Republics are built. This, of course, is a problem that would affect Argentina, Chile, Uruguay, and the United States itself, if ever a conflict were to arise between the Americas and the Continental Powers of Europe.

The possibility of such a conflict appears to have been brought perceptibly nearer by the sharp and sudden worsening of relations between Washington and Berlin. Ambassadors were mutually withdrawn last month in the aftermath of the pogrom in Germany. The tone of American references to Germany has been rising ever since. Mr Kennedy, the American Ambassador in London, Mr Ickes, the Secretary of the Interior, and Senator Pittman, the Chairman of the Senate Committee on Foreign Relations, are some of the leading personalities who have expressed the dislike felt by themselves and the American public for the Nazis and their methods. Mr Ickes' speech led to an official German protest; but even the protest was turned against the Germans by the surprisingly flat and outspoken rejection it received from the Acting Secretary of State. Relations between the two countries are now about as bad as they could be without a formal rupture. Whether or not this development is part of the Nazi plan, the attitude of the German Press is doing everything possible to exacerbate matters still further. The Nazis, in fact, are doing what Herr Hitler himself in "Mein Kampf" criticises in the Kaiser's policy: they are deliberately adding the English-speaking peoples to their enemies. *Quem deus vult perdere . . .* That the present drift of affairs will ultimately be fatal to German aspirations can hardly be doubted. For German actions since midsummer have performed the miracle of shaking the United States out of isolationism, and there is even evidence of strong support among the American people for a definite alliance among the democratic peoples. The entente concluded at Lima may yet be of very much more than Pan-American significance.

Unemployment in Great Britain—I

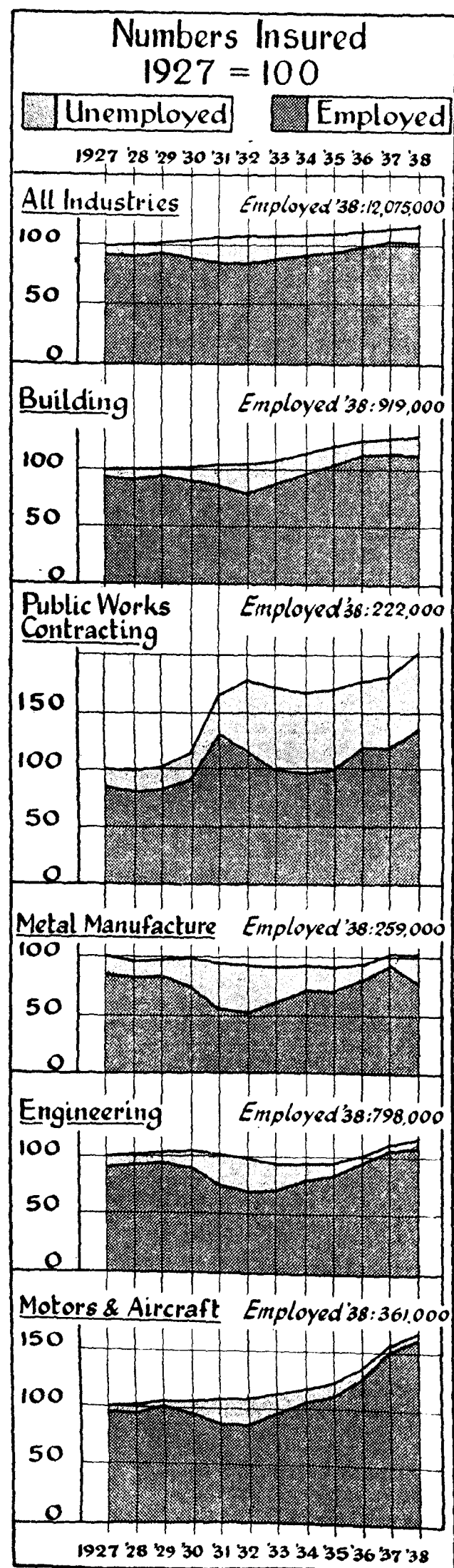
Our Changing Industries

THE ability to adapt economic resources to changing circumstances is the test of a modern progressive society, and there is no economic indicator that should be watched with greater care than the speed with which resources both of labour and of capital are moved from industries where the demand for them is declining into industries which are still in the flood-tide of expansion.

The existence of heavy unemployment in Great Britain ever since the war is conclusive evidence that the problems of transfer and adjustment have not been fully solved. But it may very well be that the failure arises not from any obstruction in the process of transfer but rather from the magnitude of the problems of adjustment that have been presented. Immediately after the war, the country

had to cope with excessive supplies of labour in the industries that had been expanded during the war as well as in the export trades which never succeeded in recapturing their pre-war position. In spite of all hesitations, the problem was being solved by 1929, but the onset of the Great Depression led to another bout of economic indigestion. Once again, adjustment was gradually accomplished in the recovery years 1932-1937. Now we stand at another period of hesitation, when there is a risk that the task imposed on the machinery of adjustment may for a time exceed its powers. These changes have been so rapid that the wonder is not that complete success has not been achieved, but that the disorganisation has not been worse.

The chief source of information on the shifting



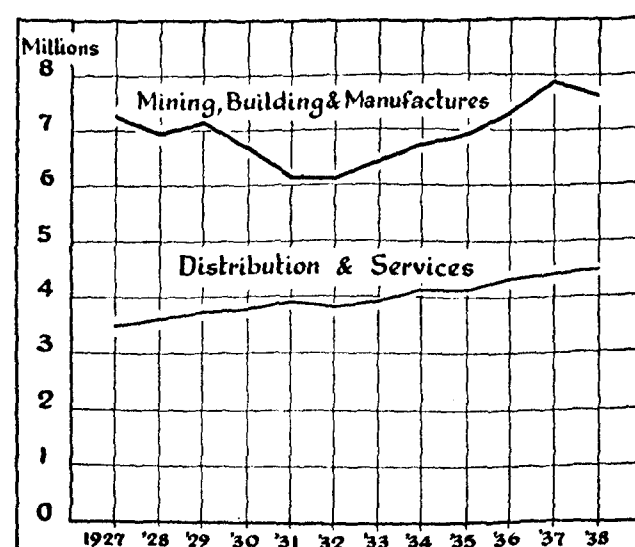
distribution of our national labour resources is in the Ministry of Labour's annual census of the number of men and women included in the unemployment insurance scheme in the different industries. These figures show a remarkable diversity of experience from industry to industry.

The total number of insured persons aged 16 to 64 in employment in the United Kingdom rose from 10,930,000 in June, 1929, to 12,327,000 in June, 1937. During the same period the insured population grew from 12,094,000 to 13,697,000. Despite the remarkable expansion in business activity between 1932 and 1937, the proportion of insured persons unemployed in June last year was 10 per cent. compared with 9 per cent. eight years previously. The growth of employment has thus not fully kept pace with the increase in the number of insured persons. More important than the relation between employment and activity have been the far-reaching changes in the distribution of Britain's resources. These changes are illustrated for the principal industries by the diagrams accompanying this article. They show index numbers of the number of insured persons aged 16 to 64 employed in the United Kingdom between 1927 and 1938, as well as changes in the proportion unemployed in each industry.

The separate diagram in this column, showing employment in the so-called productive industries (mining, building and manufacturing) and in distribution and services, reveals one of the outstanding long-term tendencies in Britain. Between June, 1929, and June, 1938, the proportion of Britain's labour resources devoted to distribution and services showed a continuous increase, from 34½ per cent. to 37 per cent. of the total. The number of insured persons aged 16 to 64 employed in mining, building and manufacturing rose by 393,000, or 5.5 per cent., during this period, while employment in distribution and services rose by 687,000, or 18.3 per cent. Moreover, whereas the growth of employment in distribution and services has been almost continuous, despite the wide fluctuations in general business activity during this period, mining, building and manufacturing have felt the full impact of changes in general business activity. Between June, 1929, and June, 1932, when the number of insured persons employed declined by 963,340, the number employed in manufacturing alone declined by 823,550. Again, between June, 1937, and June, 1938, employment in manufacturing fell by 323,820, while total employment showed a reduction of only 298,780.

A comparison of changes in employment and in the proportion of insured persons unemployed in individual industries is no less striking, for it reveals the increase in the proportion of the national resources devoted to the home market and the decline in the export trades. There

EMPLOYMENT IN THE UNITED KINGDOM



has been a marked influx since 1927 into the building, public works contracting, motors and aircraft, entertainment and distributive industries. Except in the case of the motor and aircraft trades, the expansion of these industries, however, has been accompanied by an increase in the proportion unemployed. This tendency has been particularly marked in public works contracting since 1931. The influx of labour into metal manufacture and engineering has been less marked, a decline in some branches having almost offset an increase in others, such as electrical engineering, for example. On the other hand, there has been a substantial efflux of labour since 1929 from the coal, shipbuilding, cotton and wool textile industries. In the case of cotton and wool the decline has been due largely to the fall in exports. In shipbuilding the shrinkage has also been accentuated by the loss of foreign orders. The reduction in the labour force of the coal-mining industry has been due, in no small measure, to the rapid increase in mechanisation since 1927. Despite the movement of persons from the declining into the expanding industries, the proportion of unemployment in the former remains fairly substantial. On the whole, however, the experience of the past ten years shows that the mobility of labour has remained greater than might have been feared. Industrial changes have been especially rapid during this period and fortunately the expansion of industries such as building and public works contracting, which can employ large numbers of unskilled or semi-skilled workers, has facilitated this movement.

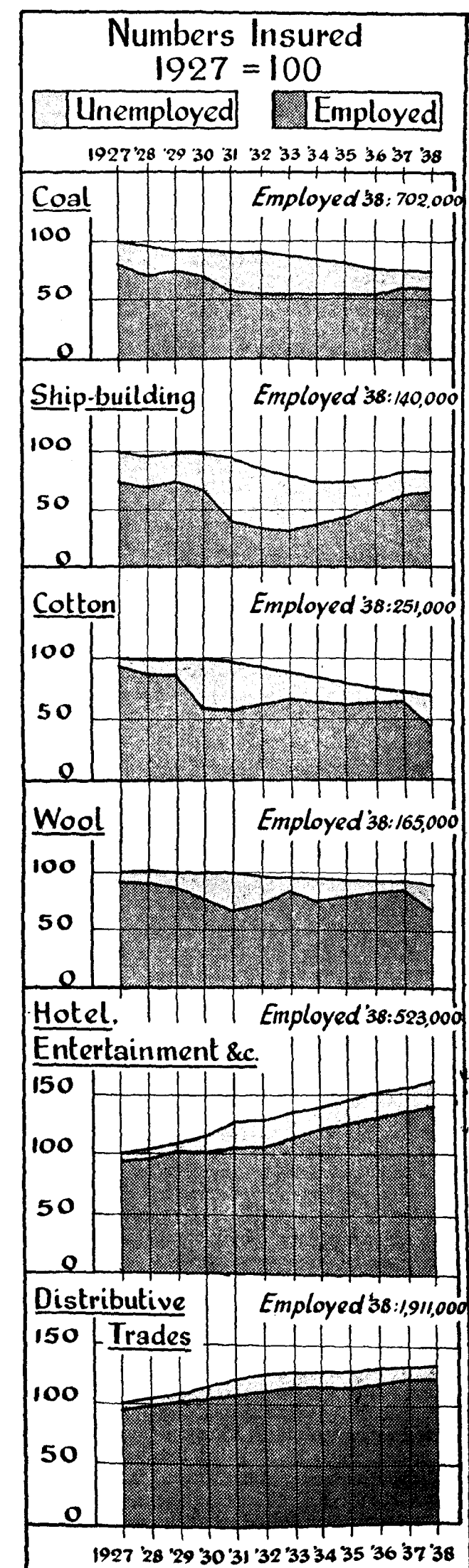
Changes in employment between June, 1937, and June, 1938, when business activity was declining, are indicative of current tendencies. The chief movements in and out of individual industries during the past year are shown below:

CHANGES IN EMPLOYMENT IN IMPORTANT INDUSTRIES

(a) Expanding Industries	Increase between June, 1937, and June, 1938	
	Per cent.	
Public works contracting	28,810	14.8
Motor vehicles, cycles and aircraft ...	23,150	6.4
National Government service	12,490	9.2
Distributive trades	11,090	0.5
Entertainments, sports, etc.	10,500	8.5
Explosives	7,390	33.1
Tramway and omnibus service	7,020	3.5
Railway carriages and wagons	6,930	13.6
Constructional engineering	5,670	14.6
Ship-building and ship repairing	5,160	3.7
(b) Contracting Industries	Decrease	
	Per cent.	
Cotton	120,560	30.7
Woolen and worsted	43,350	19.5
Steel, etc.	26,290	15.7
Textile bleaching, printing, dyeing ...	23,150	24.6
Railway service	20,780	11.9
Linen	18,260	25.7
Building	14,660	1.5
Stove, grate and general iron founding	13,440	12.6
Tin plates	13,010	49.6
Footwear	11,890	8.8
Hosiery	11,160	8.8

The group of expanding industries, it will be seen, includes, apart from "non-productive" trades, those industries on which defence expenditure is largely concentrated. On the other hand, the list of contracting industries is almost confined to the principal export trades, though it also includes building, where activity is now gradually declining owing to the fall in private construction.

A number of important conclusions can be drawn from this survey of long-term changes in employment. First, the number employed has not fully kept pace with the growth of the working population, but the impact of falling activity may have been mitigated by a reduction in working hours. Secondly, the proportion of our labour resources devoted to service industries has shown a rapid increase in recent years, and this tendency has continued during this year's recession. Thirdly, the movement of labour out of contracting and into expanding industries shows that labour has not lost its ability to adapt itself to changing circumstances. If adaptation has appeared slow, industrial change in the present decade has been very rapid.



The Republic of Andorra

SMALL States are the small change of diplomatic currency. But size in international politics is very relative. The old Czechoslovakia, before its borders were shorn, covered 55,000 square miles, which was a scant area by contrast with the 213,000 square miles of France or the 182,000 square miles of Germany, but vast compared with the 60 square miles of the Principality of Liechtenstein, the 38 square miles of the Republic of San Marino, the mere four square miles of the Principality of Monaco and the almost imperceptible 109 acres of the Vatican State. It is often hard to understand by what grace of statesmanship these political *minuscule* are permitted to persist in being.

The Republic of Andorra, with its 175 square miles of territory, is lordly among Europe's really small fry. But in a Europe where frontiers, carefully contrived from every angle, ethnic, linguistic, strategic and economic alike, notably fail to survive the passage of even fifty years, it is especially puzzling to explain the survival as an independent entity of a State through which the main road from France to Spain is less than 32 miles long, whose inhabitants by no conceivable reckoning in of foreigners can be added up to more than 5,000 persons, and whose natives are Catalans, indistinguishable from the people who dwell in Spanish Catalonia. Catalan is the local speech, with French a poor second. Yet Andorra is a separate Republic—though owing allegiance, it is true, to two co-princes: the President of the French Republic, who exercises his authority from Perpignan, through the prefect for the Eastern Pyrenees; and the Spanish bishop of Seo d'Urgel, within whose diocese Andorra is itself only a single parish.

Historical accident alone can explain why neither of these potentates has seen fit to annex Andorra outright. It is true that the twin over-lords have not always been in agreement. Since 1930 there has been talk of the French co-suzerain's desire to assume all temporal power for himself, leaving to his ecclesiastical opposite number only the cure of souls. It has even been said in Spain, and in Andorra itself, that the "invasion" of 1933, carried out by French *gardes mobiles*, had some ulterior motive beyond the settlement of a dispute about the telephone service. To-day, the *gardes mobiles* are once more in control; but this time they have come at the invitation of the Bishop himself, as well as of the Andorran National Assembly, to provide protection against strategic surprises in the ebb and flow of the Spanish Civil War.

The symbols of this dual overlordship are two *viguers*, or bailiffs, one appointed by each co-prince. These important personages dispense justice among the Andorrans, but crime is happily rare. Indeed, there are only seven policemen—a workmanlike body dressed in corduroy and black berets and armed with revolvers, numbering only 0.14 per cent. of the population. Prison accommodation, too, is restricted. In Andorra itself it is limited to three cells on the ground floor of the Casa del Valls (the Parliament House), where criminals, when incarcerated, receive sympathetic visits and gifts of food and wine and other comforts, even enjoying the privilege, if married, of receiving their wives for one hour daily.

The Casa del Valls itself, where the rare prisoner lives thus at ease, marks the fact that, despite suzerains and their judicial emissaries, Andorra is still independent—in a sense. The National Council does not make Andorra's laws, and originally it constituted a Court to give judgment on problems relating to inheritance and the law of property. Now it deals with more weighty matters, such as

the granting of concessions to foreigners; for instance, the plea addressed some years ago to the people of Andorra by a Chicago millionaire, offering to purchase the right to be King of Andorra for some fabulous sum, came within its purview. It may be recalled that, although reared in perennial poverty, the counsellors very properly decided that the acceptance of this offer would constitute treason to their joint over-lords; to substitute a trinity of rulers for the present duopoly would invite untold complications as well as the world's ridicule.

Yet the Andorrans do not sit altogether easily under the actual control of outsiders. There is a party strongly in favour of full autonomy. Even anarchist doctrine has an appreciable following. And among less extreme reformers there is much support for a modification of the present system of election to the National Council. At present this body is composed solely of the heads of households—*caps de casa*. It is true that, after the age of seventy-five, veteran householders may resign in favour of their heirs, but this step is quite voluntary; and, in any case, the "Youth of Andorra," many of whom are fathers and even grand-fathers, are calling for a greater share in government. Five years ago an important concession was made, and adult male suffrage now exists for all over the age of 25. Before 1933 the right to vote as well as the right to sit in the Council was vested solely in the patriarchs.

If the most striking thing about Andorra is the bizarre and mediæval character of its political system, the country's most fundamental feature is poverty. It is a source of wonder to the casual visitor that the Andorrans manage to exist at all—until he learns that the income which it is possible to derive from contraband is not inconsiderable. In a few outstanding cases, the proceeds of this illicit traffic run into millions of francs, and smuggling is so well recognised as a source of income that the Andorran counsellors have sagely imposed a tax upon it. But, apart from smuggling, Andorra lives almost entirely on a restricted and unremunerative agriculture. Even on the Spanish border the country is over 3,000 feet above sea level and extremely rocky. Tobacco of poor quality is grown in small quantities, and the timber resources which exist have been too rapidly exploited for some decades. Deforestation is a serious source of anxiety to the authorities. There is a certain amount of pasture land, but a serious outbreak of foot-and-mouth disease has lately curtailed supplies of cheese and butter; and, indeed, butter is scarcely obtainable at all. In short, Andorra has nothing to export and cannot support herself on her own resources.

Industry is practically non-existent, but the chief Andorran waterway has been harnessed for profit. The river Valira, which flows from the pass of the Port d'Envalira on the French frontier through the whole length of the country into Spain, provides water power which, since 1934, has been exploited by a company, operating with French and Spanish capital, under the title of Forces Hydro-Electriques Andorranes Société Anonyme. This company supplies electric light to the valleys and, until the pressure of the Civil War caused the Spanish Government to cease payments, it also supplied electric light to Barcelona. Its establishment had one outstandingly important result: in return for the grant of the concession, the company constructed a main road from the French pass into Spain, and thus opened up Andorra from the French side. Although the road is blocked by snow for seven months in the year, it is possible in the remaining five to go by car to L'Hospitalet or Latour de Carol, both towns connected

by rail with Toulouse. Thus Andorra has now some chance of adding to her income by the receipts of a tourist traffic in the summer. The country may even develop winter sports, catering for those ski-ers who are sufficiently expert to ski over the pass—a height of 8,000 feet.

In the short run, however, the road has not been very helpful. It is the fact that the road to France is blocked in the winter that has made the Spanish civil war so serious a matter for Andorra. The Spanish frontier, across which supplies of all sorts, and especially food, were normally imported, has been closed since the outbreak of the war. Threatened invasion by the opposing armies in Spain has been made unlikely by the presence of the French police, but a daily invasion of refugees goes on; and these diminish still further resources that are already slender.

In fact, the Spanish war portends important changes in minute Andorra, no matter which side wins, when the

fighting ends. Orthodox public opinion, under the influence of the Prince Bishop, is for General Franco. But opposition to this view is not lacking, and in the absence of the Prince Bishop temporal power has heaped up in the hands of the French co-Prince. If General Franco is victorious, the bishop will have a tangled skein to unravel, and if the Spanish Government wins, the bishop's own position in Andorra may be a little precarious.

All in all, there is room for change in Andorra. The country is a museum piece and it needs spring cleaning. There is much poverty and not a little discontent. Its form of government is outmoded and anomalous. Its economy is primitive. But, whatever reforms are carried out, it is to be hoped that the introduction of modern civilisation and material progress will not be permitted to sweep away that priceless amenity, not enjoyed (it is believed) by the inhabitants of any other State in the world, namely the free dispatch and delivery of letters within the valley.

Topics of the Week

The Weather.—Those who like their Christmas with snow on the ground have had their wish this year—but they must be in a minority, at least in England, where the tradition of a white Christmas is so traditional that, when it arrives, it takes the community by surprise. The cold of the last few weeks has succeeded in establishing some new industrial records: the load on the national electricity grid reached 6,714,000 kilowatts, the highest figure ever recorded, on Tuesday, December 20th; and the output of gas in the week ended the 22nd was also the highest in the history of the industry, the biggest day's output being about 1,500 million cubic feet. For transport undertakings, the severe weather brought many difficulties and heavy financial burdens. The London Passenger Transport Board alone estimates that it lost over £100,000 in additional expenditure and reduced revenue. This sudden onset of low temperature has naturally revived interest in the probable duration of the long spell of warm weather, which has been our general experience over the past five years or so. That 1936, 1937 and 1938 have all been warmer than the average for the standard period 1881-1915 is clear from the chart on page 731. Actually, since 1932 three months out of every four have been warmer, whilst no whole year since 1922 has been more than fractionally colder than the average of the standard period. As between months, the readings of the last decade provide some comfort for those who like to take their holidays in August. In each of the years 1924 to 1928, July was the hottest month, but since 1929 July and August have been running neck and neck. August was notably the hottest month in 1936, 1937 and 1938. On the other hand, from the standpoint of sunshine, August comes off less well. Sunbathers should take their holidays in May, June or July. This year, the average number of hours of sunshine per day was actually highest in April at over six. For those who like dry weather, August is the worst of the summer months. On the average, April would appear to be the driest month—as it was this year—but there is great variation from year to year. Even December, usually the wettest month, was the driest in 1926 and 1933. During the last fifteen years March was more often the driest month than any other—though on the average it loses to April—while October, November and December have shared the honour of being most often the wettest. For the least sunshine, December wins nearly every time, and although, on the average of 1881-1915 January should be the wettest month, December has held this place most often since 1924.

* * *

Health in Schools.—In thirty-six years the nation's expenditure on social services has risen thirteenfold; between 1920 and 1936 it grew from £306,634,000 to £494,145,000. To-day is opportune for stocktaking, for recent improvements in the measurement of nutrition have

provided a yardstick to reckon the efficiency of public spending. An essential item in the programme of public provision for the people is the thirty-year-old School Medical Service, once more reviewed in the annual Report issued last week by the Chief Medical Officer to the Board of Education. The Report makes striking reading. Last March 2,671,056 children in England and Wales were receiving milk in schools; in twelve months from March, 1937, 1,696,527 children passed through routine medical examinations; and deaths due to infectious diseases have fallen to less than a fifth of what they were twenty-eight years ago. Of the children examined, just under 90 per cent. were reported to be in a state of normal or excellent nutrition, and fewer than 1 per cent. were put down as patently badly nourished. Yet the picture has another aspect: more than a quarter of the children in Pontypridd were subnormally nourished; over a fifth in Gateshead and Glamorganshire; and more than a sixth in Whitehaven and Jarrow. In the luckless Jarrow as many as 6 per cent. suffered from definitely bad nutrition. The key to the nation's nutrition is in the schools: allowing for variable, empirical and subjective standards in the clinical assessment of schoolchildren's nutrition, we may safely say that a perceptible part of the 73 per cent. registered as normally nourished stand precariously on the border-line; and it is now very well known that a gravely large section of the population does not receive, even in work, earnings large enough to cover bare family needs. The children need cheap and plentiful milk at home and in the holidays as well as at school; and, on the Chief Medical Officer's own showing, they need the public meals provided at school, the cheese, eggs, vegetables and fruit their normal diets lack, instead of the interminable stews and hashes actually given. Most important of all, if the necessary spending of our democracy is to be worth-while and wise, the nation needs surties that no child shall go without sufficient and suitable food. The needs of national defence are rightly in

The Economic Outlook

The monthly Supplement included in this issue of *The Economist* has been enlarged by four pages and contains an extensive review of the prospects of trade and industry in 1939 under the title of

**THE TREND OF BUSINESS
A NEW YEAR SURVEY**

the forefront of public policy; but it is because butter is so much more important than guns that we are wholeheartedly willing to make guns as never before. It is our standard of living and way of life we are eager to protect.

* * *

France and Italy.—It became known on December 22nd that, in answer to an inquiry from the French Government, the Italian Government had replied that the Franco-Italian (Laval-Mussolini) Agreement of January 7, 1935, must now be regarded as null and void, and that it was therefore incumbent on the French Government to make fresh proposals, in lieu of the terms agreed in 1935, for implementing the London Agreement of 1915. Since then there have been rumours in Paris—deprecatd in Rome—of Italian troop concentrations on the borders of French Somaliland, and French naval and military reinforcements have been sent to Djibouti, the port in French Somaliland from which a French-owned railway runs up-country to Addis Ababa. The London Agreement of 1915 was concluded between Italy of the one part, and France, Great Britain and Russia of the other, and was the treaty in virtue of which Italy intervened in the World War. One article provided that if, in the peace settlement, France and Great Britain were to make territorial gains in Africa, they were to give Italy "equitable" (not "equal") compensation in the shape of African territory. This clause was rightly held to have been brought into operation through the acquisition under mandate, by Great Britain and France, of the former German colonies, and after the peace settlement both Powers accordingly made African cessions to Italy, in full sovereignty, of territories already under their own flag before the War. Great Britain ceded Jubaland, formerly part of Kenya Colony; France ceded some salients in the hinterland of Libya. Italy accepted the British cession as a full settlement of her claim, but not the French—and it is true that the Saharan territories ceded by France on that occasion consisted of "very light soil." In the 1935 Agreement Italy was to receive from France two further pieces of territory—another strip of the Sahara and a spot of Somali coast, as well as an island, fronting the Straits of Bab-el-Mandeb—together with some shares in the French-owned Djibouti Railway and a prolongation, till 1945, of the precarious status of the Italian residents in Tunisia. This 1935 Agreement was never ratified (sanctions supervening): but the railway shares were duly handed over, and in December, 1936, when Abyssinia had been conquered by Italy and the sanctions had been called off, Signor Mussolini said in public that "all African accounts had been settled to the last farthing." At the time unkind critics assumed that, while the French cessions and concessions of 1935 were not much more handsome than the first instalment, made soon after the War, Signor Mussolini nevertheless regarded himself as having now been adequately paid by France in Abyssinian coin, if not in French; and certainly M. Laval, on his side, represented to his own countrymen that his agreement with Signor Mussolini, combined with his complacency towards Italian aggression against Abyssinia, had indeed produced a final settlement of Franco-Italian accounts. It now appears that M. Laval compromised his country's honour for nothing. Signor Mussolini has discovered that there are at least two African farthings still due to him from the French. As one of these farthings is called Tunis and the other Djibouti, it seems that a farthing can be quite a valuable coin.

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The Centre Succeeds in France.—M. Reynaud is proving that nothing succeeds like success. His Budget is through the Chamber without serious amendment—at one point, it is true, only by seven votes—and its passage through the Senate is virtually assured by his announcement of a new and important loan conversion. The returning flow of capital has swept beyond the mere professional operators to include a large number of timid souls whose money now returns to France for the first time in years. M. Reynaud's methods may not go un-

criticised even by comparatively unprejudiced politicians, his Budget may remain far from balanced; but these disadvantages are swallowed up by his enthusiasm and self-confidence. And that confidence is spreading outward in widening circles. The success of a small conversion in Amsterdam of Moroccan railway stock is now followed by the announcement that a group of foreign banks, Mendelssohn and Co., the Nederlandsche Handel-Maatschappij, the Crédit Suisse, and the Société des Banques Suisses have agreed to issue in Holland and Switzerland a French State loan paying 4 per cent., issued at 95 and redeemable in thirty years. All railway bonds with interest rates between 4½ per cent. and 6½ per cent. issued in Holland, Switzerland and the United States may now be converted or repaid. M. Reynaud pointed out that the sum involved was 175 million guilders (3,500 million francs, or about £20 millions), and although the saving to the Treasury would be only about 85 million francs, "the significance of the operation lay in its effects on French public credit." This air of confidence and forward-looking is in sharp contrast with that of the Socialists at their extraordinary Christmas Congress. Here all was doubt and confusion. The Congress turned on opposing resolutions sponsored by M. Blum and M. Faure, the one declaring for "resistance to the dictators," the other for "traditional Socialist pacifism." An effort at compromise failed, and with 1,014 absentees M. Blum received 4,322 votes and M. Faure 2,837. Inverted commas are needed to label these resolutions, for they were theoretical, long-winded and inconclusive. On the one hand M. Faure admitted that national independence must be defended, but said that "to fight Fascism it is not necessary to make war on a Fascist nation"; on the other, M. Blum wanted mutual assistance pacts, a strong France, etc.; and both ended by suggesting an international conference. The only real difference would seem to be in the degree of willingness to compromise with the established facts: M. Faure came out the purer Socialist, and M. Blum, though not by much, the abler politician. In any case, neither resolution can be thought to have had the slightest practical importance: the net effect of both of them is to emphasise the confusion of thought and aim which exists among the Socialists. It is a sad detraction from the bright picture presented by M. Reynaud that the largest political group in France should be so bare of political realism.

* * *

The Japanese Peace Kite.—On December 22nd the Japanese Prime Minister, Prince Konoe, published a statement of Japan's peace terms to China. There are four positive demands: first, China is to give diplomatic recognition to "Manchukuo"; second, she is to join the Anti-Comintern Pact; third, "as an anti-Communist measure" Japanese troops are to be stationed on Chinese soil for the duration of the agreement, and Inner Mongolia, in particular, is to be designated as an anti-Communist area (in which these Japanese troops are presumably to be stationed in force); fourth, Japanese subjects are to have freedom of residence and trade in the interior of China, with facilities—especially in Inner Mongolia and in Northern China—for the Japanese development of Chinese resources. It is in the light of these antecedent positive demands that we must interpret Prince Konoe's subsequent disclaimers: Japan seeks no cessions of territory, no war indemnity and no economic monopoly; she will not demand that China shall limit the interests of those third Powers "which grasp the meaning of the new East Asia and are willing to act accordingly; at the same time, out of respect for China's sovereignty, Japan is prepared to consider the abolition of extra-territoriality and the rendition of foreign concessions and settlements. On these verbally generous points in Japan's programme we may observe that Japan does not require to demand cessions of territory if anyway she may station her troops where she pleases in territory nominally remaining under Chinese sovereignty. Nor does she require to establish an economic monopoly in terms if Japanese business men are to be free to reside and trade where they please on Chinese soil, while other foreign men of business are confined, as at present, to residence in treaty ports, or

are perhaps even to lose all foothold whatsoever in China through the rendition of foreign concessions and settlements to a China who will herself be under Japan's thumb.

* * *

A statement rejecting the Japanese terms was made at Chungking by the Chinese official spokesman on December 24th, and the Japanese pill was so thinly sugared that Prince Konoe himself can hardly have expected the Chinese Government to swallow it at one gulp. His intention may, however, have been to conquer by dividing; for in 1937, at the time of the Japanese occupation of Nanking, there was reported to be a section of the Kuomintang which was in favour of making the best of a bad business and accepting any Japanese terms that gave China some chance of saving her face. Prince Konoe's announcement has promptly been followed by a journey on the part of Mr Wang Ching-Wei from Chungking to Hongkong via Indo-China. Mr Wang is perhaps the leading figure in the Kuomintang next to President Chiang himself; he and the President have sometimes been at variance in the past; and these facts in themselves would be enough to account for the rumour that Mr Wang's purpose is to negotiate for peace. No doubt, even if the rumour proved correct, it would not follow that Mr Wang could carry the Government and the Party with him. The President has once more declared for uncompromising resistance, and he must be heartened by Japan's increasing difficulties with other Powers. There are the American and British loans and the Burma road, on which we commented last week; and there is fresh trouble with Russia over the Japanese lease of the fisheries off the Siberian coast, which are one of the main sources of Japan's food supply. If President Chiang's watchword is "he that endureth to the end shall be saved," it may be difficult for Prince Konoe to prove that the text does not apply to China's present case.

* * *

New Offensive in Spain.—At dawn on December 23, General Franco attacked the Catalonian hills on a 55-mile wide front. After six days of continuous fighting, during which he claims to have taken 5,000 prisoners, caused heavy casualties, and advanced over an average distance of 12½ miles, his troops are in possession of two deep salients in the Republican line. The first and more northerly of these salients is based on a line between Tremp and the Segre River, and the second on an offensive aimed at the Granadella and thence at the coast near Tarragona. The battle opened after a short sunrise bombardment and a general infantry advance accompanied by air bombing of Republican communications, the Ebro heights having apparently taught General Franco that prepared positions cannot be shelled out of existence. The course of the battle is obscured by the usual cloud of reports and exhortations: the Republican lines appear to have held along the greater part of the front and to be reformed behind the two main points of entry. Since an initial success in trench warfare proves very little, the crux of the battle will probably turn on the Republican capacity, or lack of it, to develop a counter-offensive as soon as the insurgents have spent their force. They are holding extremely strong positions, and if General Franco cannot break through this line both sides know that he is not likely to succeed for a long time to come; it may even be that the Republicans are congratulating themselves on being attacked in Catalonia and not in the southern provinces, for it was a successful insurgent push towards Valencia which had to be abandoned last summer to cope with the Ebro side-show. Political factors have presumably influenced General Franco's choice of objective; and that choice, as well as the scale of the operations, leaves no doubt that this is the threatened "big push" which is to take him to Barcelona before the winter is out. He is throwing into it all his resources, including six army corps, four Italian divisions, and with them his hope of belligerent rights, and, not least, his own credit as a general. Whether he succeeds or not—and at present there are no secure grounds for predicting

success—this may be General Franco's last attempt to subdue the whole of Spain and win a "totalitarian" victory.

* * *

Guaranteed Prices for Agriculture.—No Government in the last hundred years has done so much for British agriculture as the present National Government, and yet political discontent among the agricultural community has grown apace in the last few months. That the Government's agricultural policy has been haphazard and not always well considered is undeniable, but that is not the chief criticism of the farmers and their representatives. Having tasted a few of the sweets of tariffs and subsidies, the leaders of farming opinion are now pressing for financial assistance to agriculture on a large scale, while rejecting such feeble attempts as the Government has made, notably in the ill-fated Milk Bill, to reorganise the industry in the community's interest. The National Farmers' Union recently put forward proposals for a system of guaranteed minimum prices to protect agriculture from the worst effect of a future slump. The Conservative Agricultural Committee have now gone one better and have sent to the Prime Minister and to the Minister of Agriculture a recommendation for standard prices for all agricultural produce at a level which "will cover the average costs of efficient production." If agriculture is indeed to become a poor relation and to subsist on public charity, some such system of minimum prices, subsidised by the State, would be preferable to the present mixture of import quotas, tariffs and State grants. But the danger is that farmers, backed by the political pressure from the Conservative Agricultural Committee, will use the resources of the State to run agriculture to their own profit, and will continue to ignore the demand of the urban consumers for more and cheaper milk and less of the expensive British sugar. The Minister of Agriculture has promised to spend the recess in deep thought on the plight of British agriculture. After his recent experiences, it is only too likely that his thoughts will be directed to the placation of the farmers rather than to the development of policy in the interests of the country as a whole. In such an urban nation as this, exaggerated demands from the farmers will inevitably be followed, sometime, by a severe reaction from the urban consumer. But that time is apparently not yet. The tide of agricultural protectionism is still rising.

* * *

Ulster Transport: the Next Step.—The Northern Irish Government have virtually accepted responsibility for the failure of the Northern Ireland Road Transport Board, as revealed by the reports of the two investigating committees. They have decided to act quickly, and a Bill to curb evasions of the 1935 Act was hurried through both

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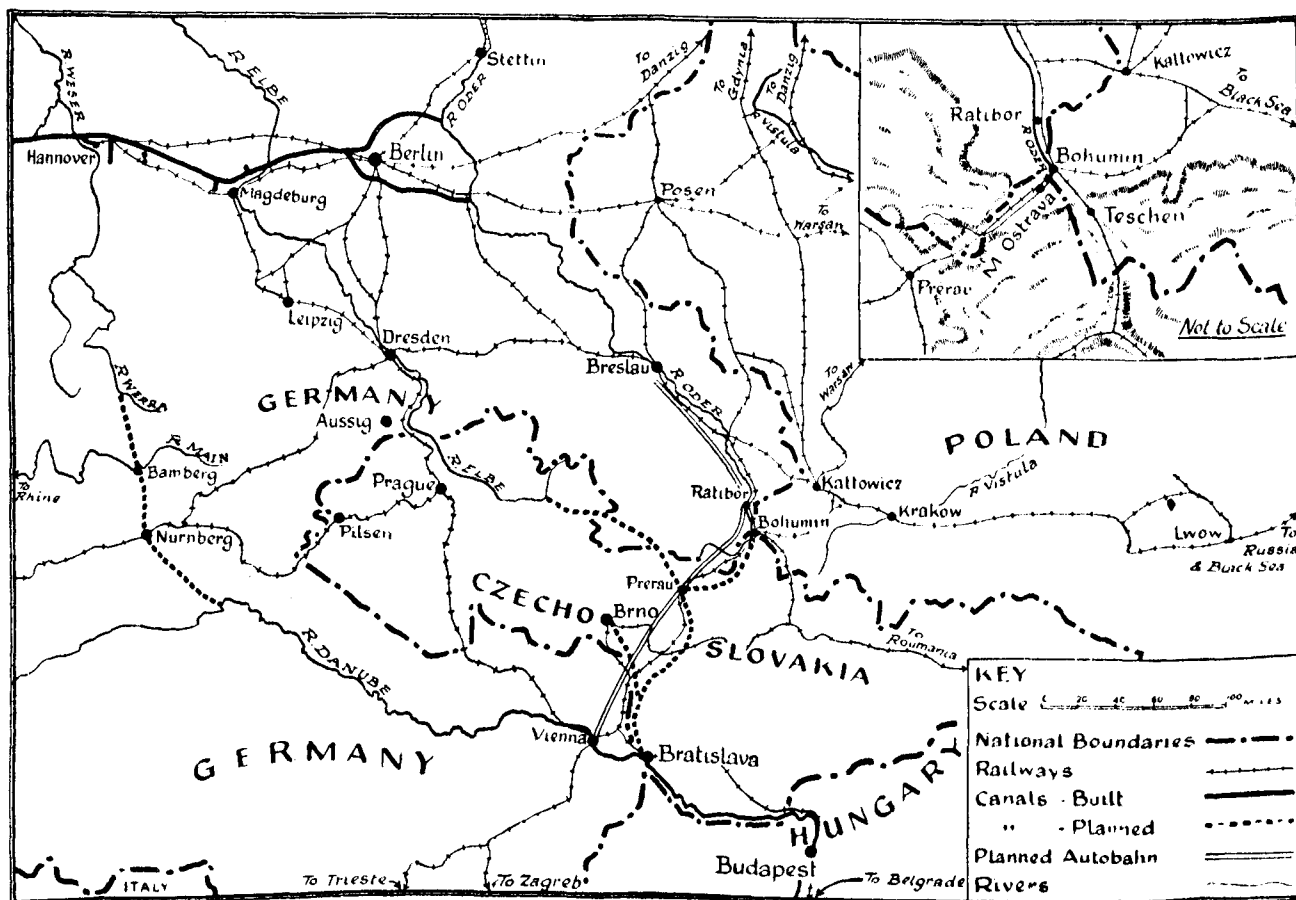
Correspondence invited

Houses of Parliament in the space of four days before Christmas, while a Joint Committee of the Ulster Senate and the House of Commons has been set up to study the reports of the McLintock Committee and the Recorder of Belfast. This Act is designed primarily to prevent illegal competition with the Transport Board, by ensuring that persons whose undertakings have been acquired shall not use the compensation money to enter into fresh competition in another way. A special register of goods vehicles is being prepared, and traders holding goods vehicle licences are required to give particulars of the trade or business carried on and the nature and extent to which their vehicles are used. It seems pertinent to ask why this elementary precaution should have been overlooked in the original scheme. The Act also sets a time limit to the period during which owners of transport undertakings not yet acquired by the Board can make good their claims to have them taken over. The long-term policy of the Government must wait on the findings of the Joint Committee, and although the Government is anxious that it should lose no time in getting to work, it is thought that many months will elapse before the Committee has completed its task. The choice before Northern Ireland is ominously clear. Either the policy of transport co-ordination will have to be pursued to its logical end of a public board owning and operating all forms of commercial transport, or else there will have to be a reversion to complete *laissez-faire*, which would probably turn out to be, in another French idiom, *sauf qui peut*.

Central European Communications.—A study of new frontiers drawn in Central Europe since the *Anschluss* of Germany with Austria impresses by the change made in transport facilities. When new roads and canals already in blue-print are matters of fact the movement of goods and passengers from the Baltic to the Black Sea, now that Czecho-Slovakia is within the German orbit, will be unified to an extent unrealisable even under the "Second" Reich and the Dual Empire. With last month's completion of the Midland Canal joining the rivers Ems and Weser and their North Sea ports with Hanover, Magdeburg, Berlin and Stettin, the Reich commands an integrated

system of waterways which embraces the whole north German plain and stretches by means of the Elbe and the Oder into Bohemia and Silesia. In 1945 the final stretch (Bamberg to the Danube) of the Rhine-Main-Danube canal will be opened; and if General Goering's plans are fulfilled Vienna by that time will be a "Hamburg of the South," a great port equipped with massive storage and docking facilities, its commerce protected by a flotilla of river gunboats, its waterways serving the North Sea, the Baltic (via the projected Danube-Oder canal across Moravia), the Balkans, and the Black Sea. Whilst Germany has gained greatly, Czecho-Slovakia has lost correspondingly much. Most important of her losses is the railway junction of Bohumin, which has passed into Polish hands. Any doubt of its value was laid to rest when the Poles, evidently fearing that the Reichswehr might get there first, marched in from Teschen two days before schedule. As a railway junction its key position is brought out on our map, and if the Poles mean to carry through their plans for a new industrial centre in Galicia that position will obviously be again enhanced in value; but Bohumin has also another claim to importance. The projected Danube-Oder canal must run up the valley of the March to Prerau and thence, as we show, down the valley of the Oder until, near Moravska Ostrava, the river becomes navigable. The original plans were evolved in 1901, and included two other canals, which are also shown on the map, from the Elbe to the Oder and from Brno to the Oder; but unless the Reich is prepared to see its strings of barges pass through Polish territory at Bohumin, the canal line will have to be re-drawn across the western half of the valley until it regains the river at Ratibor. The plans for the other two canals are likely to go back to their pigeon-holes; the heavy industries of Brno, for instance, may no longer be in a position to manufacture a sufficient quantity of goods to warrant better transport facilities. The development of road communications shows a similar movement towards unity on a Central European scale. A few days ago Herr Hitler opened the three-thousandth kilometer of *autobahn*; and when projected roads are built, and notably the *autobahn* across Moravia between Breslau and Vienna, a network of first-class roads will exist where before were virtually no long-distance roads of any kind.

COMMUNICATIONS IN CENTRAL EUROPE



Poland and Her Neighbours.—The rulers of Poland continue to pile weights on the Russian end of their political scales. Setting aside the rumours of an even closer Polish-Soviet *rapprochement* than that reached in November, the trade talks now in progress at Moscow emphasise the importance which the Polish Government attaches to maintaining its balance against the German eastward push. Early reports speak optimistically of a very large increase in mutual trade, possibly by as much as 130 million zlotys. In the first ten months of 1938 Polish imports from the U.S.S.R. were valued at 9,000,000 zlotys and exports to the U.S.S.R. at 1,300,000 zlotys, compared respectively with 12,000,000 zlotys and 4,000,000 zlotys in 1937. The Poles presumably wish to find an outlet for their newly-acquired Teschen production, which is proving an embarrassing jewel in the national crown: but it is clear that any increase of trade will be made for political rather than economic reasons. The move towards Russia has been accompanied by sharp notes to Germany's protégé Czecho-Slovakia which serve to conceal the harsh treatment of the Czech minority in Teschen, whose protection vanished when Poland denounced the Minority Treaty with Prague which, in the days when there was a Polish minority in Czecho-Slovakia, she was glad to have. It would be very rash, however, to assume that Poland is in process of turning to the Left either in domestic or in external policies. The Government is in the saddle; and there is no doubt that Colonel Beck would far rather come to terms with Berlin than with Moscow. The question is whether he can. As was expected, the Ukrainian provincial autonomy bill went no further in the Sejm than the Speaker's table: in view of Ukrainian unrest, charges of bloody persecution by Ukrainians against Polish gendarmerie, the German opinion that there are ten million Ukrainians in Poland, and the magic significance which the word "Ukraine" is rapidly gaining all over Europe, this intransigence is intelligible. Armies and gendarmerie apart, Polish national unity is not quite complete; and striking evidence of this appeared in the recent municipal elections, at which *Ozon*, the National Unity Party, lost ground to the Opposition parties only a few weeks after the Parliamentary elections had seemed to show the reverse. The difference was that these municipal elections were held under more liberal electoral procedure; and the inference is scarcely favourable to the heirs of Pilsudski.

Balkan Changes.—Another "national unity" movement which is not all it would seem to be at first sight is that of King Carol's one-party political system, introduced into Roumania two weeks ago. Superficially, the new single party, formed on what the Italians claim to be "corporate lines," has strong backing, but in fact it does not count any of the influential Bratianu party or politicians such as M. Maniu; and even Professor Jorga, a member of the Crown Council, thought it wise (and found it possible) to publish a newspaper article condemning the new system. M. Petrescu-Comnen has been sent to the Vatican, and M. Grigore Gafencu follows him at the Foreign Ministry. Yugoslavia, too, has changed governments after the general election of December 10th. Dr Stoyadinovitch remains at the head of a new Cabinet; and the only important alteration is the appointment of M. Atchimovitch in place of Father Koroshetz as Minister of the Interior. The Slovene leader resigned "for reasons of health," and to keep the Slovenes happy another of their number, M. Snoya, enters the Cabinet as Minister without Portfolio. But by and large these political changes alter nothing; all the governments of Eastern and South-eastern Europe are pirouetting while they wait for Germany's next move.

Canadian-American Trade Agreement.—The text of the Trade Agreement concluded by the Canadian and American Governments simultaneously with the British-American Trade Agreement on November 17th has now been published in this country. The British-American Agreement was facilitated, it will be remembered, by

Canada's consent to the modification or abrogation of her preferential margin in the British market on a number of articles (wheat, apples, pears, honey, chilled or frozen salmon and patent leather). In return, Great Britain agreed to waive certain of her preferences in the Canadian market. The following table gives details of what has been done in the Canadian-American Agreement with respect to these commodities. The columns of "old" and "new" rates of duty relate to the duty levied by Canada on American goods before and after the new Agreement.

ITEMS ON WHICH THE U. K. GOVERNMENT AGREED TO WAIVE THEIR RIGHTS UNDER THE U. K.-CANADA TRADE AGREEMENT OF 1937

Commodity	Rate of Duty		Canadian Imports 1936 (\$000's omitted)		
	Old	New	Total	U.S.A.	U.K.
Bicarbonate of soda	25%	12½%	198	145	52
Bichromate of soda, sulphite and chlorate of soda	20%	12½%	178	146	11
Sheets, plates, hoop, band or strip (iron or steel) coated with tin, n.o.p.	20%	17½%	980	18.8	960
Do. do. coated with zinc, n.o.p.	20%	17½%	938	279	596
Sheets, plates, hoop, etc., of rust, acid or heat resisting steels, at no less than 5c. per lb.	20%	17½%	340	146	194
Sheets, plates, etc., imported for use in the manufacture of sheets, etc.	20%	17½%	499	2	496
Tyres of steel, rough, not drilled for railway vehicles	10%	7½%	502	163	339
Ball and roller bearings	25%	17½%	875	587	115
Motor cycles, or side cars and parts	20%	17½%	280	179	98
Diesel engines and parts	25%	20%	1,391	564	690
Trawls, fly hooks, etc., for fishing	25%	20%	255	129	123
Complete parts of aircraft	25%	15%	945	517	426

The British industry that will be chiefly affected is the steel industry. The Agreement contains much more than these grants to the United States of part of the previous British preference. The two schedules of concessions are of a length second only to that of the schedule of the British-American Agreement. Of the Canadian concessions to the United States, the most important are the stabilisation of existing duties (or free entry) on motor-cars, coal, petroleum and raw cotton. Some of the more important reductions in duty are on steel rolling mill products, electrical apparatus and agricultural machinery. Most of the items are small. The American concessions to Canada include the maintenance of free entry for newsprint and chemical wood-pulp (an item of importance in view of the development of newsprint production in the South-eastern States) and the conventionalisation of the duty on whisky. The duty on nickel is reduced from 3 to 2½ cents a lb. Both sets of concessions are, of course, generalised through the operation of the most-favoured-nation clause. But, in fact, they have mainly been chosen from the long list of commodities which Canada imports only from the United States, or the United States from Canada. The reduction in the American duty on aluminium may benefit the small British trade in this item. This Agreement completes the British-Canadian-American triangle. Taken together, the agreements probably constitute the largest operation in trade liberalisation that has ever been undertaken.

INSURE WITH



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France

A Successful Conversion

PARIS, December 29.—Six weeks after the decree-laws were passed, the Minister of Finance announces the issue through a group of Dutch and Swiss banks of a French loan of 175 million florins, at 4 per cent. redeemable in 30 years, the produce of which will be used for the conversion and reimbursement of practically the whole of the external debt of the French Railways, including Nord 6½ per cent. 1924 in dollars; P.O. 6 per cent. 1927 in florins; P.O. 5½ per cent. 1928 in dollars; P.O. 5 per cent. 1928 in florins; P.O. 5 per cent. 1930 in Swiss francs; P.L.M. 4½ per cent. 1932 in florins and Swiss francs; Alsace-Lorraine 5 per cent. 1929 in florins; Alsace-Lorraine 4½ per cent. 1932 in florins and Swiss francs.

This operation will save in the next Budget a sum of about 85 million francs, and the lowering of the rate of interest will also open the way to an increase of production.

The Senate is now examining the Budget which was passed in the Chamber by 341 votes against 217. The Budget shows an expenditure of 66,000 million francs against a national revenue of 250,000 millions. The report to the Finance Committee of the Senate points out that although economies are possible, the true solution is in an increased revenue.

What of the political atmosphere? The decree-laws were voted by a majority of only seven. Though this is very small, the significance must not be misinterpreted. The authoritative policy of M. Daladier may be approved by the country, but when sacrifices are demanded, the difficulties begin. At this point 26 Radical-Socialists added their votes to those of the Socialists and Communists against the President of their own party. If there was in Parliament no majority to overthrow the Prime Minister, it was because members knew that no alternative to him now exists. The Communists are out of court for their bellicosity of last September; the Socialists and Trade Unionists for the fiasco of the general strike of November 30th, besides which, it is to be remembered that the trade unions have lost half of their members since the peak-point of 1936. The Radical-Socialists are split in two: though it should be added that the leftist section has no confidence in the Socialists, who were unable to conclude their extraordinary Christmas congress with a unanimous motion. In brief, the dangers abroad, internal party dissensions, and the support of the Senate—which might give M. Daladier the 225 votes necessary for a dissolution—are strong factors in the Cabinet's favour, and its main legislation will probably pass with a narrow but faithful majority. And good financial news may well calm the flutter which events abroad might otherwise provoke in business circles.

Low Private Issues

Disharding, a return of expatriated capital, moderate inflation and possibly the aid of foreign capital will help to improve industrial production. That ten years of losses on markets at home and abroad, of devaluations and high taxation, have seriously affected French savings, is shown by the following table:

	Old Companies		New Companies		Average Rate of Debitures Per cent.
	Stocks	Debitures	Stocks	Total	
1913	47	96	76	220	5.36
1929	610	531	83	1,224	5.67
1935	65	155	11	231	6.34
1936	42	48	4	94	6.68
1937	100	193	3	296	7.30
1938 to Nov.	12	...	3	15	...

This apathy in private issues results from a lack of confidence after various political and social troubles, but also from a contraction of personal property which accompanied

the fall of the franc. The 3 per cent. Rente is now at its highest level since the war, but it represents only 9 francs at the 1914 value. And after the strong rise on the Stock Exchange, which has taken place since M. Daladier came into power, the index of stocks is still very low.

STOCK EXCHANGE INDEX (1913=100)

	June, 1935	December, 1935	June, 1938	December, 1938
Coal mines	166	165	151	177
Iron and steel	62	61	85	97
Alimentation	472	439	398	359
Stores	83	89	65	78
Chemical industries	181	176	276	312
General index	192	180	213	246

Production Increasing

A stable Government, the help of foreign markets in converting public funds, a steady recovery of industrial production by means of new capital investments: such are the lines along which French prosperity may be regained. And if a comparison is made between the beginning and at the end of 1938, M. Reynaud may, with justice, say that serious progress has already been made.

METALLURGICAL PRODUCTION IN NOVEMBER

	(tons)		
	November, 1937	October, 1938	November, 1938
Iron	688,000	493,000	518,000
Steel	673,000	511,000	538,000
Iron ore	3,471,000	2,655,000	2,678,000

French coal mines in November produced 4,290,535 tons in 22.5 working days (with two supplementary days), against 4,335,332 tons in October (23.6 working days) and 4,165,452 tons in November, 1937 (22.8 working days). Thus, the average daily production was 190,013 tons, against 183,869 tons in October, 1938, and 182,394 tons in November, 1937. The number of men employed was 248,405 at the end of November, against 250,316 in October and 248,671 in September, 1938.

The production of coke at coal mines was 367,181 tons in November, against 373,074 tons in October, and 372,390 tons in November, 1937.

For the week ending December 17th, unemployment stood at 379,114 against 371,920 in the preceding week and 351,129 a year ago.

The Bank of France has announced a dividend for the second half of 1938 of 160 francs, or 320 francs for the whole year, against 285 francs in 1937, 250 francs in 1936, and 244.31 francs in 1935.

Italy

The Farmer's Year

TURIN, December 20.—With the end of the year in sight, one is better able to assess Italy's general economic trend. Only basic production factors will be considered in this letter; and by far the best of these is that of agriculture. Contrary to widespread impressions and even to official prophecies earlier on, the wheat yield was a record at 8.1 million tons, against 8.06 millions in 1937, 6.1 millions in 1936, and 7.6 millions in 1935. The increase was reaped in Central Italy (1.53 million tons in 1938, against 1.48 in 1937), in Southern Italy (1.97 millions, against 1.84 millions), and in the Isles (1.36 millions, against 1.22 millions); whilst in the North of Italy the yield fell from 3.51 million tons to 3.23 million tons, this fall being due to a smaller acreage

sown (1,426,677 hectares, as against 1,523,943 hectares), and to poor sowing conditions in the plains in autumn, 1937. In not a few hill districts, even in the North of Italy, there were old men who could not remember so plentiful a year. As the price was raised from about 1,150 lire to 1,400 lire per ton for soft wheat, agriculturists had reason to rejoice over the financial results of the year, even if the spring drought obliged them to sell a part of their cattle at declining prices.

Later rains and the present good weather may keep the total harvest at the level reached in spring, 1938. For lesser cereals yields were variable (in thousand tons): rye, 112.7 in 1938, against 120.3 in 1937 and 145.8 in 1936; barley, 247.7, against 233.3 and 254.8; oats, 629.1, against 619.7 and 596.9; spring maize, 2,743.5 (estimate), against 3,059.2 and 2,727.6; rice, 686.5 (estimate), against 740.2 and 733.6. Hemp yielded 108.6 thousand tons, against 108.4 thousand tons and 87.3 thousand tons; linen (fibre), 3.6 thousand tons, against 2.8 thousand tons and 3.2 thousand tons; raisins, 5,832.4 thousand tons (estimate), against 5,514.2 thousand tons and 5,518.7 thousand tons.

The increase of fertilisers has probably played a notable part in these improved results; 1,364.1 thousand tons of per-phosphates were consumed in the agricultural year 1937-38, against 1,358.6 thousand tons in 1936-37; 209.7 thousand tons of sulphate of ammonia, against 190.6 thousand tons; 218.6 thousand tons of calcium cyanamide, against 181.5 thousand tons; 41.7 thousand tons of nitrate of ammonia, against 16.1 thousand tons; 124.0 thousand tons of nitrate of calcium, against 111.1 thousand tons; 43.1 thousand tons of potassic salts, against 31.3 thousand tons. The only noticeable decrease refers to nitrate of sodium; 59.1 thousand tons in 1937-38, against 89.0 thousand tons in 1936-37 and 83.6 thousand tons in 1935-36. But nitrate of sodium has to be imported.

Industrial Production

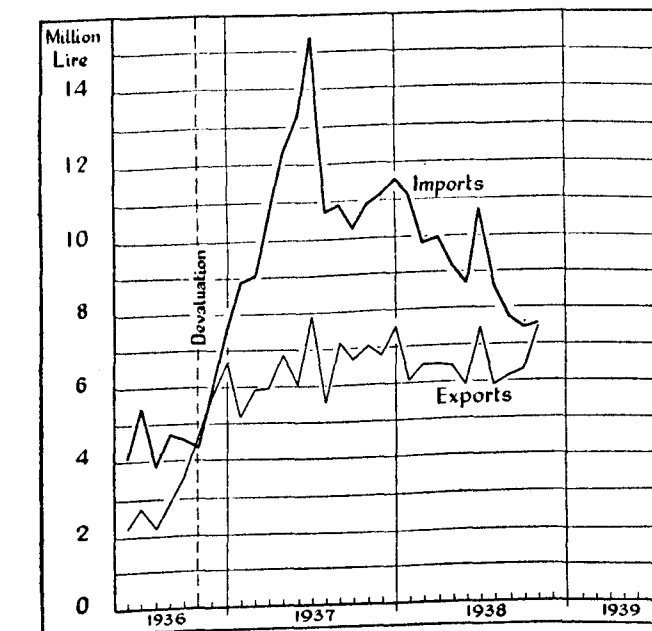
Indices of industrial production are mixed (basis 1928 = 100):—

	Average Monthly Indices			1937		1938		
	1935	1936	1937	July *	Sept. †	Mar. †	Aug. *	Sept.
Textiles	76.8	70.1	83.7	48.9	98.9	104.2	45.7	76.2
Iron and steel ...	112.2	106.0	114.1	124.6	121.9	120.3	130.8	134.3
Engineering	101.9	120.0	131.8	134.2	132.2	134.9	131.0	136.1
Paper	139.7	123.2	150.0	166.6	156.6	143.6	125.8	142.4
Building	162.3	91.9	95.9	102.0	99.8	82.6	95.0	98.1
Electricity, gas, etc.	135.8	140.5	154.6	157.9	169.6	147.9	162.1	169.5
Minerals, etc.	98.9	110.3	127.8	138.0	134.9	133.0	136.4	141.7
Chemicals	99.6	107.4	133.2	129.9	148.4	136.0	114.9	138.1
General Index ...	102.4	95.5	108.7	93.8	117.7	114.7	88.9	108.6

* General index at lowest of year. † General index at highest of year.

As in other countries there is noticeable in 1938 some slackening of industrial production. The 1938 bottom (August) is lower than in July, 1937; and the highest point

ITALY'S TRADE BALANCE



reached (March) is lower than the 1937 maximum (September). But the recession has not shown the same potency in

all industries. Most affected was the textile group, where even rayon's index fell from 457.6 in September, 1937, to 350.0 in 1938. Growing difficulty in obtaining raw materials is said in industrial circles to have caused the diminished activity, but it is felt that the search for substitutes may produce results before long. Important men in this as in other industries which aim at autarky say, in effect: "We are now in the first stage of the process, and must deal with quality and with costs; in the second stage, which we are nearing, we shall deal only with costs; and in the third stage we shall be able to offer better quality and lower prices. Then the consuming public will be conquered. Only results will tell if we shall be successful with all industries." To-day it can only be said that the best brains in industry are making strenuous efforts to discover new methods and new products.

The Terms of Trade

For the first time in many years the deficit in foreign trade was reduced in October almost to vanishing point (in million lire, exclusive of trade with the colonies and East Africa):—

	1937			1938		
	Imports	Exports	Deficit	Imports	Exports	Deficit
January	890	516	374	1,113	609	504
February	905	590	315	982	649	333
March	1,064	596	468	996	649	347
April	1,228	687	541	917	645	272
May	1,327	603	724	870	596	274
June	1,536	787	749	1,071	744	327
July	1,076	554	522	859	592	267
August	1,091	714	377	774	618	156
September	1,029	673	356	743	633	110
October	1,094	705	389	755	747	8

While the monthly deficit rose in 1937 to 749 million lire and was never less than 315 million lire, in 1938 it fell continuously until in the last quarter it rapidly sank to the insignificant figure of 8 million lire. This result was mainly achieved by reducing imports. In some cases the bounty of nature was responsible. Thus wheat imports in 1938 were only 24,632 tons, against 164,789 tons in 1937, and maize imports 4,302 tons, against 11,762 tons. In other cases there was a change-over from foreign to national sources. Thus imports of oleaginous seeds decreased during the same ten months from 335,066 tons in 1937 to 155,664 tons in 1938. Again, lower prices made it occasionally possible to maintain or even increase quantities imported at a lower total cost (in thousands of tons and million lire):—

	Changes in	
	Quantity	Price
Cotton, raw	+ 2.1	— 164.4
Scrap iron	+ 387.8	— 32.0
Copper	— 0.1	— 74.7
Nickel	+ 516.8	+ 2.2
Tin	+ 771.8	+ 2.4

On the export side, good prices were obtained for fresh fruits and horticultural products. For instance:—

	Changes in	
	Quantity	Price
Vegetables, fresh	+ 2.2	+ 27.3
Oranges and mandarines	+ 2.8	+ 18.1
Lemons	+ 11.0	+ 21.8
Fruits, fresh	+ 15.8	+ 62.4
Flowers, fresh	+ 0.2	+ 4.2

It seems that constant efforts are bringing deserved rewards to these enterprising farmers. In other directions it was necessary to bring some pressure on prices to find markets. For instance, exports of rayon and other artificial fibres decreased from 38,538 tons in 1937 to 31,848 tons in 1938 (first ten months), or by 17.4 per cent.; but their value fell from 488.8 million lire to 398 million lire, or by 18.5 per cent. The number of motor cars exported decreased from 29,281 to 17,048, or by 42 per cent.; but their value fell from 570.9 million lire to 213 million lire, or by 63 per cent.

A complete and exact index of the general change in the terms of trade does not exist. But if the calculation of the Confederation of Industry, which includes trade with the colonies and East Africa, can be taken as representative of the special trade with foreign countries, it appears that while the index of import prices decreased from 71.3 in the third quarter of 1937 to 62.0 in the corresponding quarter of 1938, the index of export prices increased from 46.9 to 47.7.

It is too early to draw conclusions from so short a period; future development in the present trend of regulated foreign trade will tell if this favourable reversal of the general terms of trade will become permanent.

Canada

Provincial Problems

OTTAWA, December 12.—The Royal Commission on Dominion-Provincial relations, whose Chairman, Chief Justice Rowell, has now definitely resigned owing to ill-health has been engaged in holding its final series of public hearings at Ottawa. The representatives of various Provinces have come forward to advance new arguments for more generous treatment. But the Governments of Ontario, Quebec and Alberta are continuing their boycott of the Commission. Mr. Aberhart, Premier of Alberta, has, however, been in Ottawa seeking the assistance of the Federal Government for re-undoing operations. In an interview, he discussed the question of a pipe line through the Rocky Mountains to bring the oil of the Southern Alberta field, which cannot now be disposed of locally, to the Pacific Coast. He declared that, as far as his Government was concerned, the British Government could have first call upon Alberta's oil but that, if the projected pipe line was built by private capital, the Provincial Governments through whose territory it was built (and not the Federal Government) should control it and share the profits.

The Canadian Pacific Railway, realising that the opposition of the railway workers' unions was a serious obstacle to the consummation of a merger of the country's two railway systems, has now induced the leaders of the unions to confer with C.P.R. officials to examine certain proposals designed to remove fears about a possible curtailment of railway employment as a result of fusion. It is now expected that friends of the C.P.R. will induce the Senate to resume its investigation of the railway problem.

More Business

Winter has now descended upon Canada and the whole country is covered with a blanket of snow. The Bureau's index for the physical volume of business during October was 118.6, compared with 127.4 for October, 1937, a decline of 6.1 per cent., and slightly below the figure for September, 1938. The weekly economic index of the Bureau continues to fluctuate as the recent data given below show:—

Week Ending	Car-loadings	Wholesale Prices	Bank Clearings	General Index
Nov. 20, 1937	72.6	83.5	90.6	105.1
Nov. 5, 1938	72.3	73.6	93.4	108.2
Nov. 12, 1938	68.4	73.5	87.0	106.5
Nov. 19, 1938	69.1	73.6	93.7	108.4

Thus the index in mid-November was higher than at the corresponding date in 1937. The adjustment of business to winter conditions has now been accomplished and there is general relief at the removal of the atmosphere of uncertainty created by the delay in completing the trade negotiations at Washington. The business community is busy trying to adapt its plans to the agreed tariff changes and, until this process is accomplished, no great further improvement can be anticipated.

The delicate international situation is another disturbing factor; it militates against any appreciable expansion of exports, which are an important factor for Canadian prosperity. But internal purchasing power remains high and merchants are making preparations for as large a Christmas trade as a year ago. Dealers in motor cars also report that the prospective demand for new cars is at least 25 per cent. greater than a year ago and motor manufacturing plants are increasing their output.

Active Mining and Building

The mining industry still remains one of the stoutest bulwarks of the national economy.

	EXPORTS		
	Copper Cwts.	Nickel Cwts.	Zinc Cwts.
October, 1937	384,925	159,437	304,708
September, 1938	495,083	190,850	238,853
October, 1938	481,881	185,838	288,190

In October the production of newsprint was 254,872 tons, compared with 231,940 tons in September and still far below the output of 314,554 tons in October, 1937. In October last exports of planks and boards amounted to 144,296,000 board feet, compared with 139,448,000 feet in September.

Building construction is being surprisingly well maintained and the value of new contracts placed in November was \$15,019,700, compared with \$14,716,300 in November last year. For the first 11 months of the year the total value of

contracts placed was \$176½ millions, compared with \$213½ millions in 11 months of the preceding year.

The latest employment bulletin of the Bureau of Statistics reveals a considerable contraction of employment in October; during the month the number of people on reported payrolls fell from 1,120,068 to 1,100,263, and the decline exceeded the average for October in recent years. On November 1st the Bureau's employment index stood at 114.6, compared with 116.7 on November 1st and 125.2 and 111.0 on November 1st in 1937 and 1936, respectively.

Poland

Critical Voices

WARSAW, December 15.—An exceedingly impassioned speech was delivered at the opening of the session by Dr Vasile Mudryj, leader of the Ukrainian Parliamentary group from Eastern Galicia. In language never before used by a Ukrainian on the floor of the Polish Sejm, Dr Mudryj denounced the treatment of the Ukrainian minority (of about 5,000,000) in Eastern Galicia, and renewed the demand, first made in subdued tones in 1935, for regional autonomy for the Ukrainians.

Stern measures, the extent of which is not yet known, were undertaken some weeks ago by the authorities in Eastern Galicia to suppress Ukrainian separatist activity, an activity which appears to be deriving much moral encouragement from the so-called Autonomous State of Carpatho-Ukraine on the other side of the Carpathians. One of the measures adopted, it is understood, was to intensify the work of "Polonisation" in the Eastern districts.

One of the first consequences of the Polish-German Agreements concluded early in 1934 was to check the open and active support by Germany of Ukrainian revolutionary movements like the one led by Colonel Eugene Konowalec, who was the victim a few months ago of a bomb "accident" in Holland. While accepting German support, Ukrainian hopes of "liberation" were encouraged by what at times seemed a likely prospect of a Polish-German assault on the Soviet Union. Recent developments in Carpatho-Ukraine indicate that German influence is now very active there, while the Polish-Soviet declaration of November 26th seems definitely to rule out any possibility of joint Polish-German action against the Soviet Union.

The situation has thus changed completely since the Czecho-Slovak crisis. It should have been foreseen in Warsaw that a Czecho-Slovakia detached from Soviet Russia and thrown into the lap of Germany would raise a hornet's nest—both for Poland and Russia—in the Ukraine. The common frontier with Hungary on which Poland gambled, even if it had been realised, would have been a very doubtful barrier to German expansionist activity in Eastern Europe. Poland, it seems, had not fully understood the internal weakness of Hungary; but there are no illusions here about the internal weakness of the Soviets.

Trade with Germany

In the first ten months of this year imports were valued at 1,082 million zlotys and exports at 946 millions, compared with 1,036 millions and 976 millions, respectively, in the corresponding period of 1937. Trade with principal countries was as follows:—

	JANUARY TO OCTOBER (Ten months) (In millions of zlotys)			
	1937	1938	1937	1938
	Imports	Exports	Imports	Exports
Greater Germany	from 195	to 177	from 247	to 215*
United Kingdom	126	180	122	188
United States	121	86	138	52†
France	34	42	38	38
Belgium	46	58	45	40
Sweden	31	62	37	58
Soviet Russia	12	4	9	1

* The excess of imports over exports probably represents payment by Germany in goods for railway transit charges across Pomerania.

† The import surplus in trade with the United States is largely, if not entirely, off-set by emigrant remittances.

Since the "normalisation of relations" in 1934 the value of Poland's imports from Germany (including Austria) has risen from 165 million zlotys in 1935, 188 millions in 1936, and 240 millions in 1937, to about 300 millions in 1938—with a further substantial increase indicated for next year as the result of recent new agreements.

The latest agreement is one between the Upper Silesian engineering combine known as *Wspolnota Interesow* and a German group of motor manufacturers for the assembly and distribution of motor vehicles in Poland. Assembly operations are expected to begin early in 1939, and, with Poland having only about 35,000 motor vehicles in use for a population of 35,000,000—the lowest *per capita* figure in Europe—the possibilities for trade expansion in this field are clearly considerable, the more so as Germany provides an almost unlimited market for agricultural exports from Poland. Whatever happens in the political field, it seems inevitable that Poland will grow economically more and more dependent on Germany.

It is hoped, however, that the Polish-Soviet Agreement of November 26th will lead to an improvement in trade between the two countries. Actually, Polish-Soviet trade has now almost ceased, but efforts are to be made to find a market in Russia for some of the metallurgical output of the Teschen-Silesia district, thereby relieving the economic problem which has arisen there since the annexation of the territory.

Lithuania

Good Harvests

KOVNO, December 12.—Although this year's general economic position is not as good as that of 1937, there is no marked falling-away. This is chiefly because of the excellent harvest. Total wheat crop for this year is estimated by the Bank of Lithuania at 1.6 million metric tons, against 1.36 million in 1937; flour is up from 39,000 to 40,300 tons, and linen fibre from 33,900 to 35,900; while general quality has also improved. With foodstuffs more plentiful, last year's scarcity may be said to have disappeared, and this is partly through increased production of fats. A mid-year figure showed 1,164,000 cattle, 1,186,000 pigs, and 1,241,000 sheep.

All districts report increased milk production; and plans for a greater egg production are well advanced. Peasant purchasing power is stronger, but prices, on the other hand, have revealed unfavourable tendencies. Agricultural wages have risen, while prices for a number of products (wheat, flax, hides) have fallen. Improved purchasing power has meant a brisk demand for agricultural machinery and capital goods. Imports of artificial manure in the first eight months of 1938 reached a high point of 100,000 metric tons.

Improved Foreign Trade

Industry has felt the influence of governmental and communal building plans. The propaganda for using stone instead of wood is having results witnessed to by the good business being done in bricks and by increased cement imports. The foundation of a large State building concern is in preparation.

With home and foreign markets weak, the timber industry has gone back; and in the Memelland the cellulose and veneer industries have lost from ten to fifteen per cent. of their trade. The number of industrial concerns employing more than five workers has grown from 1,247 last year to 1,441, and the number of workers from 36,593 to 40,818. The sugar-refineries have produced during the year 1,900 metric tons of sugar from 134,000 of beet. Following the dissolution of the tobacco syndicate the tobacco-producers' union is planning the erection of a modern tobacco factory for the marketing of home-grown tobacco.

This year's foreign trade is good. Exports in the first nine months were worth 175 million lits against 148 million lits for the same period of last year, imports being 165 millions against 156 millions. Butter exports have increased by 16 per cent. and egg exports by 18 per cent. over last year, the trade being with the United Kingdom and Germany. Now that trade relations with Poland are to be resumed, the importance of Memel as a transit centre, which Polish merchants have been studying for some time, is becoming clear.

The New Budget

Home trade has shown improvement and recession according to commodity. Textiles in particular have suffered, and for the most part it is foreign creditors who have had to stand the loss. Deposits in Lithuanian private banks have risen during the year, while those in State banks have fallen. Total bank credits are about 11 per cent. higher, and in this direction State initiative has played an undoubtedly important part. A new internal loan is announced by the Government for the beginning of 1939, to the amount of 20 million lits, for building construction needs.

The 1939 Budget, balanced at 369 million lits, has been

laid before Parliament. Expenditure is apportioned as follows (in millions of lits): Defence 90; Ministry of the Interior 34; Ministry of Finance 43; Ministry of Agriculture 42; Ministry of Education 59; Ministry of Transport 74; and Foreign Ministry 5. The Government is preparing a Bill for the collection of a capital levy, in which bank investments and other bank deposits will be taxed for the first time.

Palestine

Partition Dead

JERUSALEM, December 19.—The conclusion reached by the Partition Commission probably surprised no one. The only support the policy of partition enjoyed was derived from its acceptance by the British Government. The more the policy and its implications were studied the less practicable it seemed. This conclusion was obviously reached in Government circles as well, and when the terms of reference to the new Commission were published, those with a close acquaintance with conditions in Palestine felt certain that the function of the new Commission would be to bury partition as decently as possible. They were not mistaken. The Commission reported, in effect, that it was impossible to produce a satisfactory scheme of partition. They put forward a scheme because they were instructed to do so, but they damned it with very faint praise.

The Arabs had consistently refused all suggestion of the mutilation of their country. The revolt during the past year has been mainly one against such a mutilation. The Jews—or rather the majority of the Zionists—brought very reluctantly to accept a scheme of partition, announced that the Royal Commission's proposals were not acceptable and that the frontiers of the proposed Jewish State must be enlarged. On the other hand, the Partition Commission reduced them most drastically, with the certainty that the Jews would reject their proposals without consideration. The rejection by both peoples of both the proposed Arab and Jewish States clearly made partition impossible.

The British Government must start afresh. It hopes to find some measure of agreement between Jews and Arabs and to build on this. Such a measure of agreement must be found, for no scheme of settlement that has not a considerable amount of both Arab and Jewish acceptance is worth while. To attain this agreement a compromise is necessary: one that will give neither side everything it demands, nor either side anything to which the other objects strongly.

Crucial Financial Issues

The proposal for partition broke down on many counts, and not least on that of finance. The Commission, on the rough and ready basis of a normal revenue and expenditure, came to the conclusion that while the proposed Jewish State would show a surplus of £600,000 per annum, the other two States would show a combined deficit of about twice as much. In fact, they foresaw that partition would impose a permanent burden on the British Treasury of £1,250,000 per annum.

This was not all, for these proposals allowed nothing for defence. In normal circumstances the cost of defence to Palestine has been small. Local funds have simply defrayed the difference between the cost of the forces in Palestine and in Britain. Since the outbreak, however, with the presence of large forces in Palestine, this difference has been considerable and is now beyond the power of Palestine to support. After partition, the whole of the cost of military and air forces would, or should, fall on the respective States.

The Jewish State, at any rate, would set up a consular, perhaps even a diplomatic, service and this would be expensive. The cost of the social services would also increase, for

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their extension has always been demanded by the Jewish section of the population. Moreover, the Jews, even against their better judgment, would have to increase immigration largely and, in the absence of new markets, of which none are in sight, this would very greatly increase the burden of unemployment and its cost. Presumably, part at least of the services at present paid for out of foreign charitable funds would also have to come out of the funds of the Jewish State; a State dependent on foreign charity could hardly be described as either sovereign or independent.

Thus, not only would the Budget deficits of the Arab State and the British Mandatory territory be still further increased by inevitable military expenditure, but the assumed surplus of the Jewish State would disappear and be replaced by a deficit. The three new States would have all commenced life inescapably insolvent.

India

A Gregorian Trade Survey

CALCUTTA, December 3.—The Review of the Trade of India in 1937-38 has just made its appearance over the signature of Dr T. E. Gregory, the newly appointed Economic Adviser to the Government of India. Roughing in the background to Indian trade the Review takes the line that, while the world situation at the beginning of 1938 was not as satisfactory as it had been in 1937, it is not desirable to exaggerate the extent of the recession. There was a definite check to the downward movement in the middle of the year when the decline in prices was arrested; and, over a large part of the world, economic activity is still considerably above the peak attained in 1929. Unhappily for India, however, this is not so in the United States of America, which in 1937-38 accounted for 10.1 per cent. of India's exports and next to the United Kingdom was India's best customer.

Pointing out that the trade cycle has hitherto been construed in terms primarily of the constructional industries, Dr Gregory avers that the cycle which appears to have culminated in 1937 shows some marked features of its own not, perhaps, given recognition. The cyclical fluctuations of the constructional industries are not determinant in India, which in spite of her rapid industrialisation in the last quarter of a century is still predominantly agricultural. In the depression years of 1929-32, the Indian cultivator was in sore distress on account of the disastrous slump in agricultural prices. When the upward movement started in 1932-33, the rise in commodity prices was painfully slow and halting, and it was only in the middle of 1936 that primary commodities began their definite upward movement.

As the year advanced, the rise became almost a boom, and primary prices rose to levels which they had not touched for many years. By the spring of 1937 they had attained peak levels. The sudden reversal of the trend of prices that then set in, a movement which Dr Gregory traces to the unhealthy conditions under which the commodity boom of 1936 started, had a serious effect on Indian agricultural conditions. The full effect of the fall in prices was not felt in India till the middle of 1937, but conditions in the case of most of India's agricultural commodities then deteriorated rapidly. The average fall was more than 25 per cent. in a period of only a few months, and this has been fully reflected in the reduced purchasing power of the agriculturist. Much the same story can be told about Indian industry, which managed fairly successfully to resist the first onslaught of depression but, after October, 1937, lost ground and succumbed to the general depression in the commodity and share markets.

India's Customers and Clients

Analysing the direction of Indian trade, the Review shows that, while the course of Indo-Burma trade remained unchanged, there have been significant changes in India's trade relations with other countries. There is a growing tendency on the part of the United Kingdom to purchase more and more from India and, although imports from that country are also on the increase, the excess of imports over exports, which had been a feature of India's trade with the United Kingdom in 1935-36 and earlier years, has now been transformed into a favourable trade balance. Again, in value, India exported less goods to Japan (whose trade is now largely regulated by exchange control) than she imported from that country in 1937-38, and the balance of trade there has turned against her.

In 1937-38, as compared with 1936-37, a reduced proportion of India's imports was drawn from the British Empire,

which accounted for 55 per cent. of total import trade, against 59 per cent. in the earlier year. There were comparatively small increases in purchases from Canada, South Africa, British East Africa and Australia, which were offset by appreciable declines in imports from the United Kingdom and Burma. Imports from each of the five principal European countries, Germany, Belgium, France, Italy and the Netherlands, were proportionately greater than a year ago; and a relatively large increase was also recorded for the United States of America, while the proportion received from Japan and China showed decreases.

	IMPORTS		
	1935-36 Per cent.	1936-37 Per cent.	1937-38 Per cent.
United Kingdom	31.7	31.0	29.9
Burma	17.5	19.3	14.9
Japan	13.0	13.3	12.8
Germany	7.9	8.2	8.8
United States of America	5.6	5.3	7.4
Iran, Arabia, Iraq, Asiatic Turkey and Sumatra	2.0	2.1	3.0
Kenya and Zanzibar	2.3	2.4	2.6
Straits Settlements	2.0	2.2	2.2
Belgium	1.4	1.7	1.9
Italy	1.3	0.8	1.5
Ceylon	0.9	1.2	1.0
Switzerland	0.9	1.0	1.0
Australia	0.8	0.8	1.0
France	0.8	0.8	0.9
Netherlands	0.7	0.7	0.9
Canada	0.6	0.5	0.6
China	1.2	0.9	0.6
Union of South Africa	0.2	0.2	0.3
Java	1.1	0.3	0.2

On the export side, the increased shares taken by the United Kingdom, Burma, Canada and the Union of South Africa were sufficient to raise the percentage for the British Empire, as a whole, from 47 to 51. Among the principal European countries, Germany and Italy increased their shares of Indian exports, while the three remaining countries, France, Belgium and the Netherlands, reduced theirs. The most important decrease occurred in the case of Japan, while the United States of America and China took a larger proportion than in 1936-37.

	EXPORTS		
	1935-36 Per cent.	1936-37 Per cent.	1937-38 Per cent.
United Kingdom	29.9	31.0	33.3
United States of America	10.7	9.9	10.1
Japan	13.6	15.0	10.0
Germany	5.5	4.8	5.8
Burma	6.0	5.4	5.7
Belgium	3.3	3.8	3.7
Italy	2.2	2.7	3.0
France	4.8	4.4	2.9
Ceylon	2.9	2.5	2.9
Netherlands	2.0	2.6	2.1
Australia	1.9	1.7	1.7
Argentina	1.4	1.7	1.5
Straits Settlements	1.0	1.0	1.4
Iran, Arabia, Iraq, Asiatic Turkey and Sumatra	1.1	1.5	1.4
Canada	1.1	1.1	1.3
China	0.8	0.5	1.1
Union of South Africa	0.9	0.7	0.8
Spain	1.2	0.4	0.1

The following table shows the distribution of Indian overseas trade and the balance of trade with various units:—

Country	1936-37			1937-38		
	(In Crores of Rupees)		Net Imports (-) or Exports (+)			Net Imports (-) or Exports (+)
	Exports	Imports		Exports	Imports	
United Kingdom	60	44	+ 16	64	52	+ 12
Burma	11	27	- 16	11	26	- 15
Other British Possessions...	20	13	+ 7	24	17	+ 7
Total British Empire ...	91	84	+ 7	99	95	+ 4
Europe	39	23	+ 16	37	33	+ 4
United States of America...	19	7	+ 12	19	13	+ 6
Japan	28	19	+ 9	19	22	- 3
Other Foreign Countries ..	15	9	+ 6	15	11	+ 4
Total Foreign Countries ..	101	58	+ 43	90	79	+ 11
Grand total	192	142	+ 50	189	174	+ 15

The effect of the separation of Burma on the general disposition of India's overseas trade is well brought out.

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By Sir Harry C. Luke, K.B., C.M.G.,
Governor and Commander-in-Chief of Fiji and High Commissioner for the Western Pacific

THE CROWN COLONIST, 33 TOTHILL ST., WESTMINSTER, LONDON, S.W.1

Letters to the Editor

Railway Problems

TO THE EDITOR OF THE ECONOMIST

SIR,—I had hoped that a worthier pen than my own would contribute a letter to your columns drawing attention to the obvious contradiction contained in the argument put forward in Mr Gilbert Walker's letter published in your December 10th issue (on page 540). He states that: "To free railways from 'undue preference,' with road haulage restricted as it is at present, will perpetuate a grave inequity between traders."

It is indeed hard to understand why railway rates should remain subject to undue preference limitations, while the competitive road haulage rates are not so subject. There is nothing to prevent a road haulier quoting a low rate per ton-mile where railway competition exists, and to quote a much higher rate per ton-mile to another trader who has not the benefit of competitive rail services.

The restrictions on road haulage to which Mr Walker draws attention bear no relationship to the question of undue preference. He hints that the demand for road transport is greater than the supply, owing to artificial restrictions; if such was the case, one would have expected to find the road haulage industry a very prosperous one, a fact its members seem at pains to deny. One would also have expected that, owing to shortage of units, concentration would have been made on those services where rail competition would not have depressed the ton-mile rates; yet this is obviously not the case. If any shortage of public road transport facilities does exist, it would appear to be caused by the rapidly extending use of "C" licence (private carrier) vehicles, a cause, and not a result, of the fall in the number of public haulage vehicles.

May I remind Mr Walker that regulations—though he would probably term them restrictions—on road transport date back long before the birth of railways. Prior to 1700, rates of carriage by highway had to be settled annually by the justices of each county. We have travelled far since those days in railway legislation, but in road transport legislation we appear to have forgotten the wisdom of our ancestors.

Yours faithfully,

C. E. R. SHERRINGTON.

Belmont,
Surrey.

A Dearth of Bills?

TO THE EDITOR OF THE ECONOMIST

SIR,—The *Economist* of December 24th contained (page 664) the following sentence:—

"Theoretically, if notice were given at once, the £100 millions of 1 per cent. Treasury Bonds could be redeemed just before the end of March, but as these are a money market security, the cure would be worse than the disease."

It is true that the Treasury 1 per cent. Bonds were issued for the benefit of the money market, but the discount market has never liked them. As the discount market is so dependent for its business on borrowed money, it will avoid any short bond that is especially vulnerable to any rise in Bank rate. Thus, if Bank rate rose to 3 per cent., Treasury 1 per cent. Bonds, which at present yield £2 1s. 2d. per cent. to redemption with a 2 per cent. Bank rate, would presumably have to yield 1 per cent. more to maturity. The bonds would accordingly fall by just over 2 points. A holder would not be able to write off this loss in his annual accounts by using part of the coupon, since this is only a 1 per cent. coupon, and he would make an actual running loss at the higher rate of borrowing from his bank. Consequently, no one wants to be a holder if there is any uncertainty about Bank rate. Accordingly, 4½ per cent. Conversion Loan, 1940-44, with its large coupon and close double dates has become the money market short par excellence.

The main holdings of Treasury 1 per cent. Bonds are probably divided among the banks, the Public Departments and investment reserve funds of companies which require cash in two years.

The *Economist* of November 6, 1937, showed that the holdings of Treasury 1 per cent. Bonds of the Public Departments were £36 millions, but no later figures have been published in *The Economist* since that date. There are no figures of bank investments in Treasury 1 per cent. Bonds, but a pure guess is about £15 millions. Where the remaining £50 million bonds are is unknown, though some may be in the Issue Department of the Bank of England.

Consequently, the repayment of £100 millions Treasury 1 per cent. Bonds during 1939 would not affect the discount market. On the other hand, it would give some additional cash to the banks, and it would put the Public Departments in funds in time to help with the conversion of the much more substantial 4½ per cent. Conversion Loan in July, 1940 (of which there is £363 millions in issue). Finally, the repayment of bonds bearing interest at 1 per cent. and their replacement by Treasury Bills at approximately ½ per cent. makes a nominal saving to the Treasury of £500,000 a year.

Yours, etc.,

BROKER.

London, E.C.2.

TO THE EDITOR OF THE ECONOMIST

SIR,—*Apocryph* the article in your issue of December 24th, can any difficulty caused by a "Dearth of Bills" be more than technical? For instance, the National Debt Commissioners, if given power to borrow on the cheapest possible terms for the purpose of redeeming debt at a profit—say, by the purchase of Consols at a discount—could spend an amount limited only by the approach of the yield of Treasury Bills to that of long-dated stocks. Ultimate control would still rest with the Bank of England and the fiscal policy of the Government; but would cease to be exercised by the Treasury in the supposed interests of traders.

Would not such a solution in fact meet the views of all save those for whom monetary restriction is an end in itself?

Yours faithfully,

A. C. DOBBS.

Killiney,

Co. Dublin.

TO THE EDITOR OF THE ECONOMIST

SIR,—The writer of your article foresees a coming dearth of bills, but can not suggest a remedy. At the same time the market for Government bonds is weak, and new issues are almost regularly under-subscribed. It seems clear that the position both in the bill market and in the capital market would be greatly improved if "the Authorities" sold a part of their holding of bills and replaced them by long-term bonds.

Yours faithfully,

W. B. REDDAWAY.

Clare College,
Cambridge.

Back to Fixity

TO THE EDITOR OF THE ECONOMIST

SIR,—Your Investment Note of December 17th on the New British Fixed Trust (on page 610) shows the usual *Economist* penetration in its description of a new structure. The inevitably condensed form of your description may, however, mislead some of your readers on two cardinal points. May I therefore make the two following comments?

Home Market versus Exports

TO THE EDITOR OF THE ECONOMIST

First, this is essentially a fixed trust. For the essence of fixity for buyers of fixed trust sub-units has been the spread of their money in roughly equal amounts over two or three dozen unchangeable securities.

In the old fixed trusts the unduly simple hope was entertained that fixity would take care of itself; fixed trusts were generated in a mood of violent reaction against "management," and their creators, in enthusiasm for the new, or in spite against the old, went to the other extreme, and substituted for the excommunicated "management" a dogma of neglect.

The possible and probable effects of neglect may be illustrated by an example: an old-type fixed trust which had, say, 4 per cent. of its funds in Bristol Aeroplane before the recent issue of new capital, would now only have 3 per cent. if it had been old-type cumulative, 1.7 per cent. if it had been old-type distributive. Over a life of 21 years in a world of investments, which like other worlds is inconveniently not static, some old-type fixed trusts may be found more or less to belie their name; on the other hand, the New British has power under its Trust Deed to preserve its essential fixity through the manifold chances and changes which lie ahead—*fixissima inter fixas*.

Secondly, I want to say that the New British is at all times a Cash Fund, in which the Managers act solely as agents, both in the issue of sub-units and in the purchase of underlying securities. Not even the first unit was constituted by the deposit of securities; sub-units of the first unit were sold for account of the Trust, and the underlying securities were bought from the market for account of the Trust, just as in all the subsequent units.

I am, Sir,

Your obedient servant,

I. FAIRBAIRN,

Director,

Municipal and General
Securities Company, Limited.

London, E.C.4.

[We should be sorry if our Note (itself headed "Back to Fixity") had misled any reader regarding the essentially fixed nature of the New British Fixed Trust. If it did so, the explanation must be that we were too intent on describing the application of the "Cash Fund" method of operation to a fixed trust. While, in the context, the use of the words "Cash Fund" may have been elliptical, our Unit Trust Survey of April 17, 1937, described their meaning in detail. —EDITOR.]

"Settlement" in Spain

TO THE EDITOR OF THE ECONOMIST

SIR,—Your reference to Spain on page 587 of *The Economist* of December 17th suggests an up-to-date translation of a famous sentence in Tacitus: *desertum faciunt pacem appellunt*. "Italian planes bomb Spanish civilians and the British Prime Minister calls it a settlement."

Yours faithfully,
H. C.

The Reform Club,
London.

British Profits

TO THE EDITOR OF THE ECONOMIST

SIR,—In view of the suggestion made by Mr Harold Barger in the letter you published on December 24th, your readers may be interested to know that the next issue of the *Journal of the Royal Statistical Society* will contain an article by Mr A. Stanley Carruthers, A.C.A., on "The Trend of Net Profits." In this article he calculates indices for the profits of the years ended December 31, 1928-37, and draws attention to the need for reform in the dates of accounting periods, and to the advantages which would result from the publication of quarterly reports.

Yours faithfully,

E. C. SNOW,

Hon. Secretary.

If is, of course, very difficult to measure general changes in output, but an extremely rough calculation that I have made, based partly on figures given by Mr Colin Clark in the September issue of the *Economic Journal*, suggests that a figure of 25-30 per cent. for the rise in total output for the home market would be much nearer the mark. Your article, which suggests that the increase was probably more than 50 per cent., gives the impression of a rise perhaps twice as great as that which actually occurred.

Might I also suggest that your article may give a misleading idea of the proportionate rate of recovery in the export trades? The volume of exports increased between 1932 and 1937 by roughly 30 per cent., i.e. at about the same rate as total output for the home market.

You claim that your article contains the first published attempt to compare quantitatively the relative changes in the home and the export markets, and I have ventured to make these suggestions simply because your estimates will, no doubt, be widely quoted. I am in agreement with the general nature of the conclusions reached in the article.

Yours faithfully,

G. D. A. MACDOUGALL.

The University,
Leeds.

A British Expeditionary Force?

TO THE EDITOR OF THE ECONOMIST

SIR,—In war it is impracticable to be strong at every point, so in preparing for war the less must be sacrificed to the more essential.

Sea power has won all her wars for Britain including the last. The employment of a great conscript army on the Continent of Europe is a misconception of the use of sea power which should rather give support and, above all, mobility to a small but highly trained and equipped Expeditionary Force, skilled in amphibian operations, and ensure the passage of, not men, but munitions to France.

So strong is the defensive in modern war that with adequate fire power France should hold her enemies at bay with her own forces. Her adversaries, committed to the offensive, unable to determine how, when and where our Expeditionary Force would be used, would suffer by distraction an effect out of all proportion to its size.

Our resources are great but not inexhaustible. Let us employ them so that they will exert the greatest effect on the enemy at the least cost to ourselves. This is our historic strategy, from which, as Captain Liddell Hart has shown so ably, we departed in the last war and bought victory at the cost of crippling ourselves, both morally and physically, for a generation.

I am, Sir,

Your obedient servant,

LAWRENCE MACLEWEN.

Isle of Muck,
Isle of Eigg.

Books and Publications

Marx To-day

THE Liberal democratic State, a rarity in the contemporary world, derives its theory from the "Two Treatises on Civil Government" and the "Contrat Social." The Fascist States can claim Hegel and Sorel as their spiritual parents. The final consequences of the "Communist Manifesto" cannot yet be predicted. The Stakhanovite and the Chinese peasant of the Eighth Route Army, the Social Democrat or Communist workman of Western Europe, the energetic C.I.O. organiser in the United States, all are the children of Karl Marx. If we cannot be certain that the words of Engels at the grave of Marx—that his name and work would live through the centuries—will be justified by the future, we can at least say with the author of a new short life of Marx* that 'throughout Europe and America and Asia a man's approach to the problems of his time is symbolised by his relation to Marx.'

The publication at a popular price of Mr Sprigge's excellent and scholarly little biography and the appearance in the famous series of "Day to Day" pamphlets published by the Hogarth Press of Mr Palme Dutt's able exposition of the official Communist point of view† on world politics, show the extent of popular interest in Marxism to-day. The bitter years of depression, the victories of Fascism in Europe, have created a public necessarily eager to fathom the doctrines of Marx.

If Marx has critical friends such as Mr Sprigge, devoted followers such as Mr Palme Dutt, he also makes enemies, now as in the course of his fascinating and stormy life. M. Boissonnet is one of them.‡ He looks on Marx as the father of the material and moral ruin of his country and of the world. His economic views can be stated briefly. Throughout the post-war period workers, nurtured on Marxism, have demanded as their share of the national wealth more than the possibilities of the economic situation permitted. Their intransigence has been flattered by supple neo-Socialists like Mr Lloyd George and encouraged by Social Democrats like M. Blum. In Russia the total collapse of the Tsarist order permitted the ferocious surgeons of Marxism to dissect the living body of the Russian economy.

M. Boissonnet concludes that the patient is likely to die. Marxism, in its integral form and in the revised version of Social Democracy, has by its interference with the smooth operation of the law of supply and demand created disequilibrium and chaos. The remedy? A return to the classical liberal economy with its keener edges blunted by a Catholic Corporatism after the fashion of Mussolini or Salazar.

As a critique of Marx's economic theory, or as a commentary on post-war economic policies, the book has little value. It is, however, interesting as a revelation of the French *bien-pensant* type of mind. The increased power of the working-class in France has thrown these people into the hungry embrace of Hitler and Mussolini. M. Boissonnet vilifies Jews and Freemasons quite in the style of the dictators whose policies he admires. He thinks that exceptions should be made where Jews fought in the front line in the last war. One seems to have heard this somewhere before.

Mr Charles Vincent also analyses the French situation.§ Unlike Mr Palme Dutt, who puts up a good case for the change in Communist tactics since 1935, he condemns the theory and practice of the Popular Front. He admires the policy of M. Pivert's new party, and believed at the time of writing (before Munich) that M. Daladier, having robbed the French workers of the gains made in 1936, was (as a

"result of pressure . . . from French heavy industry and the banks") about to lead the French nation into an Imperialistic war like that of 1914. Events have shown how barren is this analysis. Mr Vincent should read again Marx on the Paris Commune. The governing classes of France and of other democratic countries are seemingly pacifist to the point of defeatism when they are confronted with an aggressive Fascism.

Shorter Notices

"Russia Without Illusions." By Pat Sloan. With a Preface by Beatrice Webb. Frederick Muller. 7s. 6d.

Pat Sloan is well known in the Communist movement as a simple, lucid and sincere speaker on Russia, the editor of *Russia To-day*, and the author of a short book "Soviet Democracy." The present book, with its witty preface by Mrs Webb, will be regarded by many as his best achievement so far. In it he performs two tasks. First, he describes his own experiences in the U.S.S.R. as a teacher, guide and trade union organiser during the period 1929 to 1936, and his final visit in 1937, and this descriptive part of the book is intimate, extremely simple and straightforward, if occasionally laboured. Secondly, he sets out to reply to the many books by disillusioned Socialists and Communists which have appeared during the last two years, and to defend the orthodox standpoint on the trials. Mr Sloan has read all of these books with great care. Trotsky, Ivan Solonevich, Eugene Lyons, Andrew Smith, Sir Walter Citrine, Andre Gide, F. Beal: each is examined in turn and found wanting in some essential quality or other. Mr Sloan does not examine any of the actual arguments of the Right-wingers and Trotskyites about the agricultural question or the first Five Year Plan. Hostile critics and the trials themselves have weakened the Communist movement in many ways, but they have made stauncher Communists of those who remain true to the cause. This generalisation applies well to the writings of Mr Sloan.

"The Human Factor in Business." By B. Seeböhm Rowntree. Third Edition. Longmans. 244 pages. 4s.

The first edition of Mr Rowntree's study of the place of workers in our present industrial system was published thirteen years ago, and at once became widely known as an important analysis of the knotty problem of securing that industry should serve the consumer satisfactorily, give employees a square deal and at the same time pay. The book has now been almost entirely rewritten to set the experience of Messrs Rowntrees' factory at York in the full context of contemporary labour relations. It is an argument for industrial democracy under paternal guidance, and its emphasis on the importance of a higher status as well as better remuneration in the workers' claims has been further developed.

"Oxford Economic Papers." Edited by R. F. Harrod, H. D. Henderson, J. Marshak and R. Opie. Number One. Clarendon Press. 123 pages. 3s. 6d.

This new publication is designed to put out from time to time the results of research work in economics conducted in the University of Oxford. It is not only because Oxford economics is commonly less in the limelight than Cambridge or London economics that the new venture is to be warmly welcomed. As this first number makes clear, the researches which are proceeding at the Institute of Statistics and elsewhere in Oxford are commendably realistic in their blend of advanced theory and observed fact. The rôle of interest rates in actual business behaviour, for instance, is here examined, not solely as an exercise in logical analysis, though current high theory is kept closely in mind, but also as a synthesis of the conclusions derived from a careful questioning of a sample of business men. National income studies are appreciably aided and advanced by the calculation of index of real turnover, i.e., of the physical amount of goods and services traded. Another paper applies Mr Keynes's "liquidity preference schedule" to the observed movements in the assets held by the London clearing banks; and a final contribution measures differences in the mobility of labour by statistical reference to actual migration from various areas into Oxford.

Official Publications

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

Colonial Reports. No. 153. Cameroons under British Mandate for the year 1937. 2s. 6d. net. No. 154. Togoland under British Mandate for the year 1937. 3s. net. No. 1849. Cyprus, 1937. 1s. 3d. net. No. 1850. Turks and Caicos Islands, 1937. 9d. net. No. 1851. State of Perlis (Unfederated Malay States). Report for the Year A.H. 1356 (March, 1937-1938). 1s. 6d. net. No. 1852. The Gambia, 1937. 1s. 3d. net. No. 1853. State of Trengganu (Unfederated Malay States), 1937. 1s. 6d. net. No. 1854. Basutoland, 1937. 1s. net. No. 1855. Johore, 1937. 1s. 6d. net. No. 1856. State of Brunei, 1937. 1s. 3d. net. No. 1857. State of Kedah (Unfederated Malay States). Report for the year A.H. 1356 (March, 1937-38). 2s. net. No. 1858. Kenya Colony and Protectorate, 1937. 1s. 3d. net. No. 1859. St. Vincent, 1937. 9d. net. No. 1860. Uganda Protectorate, 1937. 1s. 3d. net. No. 1861. Barbados, 1937-38. 1s. net. No. 1862. Jamaica, 1937. 1s. net. No. 1863. Straits Settlements, 1937. 2s. 6d. net. No. 1864. St. Lucia, 1937. 9d. net. No. 1865. State of Kelantan (Unfederated Malay States), 1937. 2s. net. No. 1866. Gibraltar, 1937. 9d. net. No. 1867. Hong Kong, 1937. 1s. 3d. net. No. 1868. Northern Rhodesia, 1937. 1s. net. No. 1869. Tongan Islands Protectorate, 1937. 9d. net. No. 1870. St. Helena, 1937. 9d. net. No. 1871. Bechuanaland Protectorate, 1937. 9d. net.

Report on the Work of the Land Division for the Year 1937. Ministry of Agriculture and Fisheries. 1s. net.

Civil Judicial Statistics, England and Wales, for the year 1937. Cmd. 5859. 1s. net.

Lunacy and Mental Deficiency: Twenty-fourth Annual Report of the Board of Control for the year 1937. Part I. 1s. 6d.

Standing Orders of the House of Commons, 1938. 3s.

Department of Health for Scotland: Report of the Scottish Departmental Committee on Nursing. 9d.

Bankruptcy, 1937. 55th General Report by the Board of Trade. 9d.

Report of the Commissioners of Prisons and the Directors of Convict Prisons for the year 1937. Cmd. 5868. 2s. net.

Abstract of Returns Relating to Pilotage in the United Kingdom for the year 1937. 3d. net.

Oversea Trade of the United Kingdom, 1937. Nationality of Carrying Vessels. 1s. 6d. net.

"International Trade in certain Raw Materials and Food-stuffs, by Countries of Origin and Consumption, 1937." League of Nations. Allen and Unwin. 176 pages. 5s.

This new collection of statistics covering the world's trade in raw materials has been prepared in a very convenient form. It is possible from the tables given to discover, not only the total quantities of the main raw materials exported from or imported into the principal countries, but also the quantities exchanged between any two countries. Thus, German imports of cotton from Brazil can be as rapidly distinguished as Germany's imports from all places and Brazil's exports to all destinations.

"The Atlas of To-day and To-morrow." By A. Radó and M. Rajchman. Gollancz. 209 maps, 93 pages of text. 10s. 6d.

The general idea of this Atlas and the diagrammatic devices employed are excellent, though the details are open to considerable criticism in several places. The successive territorial divisions of the world since 1875; the economic and political alignments of to-day; the distribution of raw materials, gold, armaments and man-power; the economic and political aspects of present-day Empires; the struggle for world markets and for control of routes by sea, land and air; racial, religious and minority problems; forms of government and social organisation—all these are thrown on to a clear-lit screen by statistics, maps and charts. But no sources are given for the figures used which, as in the case of comparative national incomes, for instance, seem to be definitely misleading. In several cases, too, a certain political bias has apparently been permitted to distort the representation of facts. The project of a pictorial exhibition of current social, political and economic dynamics is inspiring; many of the maps and figures are valuable; but the Atlas is not entirely trustworthy.

Books Received

City of Chester. Abstract of Accounts for the Year ended March 31, 1938. (Chester) Municipal Offices. 121 pages. No price stated.

The International Share-Out. By B. Ward. (London) Nelson. 174 pages. 2s. net.

Rural Australia and New Zealand. By E. de S. Brunner. (New York) American Council Institute of Pacific Relations. 70 pages. \$1.50.

A brief account of the effect which recent legislation and economic developments have had on the agriculture of Australia and New Zealand.

Official Year Book of the Union of South Africa, 1938. (Pretoria) Office of Census and Statistics. 1308 pages. 5s. net.

The Bankers' Almanac and Year Book for 1938-39. (London) Thomas Skinner and Company (Publishers), Ltd. 2247 pages. £2 10s. net.

A Survey of the Social Services in the Oxford District. Vol I. (London) H. Milford. 397 pages. 15s. net.

Food and Welfare. By F. L. McDougall. (Geneva) Geneva Research Centre. 56 pages. 1.75 Swiss francs.

Why Rents and Rates are High, Land Monopoly in Town and Country—600 Examples. Compiled by A. W. Madsen. (London) United Committee for the Taxation of Land Values, Ltd. 229 pages. 1s. net.

The Human Factor in Business. Third Edition. By B. Seeböhm Rowntree. (London) Longmans, Green and Company. 244 pages. 4s. net.

Los Precios y las Oscilaciones del Area Sembrada en la Argentina. (Rosario) Instituto de Investigaciones Economicas. 42 pages. No price stated.

The German Fat Plan and Its Economic Setting. By K. Brandt. (Stanford University, Cal.) Food Research Institute. 344 pages. \$3.00.

Price Control in Fascist Italy. By H. S. Miller. (London) P. S. King. 146 pages. 8s. net.

Travaux du Congrès des Economistes de Langue Française, 1938. I. La Reprise Allemande, Méthodes et Résultats. II. Hausse des Prix et Réorganisation des Entreprises. (Paris) Editions Domat-Montchrestien. 190 pages. 48 francs.

Produire. By J. P. Reinach. (Paris) Félix Alcan. 108 pages. 10 frs.

Macro-Dynamic Aspects of the Equation of Exchange. By E. Petersen. (Oslo) I. Kornmisjon Hos Jacob Dybwad. 116 pages. No price stated.

A Hundred Years of Progress. An Historical Record of the firm of Blackstone and Company, Ltd., of Stamford, Lincs. By Thomas L. Price. (Dursley) F. Bailey and Son, Ltd. 43 pages. 1s. net.

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London, W.C.2



* "Karl Marx." By C. J. S. Sprigge. Duckworth. 144 pages. 2s.

† "The Political and Social Doctrine of Communism." By R. Palme Dutt. Hogarth Press. 44 pages. 1s.

‡ "La Misère par la Surabondance. Karl Marx: Père de la Crise Mondiale." By J. Boissonnet. Paris: Librairie du Receuil Sirey. 221 pages. 35 frs.

§ "The Popular Front in France." By Charles Vincent. Independent Labour Party. 56 pages. 6d.

THE FINANCIAL NEWS IN 1939

NEW AND ESSENTIAL SERVICES TO INVESTORS

I LEADING INDUSTRIES REGULARLY REVIEWED:

IN VIEW of the direct influence of industrial development on the course of share values, arrangements have been made for a complete review of current conditions—as regards output, new orders, prices, prospects, etc.—in all the leading industries of Great Britain.

Each group of industries will be dealt with regularly weekly throughout the year, in the following rotation:

MONDAY: Coal, iron and steel, and shipbuilding.	THURSDAY: The building trades and transport.
TUESDAY: The textile trades; cotton, wool, linen, jute, rayon, etc.	FRIDAY: General industries—chemicals, pottery, boots and shoes, etc.—and retail trades.
WEDNESDAY: Engineering, motors, electrical engineering, aircraft and the radio industry.	SATURDAY: Agriculture.

II EXCLUSIVE INDUSTRIAL SURVEYS:

IN VIEW of the profound changes in the structure, location and technique of great industries, "The Financial News" has appointed a Special Commissioner to tour the leading industrial districts of this country and America, to visit the works of manufacturers, large and small, and to present the results in a series of exclusive reports for the benefit of readers.

The first of these special articles will deal with the prospect for American industry in general, in 1939, and will appear in "The Financial News" on January 2nd. A second article will be based upon a visit to leading American steelworks and will present certain important conclusions, based on personal discussions of policy, methods and prospects with those in control. This article will appear in "The Financial News" on January 3rd. A similar article, on January 4th, will deal with the outlook for the American automobile industry.

Later articles will deal, in the same intimate and authoritative way, with British industries like Cotton, Engineering, Shipbuilding, Chemicals, Tinplate, etc.

"THE FINANCIAL NEWS" is a nationally circulated newspaper and is on sale throughout the country at all bookstalls and branches of Messrs. W. H. Smith & Son, Ltd., and Wyman & Sons, Ltd., and at the leading local newsagents. No difficulty should be experienced in procuring the paper, but the one certain way to avoid disappointment is to place a standing order with a newsagent for the regular daily delivery of the paper. Place your order TO-DAY.

III SPECIAL ARTICLES FOR THE INVESTOR:

IN ADDITION to the regular reviews of leading industries and the exclusive industrial surveys which "The Financial News" will publish throughout 1939, a large number of exclusive articles by special writers on a variety of topics, which directly concern the investor and the business man, have been planned. The following brief list will give some idea of the variety of subjects which it is intended to cover:

HOW RETAIL TRADE IS FINANCED:

(This will be a series of special articles and will include the following trades:—Motor, Furniture, Radio, Refrigerators, Lawn Mowers, Bicycles, Gas and Electric Stoves, etc.)

HOW THE TAXPAYER'S MONEY IS SPENT.

GERMANY AND THE COLONIAL PROBLEM.

REARMAMENT AND THE INVESTOR:

(The latest figures.)

GAS VERSUS ELECTRICITY.

INVESTMENT AND A FALLING POPULATION.

CAN WE INCREASE OUR TRADE IN SOUTH AMERICA?

IV "THE TALK OF THE MARKETS":

TO PRESENT accurate news and comment on Market events must always be the primary aim of a financial journal. Nevertheless, readers are clearly entitled to know all that the Market is saying about present and future developments that may affect the value of individual shares. Only too often the general investor finds that news of a forthcoming bonus or an increase in dividend, or a coming merger, has been anticipated by quarters in close touch with the Market, long before any public announcement is made.

"The Financial News" believes that its readers ought to have access to all information of this character whose source appears reliable, disinterested, and *bona fide*. Every day, therefore, a new Market feature will appear, summarising what the Market is saying about particular shares and discussing the likelihood and significance for investors of that advance information.

It will be appreciated that although "The Financial News" has its own opportunities for checking the reliability of all market reports, it cannot, for obvious reasons, assume direct responsibility, financial or otherwise, for their accuracy. The new column will accordingly appear each day under the heading: "WITHOUT PREJUDICE"

THE FINANCIAL NEWS

(TWO PENCE DAILY)

20 BISHOPSGATE, LONDON, E.C.2

THE BUSINESS WORLD

Machines on the Farm

THE mechanisation of agriculture is not a development of the twentieth or even of the nineteenth century. The invention of the first spade, the breaking-in of the first ox to the plough, the introduction of wheeled vehicles were the early stages of a process which has continued for centuries. But it is true that the pace of that process has been immeasurably quickened in the last fifty years, first, by the invention of machines to perform specific tasks, such as drilling, reaping, threshing or milking, and secondly, by the general application of mechanical power, in the form of steam, electricity and the internal combustion engine.

The introduction of machines to carry out a specific task is the older of these two developments. Practically all the cultivations involved in arable farming can now be executed by machinery; the latest development is a machine to lift and top sugar beet, an operation which has hitherto been carried out by casual labour. Hay cutters, sweeps, swathe turners, elevators, food mixers, cake crushers and milking machines are now also available for the dairy farmer. On the other hand, machinery has hardly touched the grazier, except for accessory implements for haymaking or food preparing; we cannot yet mechanise the growth of an Aberdeen-Angus into beef or the daily care which is given to a flock of lambing ewes by the shepherd and his dogs.

The growing use of these specialised implements for the dairy and arable farmer has not been statistically traced, but the Ministry of Agriculture has counted at intervals, on holdings of one acre or more, the number of stationary and movable engines, from which mechanical power is obtained.

AGRICULTURAL ENGINES IN ENGLAND AND WALES

	1913	1925	1931	1938
Engines :—				
Steam	7,719	3,731	2,246	...
Oil or petrol	16,284	56,774	65,725	...
Electric	262	700	2,475	...
Other	4,978	5,679	5,000	...
Total	29,243	66,854	75,446	...
Motor Tractors :—				
For field work	...	14,565	16,188	43,000
For stationary work	...	2,116	2,466	3,420
Total	...	16,681	18,654	46,420

In 1938 one out of five farms of more than 20 acres in size in England and Wales had a tractor, though this proportion was higher in the arable districts and lower in the mainly dairying or grazing counties; every third farm had some kind of stationary engine.

The most spectacular recent manifestations of mechanisation are the specialist corn-growing farms, with their huge fields cultivated by tractors. But quantitatively far more important in England has been the gradual and inconspicuous adoption of machines and mechanical power on the thousands of "mixed" farms, in whose economy crops and animals each have a place. This slow process was hastened after 1930 by the pressure of falling prices; the table given above shows a striking increase in the number of farm tractors between 1931 and 1938.

Mechanisation is often regarded primarily as a means of reducing costs by substituting mechanical for human labour.

But the decision of a farmer to buy a new machine or to install a tractor does not solely depend on his estimate that his costs will be thereby reduced. A new machine may, indeed, enable him to dispense with casual labour for harvesting or root lifting, or may even enable him to reduce the number of his regular workers. But just as often the introduction of a tractor will give the farm a better distribution of labour requirements throughout the season, and will thus increase the amount of work which can be done. Although total costs may even increase, total output will be increased more than proportionately, so that the farmer obtains an increase in his net profits. Or a machine may give a certain insurance against the risk of bad weather, whose value will only be proved in a bad year; the length of time necessary to cut and carry the corn or hay is appreciably reduced by the employment of tractors and accessory implements.

Nor must it be overlooked that convenience is often the main motive for further mechanisation. Studies by the Agricultural Economics Research Institute at Oxford indicate that costs of milk production do not vary significantly between farms with and without milking machines, although the distribution of total costs among the various items is different. Farms with milking machines tend to have not only higher charges for fuel and repairs, but also higher feeding costs and a more rapid wastage among cows. Yet latest estimates indicate that something like 15 per cent. of all cows in England and Wales are now milked by machines, which are used even in small herds of ten cows or less. Machine milking is quicker than hand milking; it reduces the peak demand for labour at milking time and it provides on small farms an insurance against interruption with the milk supply because one of the two or three workers is temporarily unavailable.

Yet, when all these factors have been allowed for, it is probable that the increasing burden on the farmer of rising wages has been the main factor in stimulating the use of agricultural machinery. Minimum rates of agricultural wages have increased slowly but steadily since the Agricultural Wages Boards Act of 1924; even the depression six years later brought only a temporary halt to a rise which has been hastened since 1935 by a definite shortage of agricultural labourers. Working hours have been reduced, payment for overtime has been enforced, and some of the County Boards have now begun to arrange for holidays with pay. The introduction of more machines and of more mechanical power has been one answer to the problems created by higher wages and falling prices.

The high capital cost of field tractors and cultivators is still perhaps the main deterrent to further mechanisation. On a medium-sized farm an implement designed for some special purpose can often be used on only a few days in the year, so that its overhead costs of depreciation and repairs are very high per unit of output. The overhead costs of a combine harvester, for example, which will be used for one month a year are far higher per unit of output than those of a milking machine which is used twice a day every day. One remedy is to adopt a system of hiring, as is often done with threshing equipment or with the modern gyrotiller, though even so year-round employment is naturally impossible with many machines. Another method is to concentrate on machines which can be used for different purposes. A tractor is far more adaptable than

a hay elevator, but is still less generally useful than a team of horses; the recent surveys of East Anglian farming showed that in 1932, although the tractors available on the farms concerned represented nearly as much horsepower as the horses, the tractors only supplied 26 per cent. of the power actually used, while the horses supplied 70 per cent. It must also be admitted that, while many farmers in this country take an interest in machinery, there are probably more who are definitely not "mechanically minded"; consequently, they do not get full use out of such machines as they have, and their costs both of working and of repairs are needlessly high.

There are many non-agriculturalists who seem to think that the mechanisation of farming involves most drastic changes in the traditional structure of British farming, even to the complete eradication of hedges, horses and the muck-cart. This idea seems to be derived from the abrupt appearance in England of the entirely mechanised corn farms. But such enterprises will remain the exception in this country, whose agriculture is tending more and more towards dairying and market-garden crops, and in which soils, climate and markets vary so enormously from district to district. Further mechanisation will continue in the future, as in the past, by the gradual application on one farm after another of machines and mechanical power to the processes of agriculture. The pace of this change in the five years between 1931 and 1936 can be gauged from

the following table, which is based on data collected in the survey of East Anglian farming mentioned before:—

	Per 1,000 acres				Per Manual Worker*	
	Manual Workers*	Work Horses	Tractors	Cars and Vans	Value of Output	Volume of Output
1931	31.8	28.5	2.6	2.5	100	100
1936	29.9	23.7	3.8	3.6	150	127

* Including manual work of occupier; casual and part-time workers have been included as an appropriate fraction of full-time adult workers.

The process is being hastened as agricultural engineers bring out smaller, cheaper and more adaptable machines, suited to the small size of the majority of British farms; it is noteworthy that manufacturers have recently produced a series of small tractors suitable for the larger market-garden or for field vegetable crops. The pressure of still higher wages and shorter hours is also likely to increase rather than to diminish in the immediate future and will further increase the stimulus towards mechanisation; if the agricultural worker is to obtain a standard of living equal to that of the employed townsman, his efficiency must be increased by giving him better tools and more mechanical power, even if that development involves the employment on the land of a decreasing number of persons.

Capital Market Problems

AN American financier once declared that nothing is so shy as a million dollars. It is this aversion from economic and political risk which makes capital issue statistics the most feverish among economic records. The year now closing has seen falls of 17 per cent. in the prices of equity securities, of 4½ per cent. in fixed-interest stocks, and of 6½ per cent. in business activity, two major political crises in Europe and an unending succession of disturbing incidents. But none of these movements compare with falls of 28½ per cent. in the amount of capital raised by direct public offer, and of over 40 per cent. in the total computed on our "new basis," which takes account not only of public issues but also of placings and issues to shareholders on bonus terms.

The "old basis" figures (which are analysed by domicile in Table I and by industries in Table II) show a reduction during the past year from £251,642,000 to £180,105,600. New issue activity has fallen to the lowest level for four years, and the 1938 total represents less than half the amount raised in 1928—the best pre-depression year. Home borrowing shows the full burden of the fall; for the Empire's quota has remained steady, and foreign borrowing (despite the liberalisation of the Treasury's "requests" during the greater part of the year) is microscopic. The "new basis" totals (which are summarised in Table III and set out in detail in Table II) show a more violent reduction from £458,056,700 to £273,123,700. It must be recalled, however, that in 1937 the "Government" total was swollen by £46½ millions of Tithe Redemption Stock, and bonus issues by industrial companies have been much less frequent during the past year.

Fluctuations in industrial enterprise can be roughly measured in Tables V and VI, both of which analyse the company issues in recent years (on "new" and "old" bases) into fixed-interest and equity capital. Broadly speaking, 1938 was a typical recession year, in the sense that borrowers made greater use of fixed-interest issues—though admittedly not for the classical reason that interest rates became cheaper. But since the average yield basis on equity shares (according to the Actuaries' Index) rose from 4.91 per cent. to 6.15 per cent. during the year, the bias was still in favour of fixed-interest securities. Hence it is no accident that (using the "old basis" figures) ordinary share issues represented 52.7 per cent. of this year's lean total, compared with 62 per cent. or more of the company borrowing in 1936 and 1937. And the

decline in indirect industrial financing is plainly visible from a comparison of these two tables. In 1936, indirect financing (represented by the difference between our "old" and "new" bases) accounted for £231.6 millions; in 1938, it has accounted for only £89.5 millions. Nor is the further decline in conversion issues (particulars of which are set out in Table IV) in any sense remarkable. The conversion of over £750 millions of Government and other stocks during the previous four years has vastly reduced the scope for conversion issues. And the latest year's total would have been even smaller than £23.6 millions but for the conversion of several home corporation issues bearing 6 per cent. interest.

The greater emphasis on prior charge borrowing during the past twelve months is illustrated in the supplementary table appearing on page 736, in which the principal issues of the year and their subsequent fate are shown. The second instalments of defence borrowing last June provided £78.4 millions of new money, compared with £99½ millions in 1937 (a fact which fully explains the fall in British Government borrowing during 1938). But while the Treasury chose a short-dated stock (1944-48) for the 1937 issue, the second was of a medium-term character (1954-58)

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carrying the significantly higher rate of £3 2s. 8d. per cent., against £2 11s. per cent. With scarcely an exception, the leading issues of the year stand to-day below their original prices. A sequence of corporation borrowers were able to tempt the underwriter, if not the investor, with 3¼ per cent. stocks with a maximum life of 26 years, but not a single corporation issue has appeared since the beginning of August. And for an obvious instance where an adverse risk factor has been working in conjunction with a rising tendency of interest rates, the fate of Australia's two issues, the first in May and the second early this month, is revealing. Many of the year's industrial issues have taken the form of preference shares, while Hawker Siddeley and United Steel have neatly exploited the prevailing trend for their special financial requirements by issuing short-dated notes and debentures. Finally, many important electrical supply issues must be ranked, for investment purposes, at the prior charge end of any equity share list.

During recent weeks the shadow of future defence borrowing has been cast over the capital market. The Chancellor of the Exchequer has already stated that the Government will take powers at the "appropriate time" next year to raise the present defence borrowing limit above £400 millions. Including the current year's appropriations, approximately £180 millions has been earmarked under existing powers. Even on fairly optimistic assumptions regarding the total burden, and its allocation between borrowing and lending, the unused borrowing powers of

£220 millions might be fully absorbed in next year's defence bill. And it is conceivable that this sum might be insufficient. Hence the gilt-edged market will provide the lead for the entire capital market during 1939 and after, unless there is an unexpected revival of industrial issues. The authorities will clearly be faced with a real problem, for the 3 per cent. National Defence Loan, which was issued last June at 98, to-day stands at 95¼, while the 2½ per cent. bonds of 1944-48, issued in April, 1937, at 99½, are now 97½. To keep the gilt-edged market "sweet" when the Treasury is bound to be a large borrower will prove difficult, even with the exercise of superhuman tact. Some part—possibly a considerable part—of the borrowing may conveniently be done through the bill market, at least in the first instance. But sooner or later the long-term market will have to provide the accommodation, and in any case (as the past few days have shown) gilt-edged stocks now display greater sensitiveness to any threat of dearer money rates. So long as the new issue market remains ignorant of the total defence borrowing which it will be called upon to absorb, and of the precise form which borrowing will take, it will hardly be capable of staging a rally on its own account. Uncertainty may have one advantage which is claimed by the advocates of capital market control—by damping down competition for new money it will leave the Treasury with the best possible wicket. But, even so, it will not be a comfortable one to play.

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

Calendar Years	British				Empire	Foreign	Total Issues	Index 1928=100
	Government	Home Corporations*	Others	Total Home				
1928.....	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100
1929.....	65.4	8.3	124.3	198.0	61.0	26.2	285.2	77
1930.....	65.6	41.7	63.3	170.6	61.4	35.8	267.8	73
1931.....	10.7	8.0	35.8	54.5	38.5	9.1	102.1	28
1932.....	102.7	28.8	31.6	163.1	25.5	0.3	188.9	61
1933.....	150.8	24.5	34.9	210.2	29.2	5.4	244.8	66
1934.....	44.1	36.1	57.5	137.7	29.9	1.5	169.1	46
1935.....	88.0	51.1	81.6	220.7	15.2	0.2	236.1	64
1936.....	60.2	79.5	90.6	230.3	24.7	0.7	255.7	69
1937.....	95.8	43.7	81.7	221.2	21.1	6.3	251.6	68
1938.....	75.9	24.9	52.2	153.0	24.3	2.8	180.1	49

* Including county and public board loans.

TABLE II
ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

	Old Basis		New Basis	
	Year 1937	Year 1938	Year 1937	Year 1938
British Government Loans ...	95,750,000	75,900,000	143,137,100	75,900,000
Colonial Government Loans ...	2,475,000	6,930,000	3,733,000	7,886,500
Foreign Government Loans ...	5,790,000	Nil	6,869,800	Nil
British Corporations, Counties and Public Boards ...	43,742,300	24,884,700	45,352,100	27,078,100
Colonial Corporation Loans ...	3,356,800	2,183,900	3,356,800	2,183,900
British Railways ...	Nil	Nil	Nil	Nil
Colonial Railways ...	258,000	Nil	258,000	Nil
Foreign Railways ...	Nil	Nil	96,000	340,100
Australasian Mines ...	3,002,700	344,600	4,722,800	344,600
South African Mines ...	4,621,000	6,135,900	15,345,100	9,482,300
Other mines ...	1,542,000	1,144,500	14,593,200	3,076,100
Exploration, Financial and Investment Trust ...	15,869,800	7,898,500	33,664,800	12,005,800
Breweries and Distilleries ...	3,294,000	2,152,500	9,168,800	6,930,700
Merchants, Importers, etc. ...	Nil	Nil	25,300	Nil
Stores and Trading ...	3,190,400	7,920,000	5,950,700	9,410,600
Estate and Land ...	637,500	123,500	1,434,700	329,100
Rubber ...	1,860,200	78,700	2,396,500	78,700
Oil ...	835,200	4,649,100	29,831,400	25,809,600
Iron, Coal, Steel and Engineering ...	17,164,800	2,455,100	28,464,800	7,537,500
Electric Light, Power, Telegraphs and Telephones ...	11,599,500	12,504,800	13,259,600	20,988,200
Tramway and Omnibus ...	406,000	427,900	4,935,300	4,612,200
Motor Traction and Manufacturing ...	1,544,100	80,100	3,233,300	80,100
Gas and Water ...	1,987,700	887,900	7,240,100	4,046,400
Hotels, Theatres and Entertainment ...	3,522,400	2,743,900	3,896,100	3,169,200
Patents & Proprietary Articles ...	1,518,700	900,000	3,446,200	1,202,000
Docks, Harbours & Shipping ...	951,500	Nil	9,120,400	1,155,700
Banks and Insurance ...	2,195,900	965,000	8,565,600	965,000
Manufacturing & Miscellaneous ...	24,526,700	18,795,600	55,959,200	48,513,300
Totals	251,642,000	180,105,600	458,056,700	273,123,700

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

Calendar Years	British				Empire	Foreign	Total Issues
	Government	Home Corporations*	Others	Total Home			
1935.....	88.0	54.9	183.9	326.8	29.3	1.2	357.3
1936.....	60.2	82.1	306.1	448.4	33.8	11.7	493.9
1937.....	143.1	45.3	199.1	387.5	63.4	7.1	458.0
1938.....	75.9	27.7	110.1	213.7	53.7	5.7	273.1

* Including county and public board loans.

TABLE IV
CONVERSION ISSUES (OLD BASIS)
CALENDAR YEARS
(Million £)

	1934	1935	1936	1937	1938
British Government.....	105.0	204.0	37.2	Nil	Nil
Other Conversions	136.9	108.2	109.7	58.5	23.6
Total	241.9	312.2	146.9	58.5	23.6

TABLE V
TOTAL COMPANY ISSUES BY PROSPECTUS (OLD BASIS)
CALENDAR YEARS
(Million £)

	1931	1932	1933	1934	1935	1936	1937	1938
Deb.	23.9	14.8	17.3	14.1	25.2	18.9	18.0	20.4
Pref.	6.9	12.8	12.7	21.5	31.7	24.4	19.5	12.8
Ord.	20.3	6.0	10.0	44.9	37.3	70.3	62.7	37.0
Total	51.1	33.6	40.0	80.5	94.2	113.6	100.2	70.2

TABLE VI
TOTAL COMPANY ISSUES (NEW BASIS)
(Million £)

	Year 1935	Year 1936	Year 1937	Year 1938
Debentures	46.7	35.6	26.8	33.8
Preference	48.4	41.6	30.6	21.8
Ordinary	115.6	268.0	197.7	104.1
Total	210.7	345.2	255.1	159.7

Finance and Banking

Year-End Pressure.—Expectations of an unusually stringent end of the year in the money market are being fully realised. The reduction of working days in the final week of the year (owing to the incidence of two bank holidays) led the discount market to begin its precautionary borrowing at the Bank of England on Saturday of last week when the accommodation had to be taken for nine days in order to carry the maturity into January. On the resumption of business after the Christmas holidays market borrowing at the Bank began to operate at approximately capacity level. By Wednesday afternoon the market, according to the evidence of the Bank return, had borrowed about £13,500,000 from the Bank. Of this approximately £10,000,000 was probably taken on Wednesday—a total which more than exhausted the quota of seven-day money available to the market for any one day and which involved a certain amount of borrowing for eight days. On Thursday another "large" amount was borrowed and by the end of this week the market's temporary indebtedness outstanding at the Bank is likely to be well in excess of the £25 millions to £30 millions which in the past was regarded as the normal amount for which the market was "in the Bank" at the end of the year. The first reason for this unusual recourse to the lender of last resort this year lies in the incidence of the calendar—the fact that December 31 falls on a Saturday making it impossible for the market to shift any part of the year-end financing to the Treasury by delaying its payments for new Treasury bills until January—as was done last year. The last occasion on which this incorporation of the whole of the final working week of the year within the calendar year occurred was in 1933, when December 31st fell on a Sunday. It will occur again next year, when once more the final day of the year will fall on a Sunday.

There are, however, other factors to account for the unusual severity of the year-end stringency this year. One of them is the dearth of December maturities in the hands of the market. In spite of the attractive rates at which these bills were issued many members of the syndicate abstained from tendering owing to the menacing uncertainties of the international situation in September. Moreover, many of the December bills issued to the market had to be resold to the Bank of England or public departments in order to tide over the situation created by the substantial calling of money from the market at the time. In addition, the clearing banks have this year been even less keen buyers of bills during December than is their wont in this month. The effect of the withdrawal of foreign deposits is still making itself felt on their cash positions. For the same reason the "outside" outlet for bills has been virtually closed during the greater part of the month. Finally, the authorities have taken no steps to alleviate the position by open market purchases of bills.

Christmas Currency.—The following table gives a comparison of Christmas currency needs for the years 1937 and 1938:—

	1937 (£ millions)	1938
November 23rd*	480.4	476.1
December 21st*	509.3	503.0
Christmas increase	28.9	26.9

* A day later in 1937.

Last year the Christmas expansion in the note circulation amounted to £28.9 millions, but this year it was only £26.9 millions. Last year's Bank return, it must be remembered, fell a day nearer to Christmas, while this year shopping in the early part of the week before Christmas was un-

doubtedly retarded by the very cold weather. Allowing for these differences, this year's currency needs were much the same as those of 1937. The Christmas peak of the note circulation this year was £6.3 millions below the 1937 peak, but this comparison is subject to certain qualifications. First, there is the question of the currency held in the tills of the joint-stock banks and also as cover for the Scottish and Irish bank notes. Ultimately the Bank of England calculations of these amounts will be published. But present indications are that there has not been much difference in this respect between the two years. More important is the influence of foreign hoarding of British currency. On balance there must have been considerable dishoarding since last April, especially of currency formerly in French hands. The extent of this movement is unknown, but it would not be surprising if it were found to be in excess of the amount by which the 1937 circulation peak surpassed that of ten days ago. If so, it follows that the effective note circulation of Christmas, 1938, was greater than that of the previous year. This shows that in spite of the recession and the pessimistic reports of Christmas shopping in London during early December, the national volume of spending was a little greater than in 1937. The December retail trade returns should be of some interest, when they appear in a month's time. Meanwhile it is satisfactory to find at least one indication that the recession and the world's political uncertainties have not spoiled the nation's Christmas.

Silver Suspense.—Nowhere in the City is the turn of the year awaited with greater suspense and uncertainty than in the silver market. The cause of the uncertainty is the United States, whose Treasury continues to dominate the world market for silver with an omnipotence for which economic history can find no adequate parallel. This monopolistic body must in the next few days make certain important decisions, of which no semblance of leakage has reached the market. Hence the suspense. In the first place, a decision must be made regarding the renewal or termination of the special agreements under which the United States purchases silver from Canada, China and Mexico. Secondly, the prices at which the U.S. Treasury buys domestic and imported silver are due for revision. There is general anticipation that the agreements will be renewed for at least sufficient periods as to involve no revolutionary reorientation in the price to be paid for domestically produced silver. Equally general appears to be the anticipation of a reduction in the price to be paid for domestically produced silver by the U.S. Treasury. A year ago this subsidised price was reduced from 75.57 cents to 64.64 cents per ounce. A further reduction should not influence the international market, which looks to the price paid for imported silver. Since last March, when it was reduced from 45 cents to 43 cents, the import price has been unchanged at the latter figure. The chances of a further reduction are thought to be about evenly divided. Certainly, the argument that the price of silver has been maintained at an artificial level by the United States and that this has militated very seriously against normal absorption of the metal in such countries as India is in favour of such a move. The United States must surely wish to facilitate such normal absorption and not to be left alone carrying a silver baby which is already exceptionally heavy and promises to put on weight at an alarming rate.

In view of these uncertainties, the London silver market has been exceptionally "jumpy" since the departure of the last steamer which could carry silver to New York before the close of the year. Last week, after this departure, some American buying of silver lifted the London price well

above the dollar parity and was regarded as highly significant as indicating "no change" in the import price. The buying in question, however, appears to have been connected with a coinage order for Cuba and for this reason no unusual significance need be attached to it. This week the effect of this special factor had worn off, and on Wednesday both spot and forward prices fell by $\frac{1}{16}$, the former to about the parity of 20d. The forward quotation has maintained itself at a discount of $\frac{1}{2}$ d. under spot, fully justified by the uncertainty which will always affect the silver situation as long as the U.S. Treasury holds the metal at an artificial price.

* * *

Bank of Montreal.—The annual meeting of this bank is always the occasion for a review of Canadian business conditions by the president and general management. This time the note struck was one of cautious optimism. The president, Sir Charles Gordon, said that the 1938 grain crops had been the largest since 1932, while mining had been the sheet-anchor of Canadian economic life. Lumber, however, had had a difficult year, and the production of newsprint was less than the year before. Export trade had suffered from the disturbed world political conditions. The Anglo-American and Canadian-American Trade Agreements were welcomed. They would give Canadian primary producers a free access to the

United States market, and Sir Charles Gordon hoped that the resulting advantage to the Canadian economy would off-set the heavier competition which many manufacturing industries would be called upon to face. Mr Spinney, speaking for the joint general managers, alluded to the affairs of the bank. Deposits had risen by \$44.8 millions to \$725.8 millions, while quick assets, including securities, were \$620.3 millions, representing 77.8 per cent. of the bank's liabilities to the public. Mr Spinney added that he would like to see this percentage reduced through an increase in advances, and he said that current loans and discounts in Canada had risen during the past year by \$27.8 millions to \$178.7 millions. There had been a substantial increase in the number of commercial borrowers. Loans to provinces and municipalities had risen by \$5.5 millions to \$37.0 millions, while those outside Canada had fallen by \$9.7 millions to \$10.3 millions. Investments, at \$440.9 millions, were \$3.2 millions higher. Mr Spinney emphasised the need of keeping public borrowing within bounds and also of specifying more clearly the object of each new loan. The bank's profits of \$3,398,000 were much the same as in the previous year, and under present conditions it was difficult to effect any improvement. Still, Mr Spinney held that money management in the present form was a comparatively recent development, and that it could not be taken for granted that the current level of interest rates could be maintained indefinitely.

MONEY MARKET NOTES

Foreign Exchanges

On Wednesday there was a demand for sterling over the end of the year. The spot New York rate was \$4.66 $\frac{1}{2}$, and there was a considerable amount of selling of spot dollars against purchases for the New Year. One operator is reported to have paid a premium of $\frac{1}{2}$ cent for dollars three days ahead, and this is equivalent to 13 per cent. per annum. In most cases, however, the cost only equalled 3 per cent. per annum. On Thursday the demand for sterling suddenly subsided, possibly because many operators had over-bought, and the spot rate subsided to \$4.66. One month's dollars are quoted at $\frac{1}{8}$ - $\frac{3}{8}$ cent premium and three months' dollars at $\frac{1}{8}$ - $\frac{1}{2}$ cents premium. There is still a demand for forward dollars from those who expect sterling to weaken in the New Year, while the decision of the British banks to refrain from spot purchases against forward sales means that less forward dollars are on offer. There has been a limited demand for French francs, met out of official sales, and on Thursday the French control dropped the spot rate from Frs. 177.10 to Frs. 177.04. Belgas, guilders and Swiss francs followed the dollar.

*

The Money Market

THE outflow of foreign money has left the market in ill shape to meet the year-end squeeze, and money has been in keen demand. Borrowing at the Bank began on Christmas Eve, and by Thursday the market was unable to borrow for less than eight days. The clearing banks are neither buying bills nor lending money into the New Year. Old loans are renewed at $\frac{1}{2}$ per cent. from day to day, and 1 per cent. for a week, while $\frac{3}{4}$ per cent. was charged by the clearing banks for new day-to-day money. Outside money cost $\frac{1}{2}$ - $\frac{3}{4}$ per cent. for loans to January 2nd, and 2- $\frac{1}{2}$ per cent. for a week, but the French

banks in particular had very little to lend. Day-to-day bond money was $\frac{1}{2}$ - $\frac{3}{4}$ per cent.

	Dec. 30, 1937	Dec. 22, 1938	Dec. 29, 1938
Bank Rate	2	2	2
London Deposit Rate	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	$\frac{1}{2}$ - $\frac{1}{4}$	$\frac{1}{2}$ - $\frac{1}{4}$	$\frac{1}{2}$ - $\frac{1}{4}$
Others	$\frac{1}{2}$	$\frac{7}{8}$	$\frac{1}{2}$ - $\frac{3}{4}$
Discount Rates:			
Treasury bills	$\frac{9}{16}$	$\frac{15}{16}$ -1	$\frac{11}{16}$
Three months' bank bills	$\frac{9}{16}$ - $\frac{5}{8}$	$\frac{15}{16}$ -1	$\frac{11}{16}$ - $\frac{1}{8}$

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

Discount rates were $\frac{1}{16}$ - $\frac{1}{8}$ per cent. for three months' bills, while some early March bills were taken at 1 per cent. Bills were offered forward at $\frac{3}{8}$ per cent. for delivery and payment next week.

*

The Bank Return

RATHER unexpectedly, the peak in the note circulation has come this week instead of last. Wednesday, the date of the Bank returns, was the first working day after Christmas, which meant that by then there had been no time for the Christmas currency to return from circulation. Another influence was the cold weather in the early part of last week, which caused Christmas shopping to be delayed until the last few days immediately before the holidays.

	Dec. 29, 1937	Dec. 14, 1938	Dec. 21, 1938	Dec. 28, 1938
Issue Dept.	£ mill.	£ mill.	£ mill.	£ mill.
Gold	326.4	326.4	326.4	326.4
Notes in circulation	505.3	495.3	503.0	504.7
Banking Dept.:				
Reserve	41.9	61.1	53.4	51.7
Public Deps.	11.4	15.6	12.5	15.9
Bankers' Deps.	120.6	99.5	98.3	101.0
Other Deps.	36.6	36.0	37.3	36.8
Govt. Secs.	114.6	68.4	72.1	69.2
Discounts & Advances				
Other Secs.	9.2	16.8	14.9	28.5
Proportion	20.9	21.7	24.8	21.5
	24.8%	41.1%	36.6%	34.1%

Market borrowing explains the week's increase of £13.6 millions in discounts and advances, but its effects are distributed

over most of the items in the banking department's return. In consequence, bankers' deposits have only risen by £2.7 millions.

*

The Bullion Market

THERE was a limited arbitrage demand for gold, except on Wednesday, when it disappeared completely owing to the general need for sterling over the end of the year. On that day there was a fair amount of re-selling, and the Control bought most of the gold. There is an impression in the bullion market that the banks are only ceasing to lend against gold until the opening of the New Year, and that it was only suggested that they should do so as a temporary measure to strengthen their cash reserves over the end of the year. But less money will be available for this purpose in future, owing to the withdrawal of foreign funds from London.

Date	Gold			Silver, price per oz. standard	
	Price per fine oz.	Prem. or Discount	Amt. dealt in	Cash	Two Mths.
1938	s. d.	d. pm	£'000	d.	d.
Dec. 23	148 11	$\frac{1}{2}$ pm	231	2014	1916
" 24	149 1	$\frac{1}{2}$ pm	423	2016	1911 $\frac{1}{2}$
" 28	149 0	$\frac{1}{2}$ pm	723	20	1912
" 29	149 0 $\frac{1}{2}$	par	516	1915 $\frac{1}{2}$	1916

* Above or below American shipping parity. This week's calculations are based on a "temporary parity," in which the war risk rate is taken as 1s. 3d. per cent.

† At fixing.

The New York price of silver remained at 43 cents per ounce .999 fine during the week

The silver market has been uncertain, pending the news of any change in American official prices. India sold throughout the week. Bull purchases of forward silver against spot sales of old positions explain the narrowing of the margin between the cash and forward prices.

Investment

London Transport and Receivership.—A meeting of London Transport "C" stockholders was called last week on the initiative of Mr J. F. Heaton, chairman of Thomas Tilling Ltd., and one of the largest individual holders of the stock. The meeting was addressed by Mr Heaton, who expanded several of the points which he had made previously in letters to the Press (which were discussed in *The Economist* of November 26th). He put forward two arguments which might be submitted in any application to the Court for the appointment of a receiver. The Board, he urged, had undertaken lavish expenditure on new capital works at a time when they were incapable of meeting their statutory charges; and, secondly, the Board had failed, despite the 1933 Act, to fix fares so as to defray all charges, including the standard rate on the "C" stock. Mr Heaton, however, made it clear that he had not arrived at any final conclusion regarding the action which might be taken by dissident "C" stockholders. He rehearsed, for example, the arguments in favour of a Government guarantee for the "C" stock, mentioning at one point the effect of a 4 per cent. guaranteed stock upon fare concessions. On the ground that the Board was founded by a Government measure, and that Government taxation policy may conflict with the obligations of the Board (as the Board has reason to complain), the case for a guarantee can be presented with some plausibility. But the rights of the "C" stockholders are already protected by Statute, and it is difficult to suppose that Parliament would be ready to extend these rights into a sphere which has no reference to the Act of 1933. In fact, it is probable that the committee which was appointed at last week's meeting will have to consider hard and long before reaching a decision on an appropriate line of action. This committee consists of Messrs J. F. Heaton, John Harrison, P. D. Leake, Ernest L. Taylor, and Sir Christopher Magnay.

* * *

United States Rail Reform.—The broad programme of railroad legislation put forward by President Roosevelt's "Informal Committee" is certainly the most powerful plea for assistance which has been made in recent years. Altogether, the schedule for Congress embraces the creation of a Federal Transportation Board, with regulatory powers over all forms of transport; entire revision of rate-fixing procedure, on a basis clearly more favourable to the railroads; restoration of the railroads' power to initiate consolidation and reorganisation procedure, with the establishment of a special court for reconstruction; tax relief, subsidy "adjustments," and liberal loan terms for maintenance, equipment and modernisation expenditures. If the programme does secure the assent of Congress, the future of the American railroad system will obviously be much brighter than any analysis of recent working would suggest. A national Transport Board would, no doubt, reject any sensational "blanket" advance in freight rates in view of the rapid process of industrial decentralisation which threatens all competitive transport services, but it would be empowered to make material adjustments over some grades of traffic, and it would presumably bring important economies by co-ordination of competitive services. But by far the most important relief would spring from the modernisation of equipment, and from the consolidation of existing rail systems which now carry a heavy burden of competitive mileage. The whole programme, energetically pursued, could solve the problem of most railroads for many years ahead.

* * *

Apart from a speculative nibble at some lower-priced issues, however, Wall Street has accepted the proposals without very much enthusiasm. Such caution is amply justified. For six years the Roosevelt Administration has preached railroad reform, only to shirk the issue at critical

times. And for years powerful Congress bodies have obstructed the path to relief. Any advance in freight rates meets the powerful opposition of industrial and agricultural voters, and any plea for consolidation and loan relief is faced with the opposition of those who fear that a wide programme of assistance might bring a return to the abuses of former years. The labour unions, too, have naturally opposed any previous moves towards consolidation. The present proposals, however, appear to enjoy the blessing of most labour representatives—the committee included three union delegates and three railroad executives—and the Administration is certainly more conscious than ever before of the serious long-term problems which the railroads now face. There seems to be more than an even chance that the roads will secure important benefits from Congress this year, even if the full proposals of the "Informal Committee" are not wholly acceptable.

* * *

Maturities in 1939.—The coming year is rather unfruitful in large amounts of stock falling due for repayment and at present prices there are few Government or corporation loans which can be regarded as certain candidates for conversion. We give below a list of some leading stocks which mature next year, and also show some loans which may be redeemed, though most of them are "possibles" rather than "probables":—

Item	Stock	Due	Amount Outstanding	Price Dec. 28
1	1% Treasury bonds	1939-41	99,999,900	97 $\frac{1}{2}$
2	Bombay Port Trust 4% debts.	1939	500,000*	101
3	Port of Calcutta 4% debts.	1939	681,000	101
4	Pretoria 4% stock	1939	796,110	100
5	Sydney 5% debts.	1939	1,000,000	100
6	Osaka 5% stg. bonds	1939-39	1,828,220	91 $\frac{1}{2}$
7	Sudan 5 $\frac{1}{2}$ % stg. bonds	1939-59	5,220,900	108
8	Australia 3% debts. and stock	1933-41	13,469,981	99
9	Ceylon 4% stock	1939-59	1,000,000	101
10	Gold Coast 4% stock	1939-59	1,035,000	99 $\frac{1}{2}$
11	Abo 6 $\frac{1}{2}$ % stg. loan	1939-59	430,520	102 $\frac{1}{2}$
12	Glasgow 2 $\frac{1}{2}$ % stock	1925-40	499,100	99
13	Tasmania 3 $\frac{1}{2}$ % stock	1920-40	4,156,500	100 $\frac{1}{2}$
	Tasmania 3% stock	1920-40	448,300	99

* A further amount of £500,000 is redeemable in 1940.

The 1 per cent. Treasury bonds (item 1 in our table) are in a category of their own, for they are not finally due until February 1, 1941, although the Treasury may call them in whole or in part on three months' notice after January 31st next. Items 2 to 6 are stocks which are definitely repayable at some date in 1939 and a conversion offer has, in fact, already been made in respect of the South Australian 3 $\frac{1}{2}$ per cent. stock due January 1, 1939. The Pretoria 4 per cent. stock matures on the same date. In addition to the stocks shown in our table, there are a number of small Dominion corporation loans due in 1939, such as Hobart Tramways, New Plymouth Harbour Board, Nelson and Pietermaritzburg. There are small balances still outstanding of certain Perth, Chester and Christiania stocks, and redemption of £697,540 Belgian 3 per cent. sterling loan 1914 is due to be completed by February 5th. The Sudan 5 $\frac{1}{2}$ per cent. bonds (item 7), guaranteed as to interest by the Imperial Government, are redeemable between October, 1939 and 1959, at 105. The Sudan 4 $\frac{1}{2}$ per cent. guaranteed stock is dated 1939-73, but in this case it is only the sinking fund which begins to operate in 1939. Items 8 to 11 are possibilities for conversion, though current prices and the general course of interest rates may qualify their chances. But if the trend of rates becomes definitely unfavourable to borrowers, it may be that Glasgow and Tasmania (items 12 and 13) would prefer to call their loans in 1939 in anticipation of the latest date, 1940.

* * *

Chilean Debt Payment.—The announcement that Chile is to pay interest on her foreign debt at the rate of £2.0925 (41s. 10.2d.) per cent. for 1938, compared with

£0.786 (15s. 8.64d.) per cent. for 1937, has greatly exceeded market expectations, which were pitched no higher than £1.3 per cent. In January, 1935, a law was passed providing for the partial resumption of foreign debt service to be met from the Chilean Government's 25 per cent. share of nitrate profits and its revenue from the copper tax, half the proceeds being devoted to payment of coupons and half to redemption. The course of these revenues during the past three years, and of the relative coupon payments, are set out below:—

IN U.S. \$				
	Share of Nitrate Profits	Copper Tax	Total	Coupon payments
1936.....	2,671,068	2,248,505	4,919,573	0.605
1937.....	2,981,957	3,124,794	6,106,751	0.786
1938.....	2,792,306	11,343,268	14,135,574	2.0925

It is evident that the 18 per cent. tax on copper profits has provided the unexpected bounty during the latest year, though the revenue was actually earned during the year 1937. A repetition of this satisfactory rate of payment could hardly be expected a year hence. Moreover, the fact that important features of the Debt Law have expired with the end of this year must obviously lead to caution in the market. By converting her external creditors into equity shareholders, Chile has at least been able to provide some return for them in a period of difficulty. But coupon service has also been accompanied by the dubious principle that, in times of adversity when bond prices are specially deflated, the debtor should be able to divert service moneys from interest to sinking funds, and so redeem her debt at bargain basement prices. This principle, or at least the "fifty-fifty" basis on which it has been operative, surely calls for reconsideration in a new scheme.

Industrial Profits in 1938.—Week by week during the past year our analysis of profit and loss accounts (which appears in this issue on page 736) has provided a cumulative comparison of the course of company profits with those of the same companies in the preceding year. With this week's issue the results of a full year are completed. We have received reports from 2,395 companies during 1938 (excluding banks and companies for which comparable results in the preceding year were not available) whose total profits, after debenture interest, amount to £302,413,000. This figure shows an increase of 7.3 per cent. on the profits of £282,065,000 earned by the same companies in their previous financial years. Of the year's total profits, some £48,561,000 has been required for preference dividends, while ordinary shareholders have received £157,766,000 in dividends, and reserves have been strengthened to the extent of £96,086,000. The latter figure represents 31.8 per cent. of the total profits of the period, and suggests that the caution of company directors has been fully maintained during a year of record earning power. The figures for the year will be analysed more extensively in a forthcoming leading article.

Company Notes

Baird Television Finance.—During the first decade of its operations, Baird Television has incurred inevitable losses. The risks of pioneering work in an undeveloped technical field were never more clearly revealed. In the period ended June, 1936, a big jump in expenditure suggested that much of the initial spade work had been done and that development was proceeding faster. In 1936-37, the loss of £111,902 covered, for the first time, the net results of production and sales, and although there is a deficit of £103,274 for 1937-38 (increasing the "general development account" to £663,776) it is some satisfaction that the loss is smaller. But hopes that in 1937-38 television would develop commercially were unfulfilled, and only since last June have indications become slightly more en-

couraging. But the general development account, together with patents, trade marks, etc., amounting to £539,416, account for the whole of the issued capital of £1,087,500—which itself was substantially reduced two years ago. The possibilities of television in cinemas may be of great importance for Baird and Gaumont-British, but their value cannot be assessed unless and until agreement is reached with the B.B.C. Prospects of commercial development have again emphasised the need for additional finance, and it is proposed to submit a scheme next month. Total liquid assets at the end of June, 1938, were no higher than £13,000, and during the year to that date loans and interest due had risen from £39,000 to £159,000. The need for replenishing resources has clearly become urgent, and meanwhile a quotation of 1s. for the 2s. 6d. deferred shares can only be described as optimistic.

Brewery Company Results.—The main impression to be gathered from recent brewing results is one of fair stability for the industry as a whole. Actually the results are mixed, but they show no marked tendency towards falling profits. Indeed, changes are usually small, and the investor has the consolation that most dividends have been maintained—with exceptions like Benskin's Watford and P. Phipps. In the following table we show the course of profits of some of the larger companies:—

Company (years to Sept. 30)	Total Profits	Earned for charges	Earned for Ord. Stock		Div.	Present	
			Amt.	Rate		Price	Yield
	£'000	£'000	£'000	%	%	£1 shs.	%
Ind Coope—							
1936.....	1,061.6	773.4	528.8	41.5	27½	s. d.	?
1937.....	1,171.2	724.5	470.8	36.0	27½	73 6xb	
1938.....	1,188.5	770.4	519.9	37.7	27½		
H. & G. Simonds—							
1936.....	605.8	192.6	130.4	31.7	18		
1937.....	796.3	276.6	178.9	31.6	18	61 6	5.84
1938.....	847.4	270.7	165.9	30.3	18		
Benskin's Watford—							
1936.....	461.6	284.2	234.2	27.4	20		
1937.....	479.1	291.6	241.6	28.7	20	62 6	5.92
1938.....	473.3	280.6	230.7	27.9	18½		
Wolverhampton & Dudley—							
1936.....	261.4	260.4	211.9	27.4	15		
1937.....	270.2	269.3	253.8	28.5	16	62 6	5.12
1938.....	259.2	258.3	246.2	27.9	16		
Brickwood & Co.—							
1936.....	354.0	168.4	129.4	23.0	14		
1937.....	358.2	177.1	138.1	22.6	15	52 0	5.77
1938.....	377.8	175.5	139.5	23.6	15		
*Newcastle Brw.—							
1936.....	135.8	129.0	90.0	26.1	11		
1937.....	175.9	154.9	115.9	33.6	15	56 3xd	5.71
1938.....	198.9	177.1	138.1	41.1	17½		

* Years to October 31st. † Of which 20 per cent. final on £1,963,911; also 20 per cent. capital bonus. ‡ Of which 7½ per cent. interim on £1,475,698, and rest on £1,745,698. § After £20,000 income tax provision.

The change in Ind Coope and Allsopp's profits is in the right direction, though it does not suggest that further substantial benefits have matured from the acquisitions in 1936 and 1937. Owing to a saving in depreciation—the 1936-37 allocation included a special item of £80,000 to write down the bottling plant—some £49,000 more is available for ordinary stockholders, who in addition to their 27½ per cent. dividend receive a 20 per cent. capital bonus. This bonus—made to bring capital more into line with assets—absorbs £392,782 from capital reserve, and £100,000 has been transferred from that reserve to write down certain wasting assets. H. and G. Simonds record a satisfactory rise in total profits of 7 per cent. To finance new acquisitions, the company has issued some £474,000 nominal of capital in various forms during 1937-38. It is not apparent from the report to what extent these have contributed to the rise in profits. Benskin's reduction in dividend is dictated more by a conservative policy than by the trend of earnings. The chairman has pointed out that sales improved further in 1937-38, though the extra profit was absorbed by the higher cost of barley. A higher turnover is also reported by Brickwood's, but increased tax and pensions provisions absorb most of the increase in trading profits. On the North-East coast, recovery returned late and per-

sisted longer, but even so the rise from £175,915 to £218,938 in Newcastle Breweries' total profits is an agreeable surprise. The risk of higher taxation still oppresses the brewery share market, and recent legal judgments may well have important consequences. The "Robinson" decision has already led to higher assessments. And the "Weston" decision, which (unless it is reversed) requires a new licence for extensions beyond the existing limits of properties, is a severe hindrance to the improvements policy adopted in recent years by brewers. Current yields of about 5½ per cent. on sound shares show that the market has given weight to these various factors.

Alvis Prospects.—Although 1937-38 was a difficult year for specialist motor manufacturers, it is disappointing that for the year to July 31, 1938, Alvis recorded the heavy loss of £64,950. In the previous period of 19 months, a loss of £26,244 was reported, owing to difficulties in making car deliveries. It is, however, the aero-engine section of the business which is responsible for the severe setback to profits in 1937-38. The factory is, of course, wholly dependent on Air Ministry orders, but its equipment stood idle until last July—that is, until the end of the financial year. And even after agreement has been reached with the Ministry, part of the plant is not in full use, since complete engines are not being produced. Expenditure on the aero-engine branch has continued at a heavy rate. In the 1935-37 period some £140,351 was spent on aero-engine development, but the proceeds of the share issue were available to meet it. The latest year's expenditure of £83,760 (which, with transfers from other accounts, raises aero-engine development expenditure from £140,351 to £306,118), together with additions to other equipment, have led to an increase in the bank overdraft from £91,473 to £308,335. Interest thus requires £11,200, and after providing for preference dividend payments up to the end of 1937, there is a deficit of £89,763, against £56,272. Nearly £89,000 is allocated to certain special reserves, and the effect of various changes in the balance sheet is to leave the carry-forward almost unaltered, to transfer £179,499 from share premium account to wipe out the year's total loss, and to use the rest of that account to raise the general reserve from £50,193 to £115,000. Fortunately for shareholders, the outlook for the current year is considerably brighter. Aero-engine expenditure is no longer a deadweight, and should make some contribution to profits. The mechanisation branch of the business is developing satisfactorily, and there should be a useful saving in interest, for the print of the chairman's speech, accompanying the report, expresses the belief that the bank overdraft will be reduced in the near future. The 5s. ordinary shares now stand at 2s. 7½d.

Morrell Estates and Development Position.—The history of this housing estate company has been short, and from the investor's point of view, unsatisfactory. Incorporated less than 3½ years ago, the company is now being put into voluntary liquidation—a step which closely follows the liquidation of the subsidiary building company, and the amalgamation of its business with that of the parent company. The Estates company, whose assets consist almost solely of its interests in Morrell (Builders), Limited, received a dividend of £110,812 in its initial trading period, but paid no dividend, although 47.9 per cent. was earned for the ordinary shares. In 1936-37 there was a small trading loss, and the latest circular, after referring to the adverse effects of the international situation and building society litigation, states that trading in the past year has resulted in an adverse balance. As long ago as January, 1937, it was found necessary to put the subsidiary into liquidation to conserve its assets, and at a creditors' meeting of Morrell (Builders), held about a year later, it was agreed that, if further finance could be raised on debenture by the parent company, the creditors' claims would be satisfied by 5s. in the £ in cash, 10s. in bills of exchange, and the rest in unsecured notes of the parent company. The necessary debenture issue for this scheme was made last May (when £75,000 of 5½ per cent. debenture stock was

placed at 98), and the building company's assets were then transferred to the parent company. The latest circular, referring to the liquidation of the parent company, says that recently the directors were faced with the position that unless £20,000 of additional working capital was forthcoming, the business could not be carried on. Holders of the £75,000 debenture stock have appointed Sir Harold Moore as receiver, and the creditors' committee concerned with the liquidation of the Builders company has approved the board's action in proposing the liquidation of the Estates company.

Diamond Finance Reorganisation.—From the details of the capital rearrangement of Diamond Corporation and Diamond Trading Company, which have been agreed between the Anglo-American Investment Trust and the Barnato Brothers' group, on the one hand, and De Beers (and possibly Consolidated Diamond Mines of S.W. Africa at a later stage), on the other hand, it is difficult to appreciate the statement of the De Beers directors that it will be possible, as a result, to meet the company's preference charges with a smaller volume of trading than has been needed in the past. The rearrangement, indeed, is reminiscent of a "swap" transaction. In the first place, De Beers are to acquire from Anglo-American Investment and the Barnato Brothers' group 2,500,000 £1 shares in Diamond Corporation (which holds large stocks of diamonds in connection with the marketing scheme). The purchase consideration for these shares will be 125,000 deferred shares of De Beers (taken at £10 per share, compared with £2 10s. nominal, and a current quotation of 8½), an immediate cash payment of £250,000, and a further payment of £1,000,000 at the end of 1939. But, secondly, it is stated that this purchase is part of a large scheme, by which Anglo-American Investment Trust and the Barnato Brothers' group have agreed to subscribe for £1,000,000 of new capital for the Diamond Trading Company. The latter concern acts as the marketing organisation for the whole diamond combine, and its shares are entirely held by the Diamond Corporation. Hence it would appear that De Beers itself will ultimately provide the additional capital for the Diamond Trading Company, and that Anglo-American Investment and the Barnato Brothers' group will exchange a holding in Diamond Corporation (the parent company) for one in Diamond Trading (the subsidiary)—together, of course, with the De Beers shares which are to be taken over. There may well be special reasons underlying the particular method adopted under the scheme, but they are not apparent on the surface.

Australian Pastoral Companies.—Recent reports from pastoral and merchant companies bear witness to the transformation in Australian conditions since the summer of 1937. Their difficulties have arisen primarily from the sharp drop in wool prices during the 1937-38 season, while severe drought in various parts of Australia necessitated increased expenditure on artificial feeding. Dalgely and Company report that production of wool in Australia in 1937-38 was a little higher than in 1936-37 at 3,338,038 bales, but sales, which amounted to 2,793,164 bales, realised £A16,506,815 less at £A44,045,757 compared with the previous season. The total profits of this company, however, were only 6 per cent. lower, at £879,853, but of this sum expenses and fixed charges represent a high proportion, and earnings for the ordinary shares, at £82,374, amount to only 5.5 per cent. against 8.3 per cent. Consequently, the 6 per cent. dividend was



not quite covered. The report of Australian Mercantile Land and Finance also stresses the severe decline of 25 per cent. in wool prices in the 1937-38 season, and shows profits for the year to June 30, 1938, of £371,292 against £423,390. The dividend is modestly reduced from 6 per cent. to 5 per cent., but earnings have fallen from 10.7 per cent. to 6.1 per cent. Similar difficulties, of falling wool prices and drought, have reduced the amount earned for fixed charges by New Zealand Loan and Mercantile Agency from £204,012 to £150,365, and almost the same rate of decrease is shown by Australian Pastoral net profits.

THE STOCK EXCHANGES

London

SETTLING DAYS

TICKET ACCOUNT
JANUARY 10 JANUARY 12

THE resumption of business on the London Stock Exchange after an extra Christmas Bank Holiday and with the prospect of the New Year holiday to come was not attended by either professional or public interest. The Mediterranean breezes also tended to restrict business and Wall Street's holiday movements were not regarded as exceptionally encouraging at first.

In the *gilt-edged market*, the year-end squeeze in Lombard Street was not regarded so seriously as before the holiday and, with the assistance of bear covering, the Funds, particularly the undated stocks, made progress, rises of $\frac{1}{4}$ being recorded in War Loan, Old Consols and Locals. Some improvement was recorded in the new Australian scrip.

Although the conversion scheme for French railway bonds does not affect the sterling issues, the latter rose at first in response to the announcement but declined in later dealings on Wednesday. Egyptian bonds were a weak feature, being affected by fears of possible repercussions from the Italian colonial demands. With the exception of German issues, European bonds were reactionary, while Japanese bonds were marked down on nervousness regarding the economic outlook. Chilean issues jumped on Thursday in response to the unexpectedly favourable debt payment for 1938 (discussed on page 721).

★

Home rail traffics published on Thursday were more favourable than the market had expected (though the comparison with 1937 was biased) and the junior stocks improved slightly as a result, prior charges remaining very

New Zealand and Australian Land, which has a more direct interest in farming, reports a 29 per cent. reduction in total profits for the year to March 31st to £186,838. Earnings of 1.5 per cent. for the ordinary stock are distributed in full. There has been no dramatic movement in wool prices recently, but the current year's clip (and its quality) appears to be lower than last season's. Wheat is of secondary importance, but in view of the heavy Northern Hemisphere crops, prices will be unfavourable. Hence conditions are not propitious for a recovery in pastoral company profits at the moment.

firm. The progress of Argentine railway stocks was arrested; while the ordinary stocks remained unchanged, some of the preference and debenture issues were marked down slightly.

In the *industrial market*, prices remained firm, though under holiday influences the turnover was still very small. Iron and steel shares were again the chief feature, on hopes of mass production of A.R.P. steel shelters. Guest, Keen and Colvilles were prominent, but small gains were general almost throughout the group. Coal shares also were firm. Engineering issues again made a mixed showing, and electrical equipment companies were no better. In the motor section, Alvis fell back on the poor report, but rallied later and ended little changed. Leyland declined further, and movements in other motor shares were mixed. Aircraft issues remained steady but unexciting. Textiles were a shade harder, and hopes of an announcement concerning British Celanese and Courtaulds helped both shares. There was a little support for provision and catering issues, while the stores were mostly easier on the lower retail trade figures for November. Brewery shares were firmer on provincial support. Miscellaneous shares were steady on the whole, and there was some show of interest in banking shares on the approach of the dividend season.

★

Business in *oil shares* continued on a small scale. Changes were small, but the undertone was satisfactory, and there was modest improvement on Thursday. Rubber shares were slightly firmer, with some enquiry for the leaders. Turnover in tea shares was too small to test quotations.

The *mining market* behaved similarly to other sections, with quiet trading but a good undertone. A little Paris and local buying helped the dividend-paying Kaffirs, and later some of the develop-

ing mines improved on Cape support. West African issues were brighter than in recent weeks. Small gains were general among Rhodesian copper companies, and other base metals were firm though neglected. Diamond shares were unaffected by the De Beers deal.

"FINANCIAL NEWS" INDICATORS

1938	Total Bargains	Corres. Day 1937	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 23	3,835	3,240	78.8	123.0
Dec. 26	3,835	Boxing Day		
Dec. 27	3,685	Bank Holiday	79.3	123.0
Dec. 28	4,465	5,320	79.8	123.2
Dec. 29		5,280		
1938 High	...	...	97.2	131.0
Low ...	...	...	Jan. 12	Feb. 4
			73.7	119.9
			Sept. 28	Sept. 27

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

ACTUARIES' INVESTMENT INDEX

Owing to the closing of the London Stock Exchange on Tuesday, December 27th, the Actuaries' index of industrial ordinary share prices has not been computed this week. The index for December 30th will appear in next week's issue.

New York

WALL STREET closed for the Christmas holiday distinctly encouraged by the findings of the "Informal Committee" for relieving the present difficulties of the railroads. Rail stocks failed to hold their earlier levels when business was resumed this week, but in mid-week further gains were recorded. Tax selling was still influencing the market when the market reopened on Tuesday, but with the last day of such operations on Wednesday, the market staged a general rally, in which the Dow industrial average gained a point, and turnover exceeded the two million mark. The market was not disturbed by the estimate of *Iron Age* that steel ingot production for the current week is running as low as 40 per cent. of capacity, compared with 53 per cent. last week, since the fall is attributed to holiday and year-end influences. An improvement in automobile demand is expected during January. In a dull bond market, speculative rail issues took the lead.

By courtesy of the Standard Statistics Company, Inc., of New York, we print the following index figures of American

values calculated on closing prices (1926 = 100).

	WEEKLY AVERAGES				
	Low Mar. 30	High Nov. 9	Dec. 14, 1938	Dec. 21, 1938	Dec. 28, 1938
347 Ind'l's ...	75.9	117.9	112.0	109.7	111.3
32 Rails ...	19.0	31.8	29.0	28.2	30.1
40 Utilities ...	57.7	83.2	78.3	76.9	77.5
419 Stocks ...	63.7	98.2	93.0	91.1	92.6
Av. yield %*	8.35	3.30	3.52%	3.60%	3.42%
	High	Low			

* 50 Common Stocks.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Dec. 22	Dec. 23	Dec. 24	Dec. 26	Dec. 27	Dec. 28
125.9	127.2	127.4	Closed†	126.2	127.5
1938 High: 136.1 November 12th. Low: 83.6 March 31st.					

TOTAL DEALINGS IN NEW YORK			
1938	Stock Exchange		Curb Shares
	Shares 000's	Bonds \$000's	000's
Dec. 22	1,040	9,340	261
" 23	1,220	10,520	270
" 24*	620	5,640	146
" 26	Closed†	Closed†	Closed†
" 27	1,240	10,940	350
" 28	2,160	15,540	586

* Two-Hour Session. † Boxing Day.

New York Prices

	Close Latest Dec. 22, 1938	Close Latest Dec. 29, 1938
1. Rails and Transport		

Atchafalaya ...	37½	40½
Balt. & Ohio ...	6½	7¼
B.M.T. ...	11½	11½
Can. Pacific ...	5½	5½
Ches. & Ohio ...	34½	36½
G.N. Ry. Pk. ...	27	29½
Illinois Cent. ...	18½	20½
N.Y. Central ...	18½	20½
Norfolk ...	11¼	14
Pennsylv. Ry. ...	20½	23½
Southern Pac. ...	18½	20½
Southern Ry. ...	20½	22½
Union Pac. ...	88	94
Greyhound ...	20½	20½

2. Utilities and Communications		
Am. W'orks ...	12½	13½
C'with. & S. ...	1½	1½
Con. Edis. ...	29½	29½
Col. Gas & El. ...	6½	6½
El Bond & Sh. ...	9½	10½
Nat Pwr & Lt. ...	7½	7½
N. American ...	21¼	21½
Pac. Gas & El. ...	28½	29½
Pac. Lighting ...	42½	42½
Pub Serv N.J. ...	30½	31½
Stan Gas & E. ...	3½	3½
United Corp. ...	10½	11½
Un. Gas Imp. ...	10½	11½
Amer. Tel. ...	146½	146½
Internat. Tel. ...	8½	9
Westn. Union ...	21	23¼
Radio ...	7½	7½
" B. Prei ...	64½	66½

3. Extractive and Metal		
Am. Mol. Mill ...	20½	21¼
Beth. Steel ...	74½	78
Beth. Steel P. ...	112½	112½
Republic St. ...	23½	24½
U.S. Steel ...	65½	68½
U.S. Steel P. ...	114½	116½
Alaska J'neau ...	9¼	10
Am. Metal ...	37½	37½
Am. Smelting ...	48½	51¼
Anacosta ...	33½	34½
Bohm Alum ...	27½	28½
Cerro de Pas. ...	46½	47½
Int. Nickel ...	53½	55½
Kennecott ...	42	42½
Patino Mines ...	10½	10½
Tex. Glt. Sul. ...	30½	32
U.S. Smelt ...	56½	59
Vanadium ...	26½	27½
Atlantic Refg. ...	22	22
Phillips Petr. ...	41¼	43
Shell Union ...	14¼	14¼
Shell Un. P. ...	105	105
Socony Vac. ...	13	13
Stan. Oil Cal. ...	27½	27½
Stan. Oil N.J. ...	50½	51½
Texas ...	45½	46½

4. Manufacturing		
Briggs ...	28½	30½
Chrysler ...	80½	83
Elec. Autolite ...	34½	34½
Gen. Motors ...	48½	50½
Hudson Mtr. ...	7½	7½
Nash Kelvin ...	8	8½
Packard Mtr. ...	4½	4½
Bendix Avtn. ...	25½	29½
Boeing Airp. ...	34½	34½
Douglas Air. ...	75½	79½
United Aircraft ...	39½	42½
Air Reduction ...	63½	66½
Allied Chem. ...	187½	186½
Col. Carbon ...	92	91
Dupont ...	148½	151½
Un. Carbide ...	88½	93½
U.S. Ind. Al. ...	22½	23½
Allis Chalm. ...	45½	47½
Gen. Electric ...	41½	43½
West'he Elec. ...	116½	118½
American Can ...	100½	100
Addressograph ...	27	28
Caterpillar ...	44½	45
Cont. Can. ...	29½	42
Ingersoll Rnd ...	112	114
Int. Harvester ...	55½	57½
Johns Manv. ...	103	104½
Am. Radiator ...	16½	18½
Corn Prods. ...	63½	64½
I Case & Co. ...	87	91
Glidden ...	23½	23½
G. Am. Trans ...	56½	58½
Allied Stores ...	10½	10½
Celanese of A. ...	23½	23½
Ind. Rayon ...	24	25
Colgate Palm. ...	14½	14½
Eastm'n Kdk. ...	18½	18½
Gillette ...	7	7½
Loews ...	50½	53½
20th Cen. Fox ...	24½	25½

5. Retail Trade, etc.		
Mont. Ward ...	50½	52
J. C. Penney ...	78½	77½
Sears Roebck ...	73½	73½
Walgreen ...	17½	18
Woolworth ...	49½	48½
Borden ...	16½	16½
Gen. Foods ...	38½	39½
Kroger ...	19	20½
Nat. Biscuit ...	23½	24½
Nat. Dairy ...	12½	13½
Am. Tob. B. ...	85	87½
Lorillard ...	20½	20½
Reyn. Tob. B. ...	42½	43½
Nat. Distillers ...	26½	27½
Schenley Dis. ...	15½	17

6. Finance		
Comcl. Credit ...	56½	57½
Atlas Corp. ...	8	8½
Com Inv. Tr. ...	59	59½

Capital Issues

CAPITAL ISSUE TOTALS

Week ending December 31	Nominal Capital	Conversions	New Money
To the Public ...	Nil	...	Nil
To Shareholders ...	Nil	...	Nil
By S.E. Introduction	392,782	...	1,433,653
By Permission to Deal	Nil	...	Nil
Sav. Certs., week ended December 24 ...	Nil	...	Nil
	Including Conversions	Excluding Conversions	
Year to date	297,685,560	273,123,736	
1938 (New Basis) ...	519,594,729	458,056,701	
1937 (New Basis) ...	512,986,352	458,056,701	
1938 (Old Basis) ...	203,686,595	180,105,586	
1937 (Old Basis) ...	310,103,661	251,642,012	

Destination (Excluding Conversions)

	U.K.	Brit. Emp. ex U.K.	Foreign Countries
Year to date	213,745,062	53,683,402	5,695,272
1938 (New Basis) ...	387,530,638	63,417,704	7,108,359
1937 (New Basis) ...	387,530,638	63,417,704	7,108,359
1938 (Old Basis) ...	152,986,352	24,299,182	2,820,072
1937 (Old Basis) ...	224,169,096	21,130,416	6,342,500

Nature of New Borrowing (Excluding Conversions)

	Deb.	Pref.	Ord.
Year to date	147,191,726	21,795,937	104,136,073
1938 (New Basis) ...	229,616,672	30,772,931	197,767,098
1937 (New Basis) ...	229,616,672	30,772,931	197,767,098
1938 (Old Basis) ...	130,348,169	12,754,505	37,002,912
1937 (Old Basis) ...	169,339,824	19,523,640	62,778,548

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

BY STOCK EXCHANGE INTRODUCTION

Shop Investments, Ltd.—Particulars relating to 200,000 5½ per cent. cumulative £1 preference shares (issued at 20s. 6d.). Dividend payable June 24th and December 25th each year. Part of 400,000 shares authorised.

DIVIDEND ANNOUNCEMENTS

Rates are actual, unless stated per annum or shown in cash per share. Rate for previous year refers to total dividend, unless marked by asterisk to indicate interim dividend.

Company	*Int. or Final	Total	Payable	Prev. Year
BANKS				
Bank of France ...	160 Frs	320 Frs	...	285 Frs
TEA & RUBBER				
Escort Rubber ...	...	6	...	7½
MINING				
Sungei Way Dredging	2½*	...	Jan. 12	10*
INDUSTRIALS				
Albion Greyhound ...	17½*	...	Jan. 12	17½*
Brit. & Burmese Steam	2½*	5	Mar. 3	5
Gr. Northn. Telegraph	2½*	...	...	2½*
Henekeys, Ltd. ...	10½*	17½	...	19
Kingsbury Collieries ...	5*	...	...	10*
Leyland Motors ...	...	25	...	25
Lon. Property Inv't 'A'	...	6	...	6
Do. 'B'	...	5	...	5
Manchester Dock ...	2½*	...	...	2½*
Manchester Warehouse	2½*	...	...	2½*
Millar (A.) and Co. ...	...	4	...	4
Mills and Rockley ...	4½*	12	...	...
Qualcast ...	10*	...	Jan. 31	10*
Real Estate (S. Africa)	4*	...	...	4*
Sec. Sct. Un. Invests. ...	...	1½	...	2½
Sharpe (Charles) ...	2½*	...	Jan. 2	2½*
Shawinigan Power ...	23 cts*	...	Feb. 15	25 cts*
Whitworth, Son, etc.	3½*	...	...	...

† Free of Income Tax.

BRAZILIAN TRACTION COMPANY.—No dividend action with respect to ordinary shares can be taken because of cessation of remittances from Brazil.

BUTTERLEY COMPANY, LTD.—Ordinary dividend reduced from 2 per cent. to 1½ per cent., tax free.

DE BEERS CONSOLIDATED MINES.—A dividend of 10s. per share is to be paid on the £2 10s. preference shares in respect of the six months to June 30, 1938.

JUTE INDUSTRIES, LTD.—A dividend of 3 annas 4 per cent. is to be paid on the preference shares.

STATE OF BAHIA SOUTH WESTERN RAILWAY.—No payment at present on account of interest out of surplus revenue on 8 per cent. prior lien debenture stock for half-year ended October 31, 1938. Revenue balance to be carried forward.

UNITED DOMINIONS TRUST.—Interim dividend on ordinary shares 6 per cent., as before, but is payable on £100,000 more capital.

SHORTER COMMENTS

Company Results of the Week.—Owing to increased taxation, net profits of COBBOLD AND COMPANY are nearly £9,000 lower at £45,379. During 1937-38, some £70,550 has been spent on improvements to properties and plant, and new premises. Total profits of HENEKEYS are only slightly lower at £64,934, but distribution is conservative, as the dividend is reduced from 19 to 17½ per cent. Total profits of UNITED

LONDON ACTIVE SECURITY PRICES AND YIELDS

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

Prices, Year 1937				Prices, Year 1938 Jan. 1 to Dec. 28, inclusive				Name of Security	Price, Dec. 28, 1938		Yield, Dec. 28, 1938
High-est	Low-est	High-est	Low-est	High-est	Low-est	(a) %	(b) %		(c) %		
British Funds											
84 ¹⁵	73 ¹⁴	79 ¹⁴	64	Consols 2½% 1950-70	70	+14	13/9	51/12	3 1/2	12/6	4 2 0
113	105 ¹⁵	111 ¹⁴	98	Do. 4% (alt. 1957)	104 ³	+14	3 1/2	53/9	50/12	52/6	3 16 0
101 ¹⁵	94 ³	100 ¹⁰	90	Conv. 2½% 1944-49	95 ¹²	+14	2 1/2	90/12	71/3	72/6	5 16 0
103 ¹⁵	97 ³	103 ¹⁴	92	Do. 3½% 1948-53	98 ¹²	+14	3 1/2	105 ¹⁵	106	107	6 10 0
106 ¹⁵	99	104 ¹⁰	90 ¹²	Do. 3½% after 1961	98 ¹⁴	+14	3 1/2	106 ¹⁵	107	108	6 10 0
108	105	105 ¹⁵	100	Do. 4½% 1940-44	102 ¹⁴	+14	4 1/2	109 ¹⁵	110	111	6 10 0
112 ¹⁵	111 ¹⁴	115 ¹⁵	102	Do. 5% 1944-64	109 ¹²	+14	5 1/2	112 ¹⁵	113	114	6 10 0
92 ¹⁵	89	91 ¹⁵	81	Fund. 2½% 1956-61	86 ¹⁴	+12	3 1/2	89 ¹⁵	90	91	6 10 0
96 ¹⁵	89 ¹⁵	97 ¹⁵	88 ¹²	Fund. 2½% 1952-57	92 ¹²	+14	3 1/2	95 ¹⁵	96	97	6 10 0
101 ¹⁵	92 ¹⁵	99 ¹⁵	90	Fund. 3% 1959-69	94 ¹²	+14	3 1/2	97 ¹⁵	98	99	6 10 0
116 ¹⁵	109	114 ¹⁵	98	Fund. 4% 1960-90	107 ¹²	+12	3 1/2	110 ¹⁵	111	112	6 10 0
99 ¹⁵	96	101 ¹⁵	90	Nat. D. 2½% 1944-48	97 ¹⁴	+14	2 1/2	100 ¹⁵	101	102	6 10 0
114 ¹⁵	107 ¹⁵	112 ¹⁵	100	Do. 3% 1954-58	107 ¹⁴	+14	3 1/2	110 ¹⁵	111	112	6 10 0
105 ¹⁵	98 ¹⁵	103 ¹⁵	90 ¹²	Victory Bonds 4%	107 ¹⁴	+14	3 1/2	110 ¹⁵	111	112	6 10 0
96 ¹⁵	90 ¹⁵	96 ¹⁵	80	War L. 3½% at 1952	97 ¹⁴	+14	3 1/2	100 ¹⁵	101	102	6 10 0
102	99 ¹²	102	90 ¹²	Local Loans 3%	100	+12	3 1/2	103 ¹⁵	104	105	6 10 0
72	62	68 ¹⁵	55	Austria 3% 1933-53	63 ¹²	+12	3 1/2	66 ¹⁵	67	68	6 10 0
85 ¹⁴	74 ¹⁴	82 ¹⁴	68	India 2½% 1933-53	75 ¹⁴	+54	3 1/2	78 ¹⁵	79	80	6 10 0
98 ¹⁴	87	95 ¹⁴	75	Do. 3½% 1933-53	89 ¹²	+12	3 1/2	92 ¹⁵	93	94	6 10 0
119 ¹²	112 ¹⁴	117 ¹⁴	110	Do. 4½% 1958-68	115	...	3 1/2	118 ¹⁵	119	120	6 10 0
Dom. & Col. Govts.											
109 ¹⁵	105	108 ¹⁵	97	Austr. 5% 1945-75	102	...	4 1/2	105 ¹⁵	106	107	6 10 0
105 ¹⁵	101	104 ¹⁵	97	Canada 4% 1940-60	102	...	4 1/2	105 ¹⁵	106	107	6 10 0
118	114 ¹⁵	115	109 ¹²	Nigeria 5% 1950-60	112 ¹²	...	5 1/2	115 ¹⁵	116	117	6 10 0
110	104 ¹⁴	108	95 ¹²	N. Zealand 5% 1946	97	...	5 1/2	100 ¹⁵	101	102	6 10 0
107 ¹⁵	103 ¹⁴	107 ¹⁵	95	Queens. 5% 1940-60	102	...	4 1/2	105 ¹⁵	106	107	6 10 0
114 ¹⁵	110 ¹²	112 ¹⁵	97	S. Africa 5% 1945-75	107 ¹²	...	5 1/2	110 ¹⁵	111	112	6 10 0
Foreign Governments											
103	93	96 ¹²	78	Arg. 4½% 1930-50	87	...	5 1/2	90 ¹⁵	91	92	6 10 0
105 ¹⁵	97 ¹⁵	102	23	Austria 1930-50	43 ¹²	...	5 1/2	46 ¹⁵	47	48	6 10 0
91 ¹⁴	84 ¹⁴	89	38	Do. 4½% 1930-50	59	...	5 1/2	62 ¹⁵	63	64	6 10 0
102 ¹⁵	95 ¹⁴	99	80	Belgian 4% (36) 1970	92 ¹²	...	4 1/2	95 ¹⁵	96	97	6 10 0
33 ¹⁴	24 ¹²	36	31	Bulgaria 7½% 1930-50	32 ¹²	...	7 1/2	35 ¹⁵	36	37	6 10 0
89 ¹⁴	37	37 ¹²	12 ¹⁴	Brazil 5% 1914-19	13 ¹²	...	Nil	14 ¹⁵	15	16	6 10 0
28	15	19 ¹⁴	14	Chile 6% (1929)	14	...	14 1/2	16 ¹⁵	17	18	6 10 0
95 ¹⁴	54 ¹²	60 ¹²	37	China 5% (1912)	37 ¹²	...	13 1/2	40 ¹⁵	41	42	6 10 0
101 ¹⁵	59	73 ¹²	40	Do. 5% (1913)	56	...	18 1/2	60 ¹⁵	61	62	6 10 0
108 ¹⁵	101 ¹²	105 ¹²	94	Czechoslovakia 8%	49	...	16 1/2	52 ¹⁵	53	54	6 10 0
100	92 ¹²	99	94	Denmark 3%	99	...	3 1/2	102 ¹⁵	103	104	6 10 0
106 ¹²	101 ¹²	104 ¹²	84 ¹²	Egypt United 4%	85 ¹²	...	4 1/2	88 ¹⁵	89	90	6 10 0
18 ¹²	11	13	9 ¹⁴	French 4½% (British)	12 ¹²	...	5 7/8	14 ¹⁵	15	16	6 10 0
66	52 ¹⁴	60	20	Ger. Dawes Lm. 5%	44	...	11 7/8	44 ¹⁵	45	46	6 10 0
49 ¹⁴	35	46	15	Do. Young Lm. 4½%	33	...	13 1/2	36 ¹⁵	37	38	6 10 0
40 ¹⁴	30	34 ¹²	25	Greek 6% 1929	29	...	8 1/2	32 ¹⁵	33	34	6 10 0
62	47 ¹⁴	58 ¹²	20	Hungary 7½% 1929	34 ¹²	...	13 1/2	37 ¹⁵	38	39	6 10 0
88 ¹⁴	53	60	35	Japan 5½% 1936-65	52	...	10 1/2	55 ¹⁵	56	57	6 10 0
94 ¹⁴	57 ¹²	64 ¹²	38	Do. 6% (24) 1922-1959	55	...	10 1/2	55 ¹⁵	56	57	6 10 0
61 ¹²	40 ¹⁴	47 ¹⁴	24	Peru 9% 1922	43 ¹²	...	9 1/2	46 ¹⁵	47	48	6 10 0
83	56	75 ¹²	54	Poland 7%	65	...	8 1/2	68 ¹⁵	69	70	6 10 0
20 ¹²	13	15 ¹⁴	9 ¹⁴	Roum. 4% 1922	9 ¹²	...	16 1/2	10 ¹⁵	11	12	6 10 0
96 ¹⁴	88 ¹⁴	92	75	U.K. & Arg. C. 1922	79	...	3 1/2	82 ¹⁵	83	84	6 10 0
Corporation Stocks											
118	111 ¹²	115 ¹⁴	101	Bircham 5% 1946-56	111 ¹²	...	3 1/2	114 ¹⁵	115	116	6 10 0
113 ¹⁴	112 ¹⁴	117	104 ¹²	Bristol 5% 1948-58	113	...	3 1/2	116 ¹⁵	117	118	6 10 0
95 ¹⁴	82 ¹²	87 ¹²	75	L.C.C. 3%	81 ¹²	...	3 1/2	84 ¹⁵	85	86	6 10 0
101	93	97 ¹²	82	Liverpool 3% 1954-64	93	...	3 1/2	96 ¹⁵	97	98	6 10 0
104 ¹⁵	100 ¹⁴	105 ¹⁴	94 ¹²	Midland 3½% 1957-62	102 ¹²	...	3 1/2	105 ¹⁵	106	107	6 10 0
Public Boards											
115 ¹²	97	21 ¹²	21 ¹²	C. Elec. 5% 1950-70	110 ¹²	...	4 1/2	113 ¹⁵	114	115	6 10 0
119 ¹²	108 ¹⁴	21 ¹²	21 ¹²	London Transport	110 ¹²	...	4 1/2	113 ¹⁵	114	115	6 10 0
129 ¹⁴	117	24 ¹²	21 ¹²	4½% "A" 1985-2023	119 ¹²	...	4 1/2	122 ¹⁵	123	124	6 10 0
122 ¹⁵	106	21 ¹²	21 ¹²	5% "B" 1985-2023	115 ¹²	...	4 1/2	118 ¹⁵	119	120	6 10 0
84	68	12 ¹²	21 ¹²	5% "C" 1985-2023	74	...	5 1/2	77 ¹⁵	78	79	6 10 0
92 ¹⁴	78 ¹⁴	12 ¹²	21 ¹²	Met. W.B. "B" 3%	85	...	3 1/2	88 ¹⁵	89	90	6 10 0
118	102	21 ¹²	21 ¹²	P. of Lon. 5% 50-70	114	...	3 1/2	117 ¹⁵	118	119	6 10 0
British Railways											
65	25 ¹²	Nil	Nil	G.W. Ord.	28	...	12 1/2	30 ¹⁵	31	32	6 10 0
48 ¹²	3 ¹²	Nil	Nil	L. & N.E. Def.	41 ¹²	...	Nil	44 ¹⁵	45	46	6 10 0
97	40 ¹⁴	34 ¹⁴	14 ¹⁴	Do. 5% Pref. Ord.	43 ¹²	...	Nil	46 ¹⁵	47	48	6 10 0
27 ¹⁴	8	14 ¹⁴	14 ¹⁴	Do. 5% Pref. 1955	10 ¹²	...	16 1/2	13 ¹⁵	14	15	6 10 0
68 ¹⁴	21	3 ¹²	Nil	Do. 4% 2nd Pf.	26 ¹²	...	11 1/2	29 ¹⁵	30	31	6 10 0
30 ¹⁴	11	2 ¹²	Nil	Do. 4% 1st Pf.	12 ¹²	...	11 1/2	15 ¹⁵	16	17	6 10 0
70 ¹⁴	23	2 ¹²	Nil	L.M.S. Ord.	28	...	6 1/2	30 ¹⁵	31	32	6 10 0
82 ¹⁴	43 ¹²	2 ¹²	Nil	4% Pf. 1923	28	...	7 1/2	30 ¹⁵	31	32	6 10 0
21 ¹⁴	91 ¹⁴	2 ¹²	Nil	Southern Def.	12 ¹²	...	12 1/2	14 ¹⁵	15	16	6 10 0
87	48	3 ¹²	1 ¹²	Do. 5% Pf. Ord.	57	...	7 1/2	60 ¹⁵	61	62	6 10 0
115 ¹²	83	21 ¹²	21 ¹²	Do. 5% Pf.	91 ¹²	...	5 1/2	94 ¹⁵	95	96	6 10 0
Dom. & Foreign Ry.											
14	7 ¹²	Nil	Nil	Antofagasta Ord.	9	...	Nil	11 ¹⁵	12	13	6 10 0
6 ¹²	3 ¹²	Nil	Nil	B.A. & Pac. Ord.	5 ¹²	...	Nil	6 ¹⁵	7	8	6 10 0
17	8 ¹²	Nil	Nil	B.A. & S. S. Ord.	13	...	Nil	16 ¹⁵	17	18	6 10 0
12 ¹²	5 ¹²	Nil	Nil	B.A. West. Ord.	10 ¹⁴	...	Nil	13 ¹⁵	14	15	6 10 0
13 ¹⁴	5 ¹⁴	Nil	Nil	C. Arg. Ord.	11	...	Nil	10 ¹⁵	11	12	6 10 0
28 ¹²	22 ¹²	2 ¹²	Nil	Can. Pac. Com. 5½%	6	...	Nil	10 ¹⁵	11	12	6 10 0
43 ¹⁴	31 ¹²	Nil	1 ¹²	Costa Rica Ord.	24	...	5 1/2	26 ¹⁵	27	28	6 10 0
66	28	12 ¹²	1 ¹²	Nitrate Ry. 10	35 ¹²	...	5 1/2	38 ¹⁵	39	40	6 10 0
16 ¹⁴	10 ¹⁴	1 ¹²	1 ¹²	Santa Fe Ry. 10	32	...	5 1/2	35 ¹⁵	36	37	6 10 0
Banks and Discount											
75 ¹⁶	52 ¹⁶	10 ¹⁶	7 ¹⁶	Alexanders 4½% 1941	57 ¹⁶	...	6 1/2	60 ¹⁵	61	62	6 10 0
35 ¹⁶	26 ¹⁶	5 ¹⁶	5 ¹⁶	Bk. of N. Zealand 4½%	27 ¹⁶	...	3 1/2	30 ¹⁵	31	32	6 10 0
352 ¹²	315	6 ¹⁶	6 ¹⁶	Bk. of England	329 ¹²	...	3 1/2	342 ¹⁵	343	344	6 10 0
76 ¹²	61 ¹²	7 ¹⁶	7 ¹⁶	Barclay B. 4½%	74 ¹²	...	3 1/2	77 ¹⁵	78	79	6 10 0
46 ¹⁶	37 ¹⁶	3 ¹⁶	3 ¹⁶	Barcl. (D. & C.) 4½%	41 ¹²	...	3 1/2	44 ¹⁵	45	46	6 10 0
8 ¹⁶	7	4 ¹⁶									

(a) Interim dividend. (b) Final dividend. (c) Dividends for full year. (d) Paid in N.Z. (e) Allowance for exchange. (f) Flat yield. (g) Yield worked on 4% basis. (h) Yield on 4½% basis. (i) Based on payment of 2½%. (j) Based on payment of 3%. (k) Yield worked on 10% basis. (l) Yield worked on 12½% basis. (m) Yield worked on 14% basis. (n) Yield worked on 16% basis. (o) Yield worked on 18% basis. (p) Yield worked on 20% basis. (q) Yield worked on 22½% basis. (r) Yield worked on 25% basis. (s) Yield worked on 27½% basis. (t) Yield worked on 30% basis. (u) Yield worked on 32½% basis. (v) Yield worked on 35% basis. (w) Yield worked on 37½% basis. (x) Yield worked on 40% basis. (y) Yield worked on 42½% basis. (z) Yield worked on 45% basis. (aa) Yield worked on 47½% basis. (ab) Yield worked on 50% basis. (ac) Yield worked on 52½% basis. (ad) Yield worked on 55% basis. (ae) Yield worked on 57½% basis. (af) Yield worked on 60

Industry and Trade

The Activity of Industry.—The wheels of industry have been slowed down last week for the Christmas and New Year holidays. Many industries, such as iron and steel, utilise the holidays for overhauling and repairing their machinery. In the absence of any important developments in industry and on the commodity markets we have omitted our usual commercial reports this week. The usual lull has this year been accentuated by the sudden fall in temperature, as a result of which business was temporarily dislocated, and outdoor operations had to be almost entirely suspended for a few days. The latest developments in the principal industries, as well as the course of general business activity are discussed in the *Trade Supplement* accompanying this week's *Economist*. In addition to our usual monthly report on the trend of business, we have prepared a special survey of Britain's economic position and outlook, given on pages 18-21 of the *Trade Supplement*. The survey reaches the conclusion that the early months of 1939 may witness a decline in activity and an increase in unemployment, but that sustained revival in America and increased defence expenditure may possibly contrive to push the business indices upwards in the summer.

* * *

Reduction in Tinplate Prices.—A decision has now been reached concerning the prices of tinplates after the end of this year. From January 1st the inland price was fixed at 20s. 4½d. per basis box (f.o.t.), compared with the current price of 21s. 1½d.-21s. 6d. per basis box. So far as export prices are concerned, no final agreement has yet been reached, but current quotations for delivery next year are based on 20s. 3d. per basis box, compared with the old official price of 21s. 6d. per box. It remains to be seen whether these cuts will lead to an improvement in demand. As the table below shows, the Welsh tinplate industry has been seriously hit by the recession in general business activity this year :—

	PRODUCTION, SHIPMENTS AND STOCKS OF TINPLATES		
	Week ended		
	Dec. 18, 1937	Dec. 10, 1938	Dec. 17, 1938
Production—per cent. of capacity	76.27	37.70	43.93
	Week ended		
	Dec. 23, 1937	Dec. 15, 1938	Dec. 22, 1938
Shipments	5,201 Tons	1,608 Tons	5,301 Tons
Stocks (warehouse and in vans)	8,253	6,857	5,223
	Fifty-one weeks ended		
	Dec. 23, 1937	Dec. 22, 1938	
Shipments	404,352 Tons	244,874 Tons	

Operations in the industry had to be cut down to less than 50 per cent. of its capacity. Shipments during the first 51 weeks of this year were nearly 40 per cent. smaller than during the corresponding period of 1937. The drastic curtailment of output, however, has prevented the accumulation of surplus stocks, and production would, therefore, quickly respond to an improvement in demand.

* * *

Coal Mines Reorganisation.—The Commission created under the 1938 Coal Act is contemplating a new procedure in the discharge of its amalgamation functions. There have been considerable changes in the structure of the industry since the original Gowers Commission was given qualified statutory powers in 1930 to make more effective the provisions of the Mining Industry Act, 1926, for facilitating the reorganisation of the industry. Substantial progress has been made in the direction of integration. Approximately 70 schemes, in addition to

those arranged without recourse to the Reorganisation Commission or to the Board of Trade, have been completed, and it was reported by the Mining Association towards the end of 1937 that 77 per cent. of the national coal output was then being produced by 129 undertakings, compared with 84 per cent. by 323 undertakings in 1923. In some districts the whole of the output, and in others the greater part of it, is now under single control. The other great change has been the regional control of the sale and supply of coal under the central selling schemes introduced in 1936. Nevertheless, mechanisation and concentration of production have made less progress in the United Kingdom than on the Continent. The whole of the Ruhr output of 128 million tons in 1937 was produced by 33 undertakings; in Belgium 30 million tons were raised by 86 concerns, in France 36 million tons by about 100 concerns, and in Holland 14.3 million tons by five undertakings. The disparities in mechanisation and more modern underground working methods are revealed by the fact that the output of coal per man-shift increased between 1929 and 1937 by 20 per cent. in France, 28 per cent. in the Ruhr, 33 per cent. in Belgium, 36 per cent. in Holland, and 51 per cent. in Poland, compared with only 7.5 per cent. in the United Kingdom. The new Coal Commission, apparently, is taking steps to foster the concentration of production on the more efficient collieries and districts by voluntary schemes before using the compulsory powers granted to it by last year's Act. It is seeking the co-operation of the industry for this purpose, and the various regional associations of colliery owners attached to the Mining Association of Great Britain are at present considering a suggestion made by Sir Ernest Gowers, the Chairman of the Coal Commission, for the institution of District Committees "to advise on the question of voluntary amalgamation proposals under the Coal Act, 1938."

* * *

Coal-mining Royalties.—The Coal Act of 1938 provided for the nationalisation of coal-mining royalties and the compensation to be paid to existing royalty owners was fixed at £66,450,000. A Central Valuation Board was set up to divide Great Britain into "valuation regions" and to allocate to each of these regions its share of the total amount to be paid in compensation. The Board has now completed its task, and its decisions have been published in a White Paper (Cmd. 5904). The "valuation regions" and the distribution of compensation are shown below :—

Valuation Region	Compensation
1. Scotland	£8,512,245
2. Northern region	13,515,930
3. Western region	5,409,030
4. Yorkshire	10,306,395
5. North Midlands	6,645,000
6. North Staffordshire	1,315,710
7. East Midlands	1,475,190
8. West Midlands	1,628,025
9. South Wales	16,446,375
10. Southern region	1,196,100
	£66,450,000

In defining the boundaries of these regions the Central Valuation Board has taken care that they do not intersect existing coalfields. The completion of the Central Valuation Board's task is another step in the long-drawn out process of the reorganisation of the coal-mining industry.

* * *

Agriculture in 1938.—For British farmers 1938 has been a year of contrasts. The long spring drought, which involved protracted winter feeding for livestock and a poor hay harvest, was followed in the autumn by a spell

of mild damp weather which lasted until the week before Christmas. Dairy farmers obtained in the summer an increase in wholesale milk prices to meet the extra expense of the drought and the Milk Marketing Board succeeded in consolidating this gain, at the expense of the consumer, for the ensuing season of 1938-9. The withdrawal of the Milk Bill, whose terms were outlined eighteen months ago, has left uncertain the future of the dairy industry. The beef subsidy has worked satisfactorily and the proportion of animals which obtain the quality payments continues to increase. The new bacon contracts, revived in December after a lapse of nearly two years, provide pig feeders during the next three years with guaranteed prices for bacon pigs varying with the cost of feeding stuffs. Even with this inducement, the Pigs Marketing Board only obtained contracts for 1.4 million pigs in 1939, and much dissatisfaction has already been expressed over the allocation of pigs between factories. Sheep farmers have undoubtedly had a very bad year, with very low prices for fat lambs and sheep, and the further increase in the number of breeding ewes shown in the June returns indicates that the glut will continue in the coming year. The results of arable farming have been patchy. A good corn harvest benefited the wheat grower, with his guaranteed price, but brought a slump in barley prices, which has induced the Government to double the barley subsidy. The yield of sugar beet has been disappointing, and an excellent potato harvest has involved the Potato Marketing Board in drastic but unpopular marketing regulations. The livestock farmer has seen with relief the drop in the prices of cereals and concentrates from the high levels reached in 1937, but the rise in agricultural wages and the shortage in many districts of both regular and casual labour continued unabated in 1938.

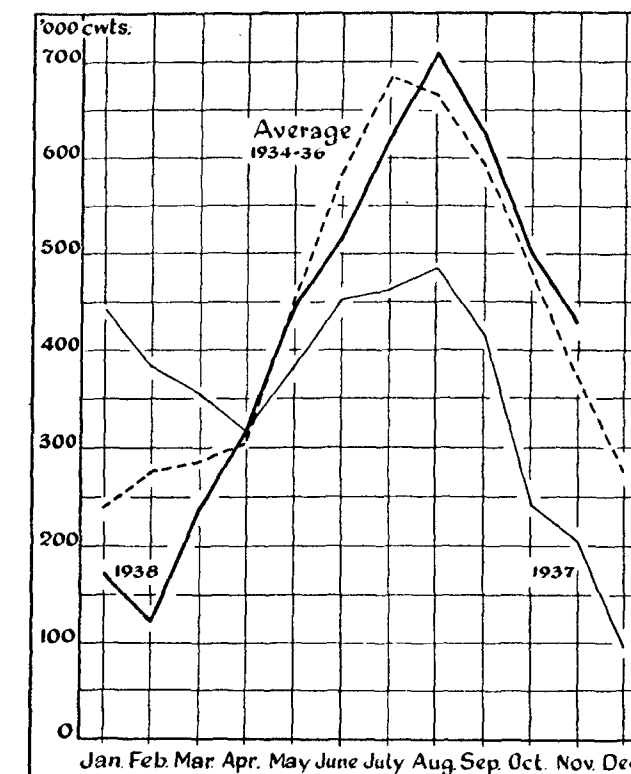
* * *

Fall in Retail Trade.—The latest returns published by the *Board of Trade Journal* show that the average daily value of retail sales reported in November was 1.3 per cent. less than in November, 1937. This is the first decrease recorded for the value of total trade since September, 1933, apart from declines in the spring months due to the varying dates of Easter and Whitsun. All districts registered a decline in November, except Scotland, where the value of retail sales rose by 2.5 per cent. compared with a year ago. Part of the general fall in the value of retail sales may be ascribed to the very mild weather, which delayed the purchases of winter clothing and fuel, but even sales of food and other perishables, which have been consistently higher in 1938 than in 1937, registered only a fractional increase. For the ten months of the present season, from February to November, the value of sales of food rose by 4.3 per cent. compared with the corresponding period of 1937, in spite of a fall in prices during the current year; on the other hand, the value of sales of merchandise other than food in these ten months declined by 0.6 per cent. It seems, therefore, that the rise in the volume of food sales during 1937, which was noted on page 243 of *The Economist* of April 30th, was continued during 1938, while the volume of non-food sales has slightly fallen, since average retail prices were a little higher than in 1937. The decline in the value of these sales in November, it may be noted, was not greater than that recorded in previous months of this year.

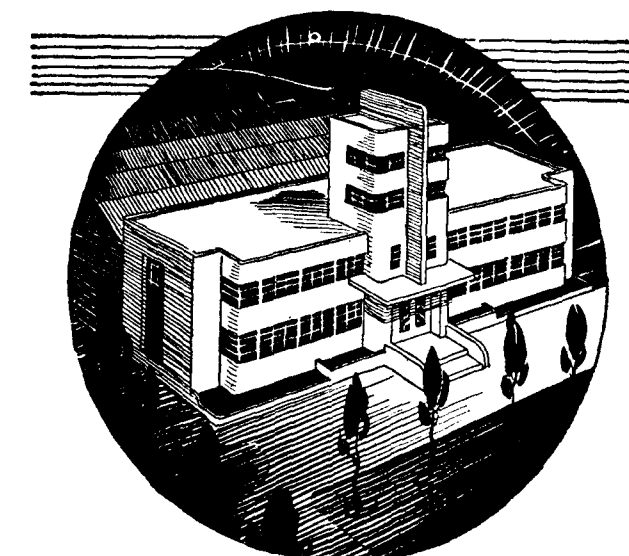
* * *

Stocks of Butter.—British supplies of imported butter (which provide nine-tenths of all butter consumed in this country) are drawn in about equal proportions from the Northern and Southern Hemispheres. As supplies from Australia and New Zealand are subject to greater seasonal variations than those from Europe, total imports tend to be heavier in the months from December to July than during the remainder of the year. Consequently, prices of New Zealand butter rise to a peak in the autumn while stocks usually increase during the spring and early summer and then fall gradually to a minimum in December. The accompanying chart shows average variations in the stocks

STOCKS OF BUTTER IN COLD STORAGE



of butter in cold storage in 1934-36 as well as changes in 1937 and 1938; the statistics are those of the Imperial Economic Committee and are believed to cover more than 95 per cent. of all cold stores. As the total consumption of imported and home-made butter in Great Britain is about



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10½ million cwt. per annum, it will be seen that, even at the seasonal peak, stocks do not normally exceed 6 or 7 per cent. of the annual intake. The very low level of stocks recorded in the winter of 1937-38 was due largely to the relatively lighter imports in the autumn of 1937; their subsequent increase has been caused by a small increase in imports, compared with 1937, and by the continuation of the downward trend in consumption, which began at the end of last year. Estimates indicate that the consumption of imported butter in the first nine months of 1938 was about 12 per cent. lower than in the corresponding period of 1937.

* * *

Rise in Sugar Prices.—For the first time for eleven months the c.i.f. price of raw sugar on the London Terminal Market has exceeded 6s. per cwt. In April of this year, raw sugar prices fell below 5s. per cwt. for some days, but the agreement over export quotas reached by the International Sugar Council in July brought a recovery to nearly 5s. 6d. per cwt. Since October, there has been a fairly steady improvement, due mainly to the unfavourable conditions for the European beet crops. The latest estimates, published by M. Licht early in December, places the beet crop in Europe (excluding Russia) at 6·7 million tons, compared with the previous estimate of 7·0 million tons, and an estimated production in 1937-8 of 7·2 million tons. The British crop is now estimated at 325,000 tons, a reduction of 60,000 tons on the previous estimate, and as Britain is the largest "free" market for raw sugar, this reduction in domestic supplies will have a considerable influence on prices in the coming months. The next meeting of the International Sugar Council, which is to be held in London on January 12th, will, therefore, find the prospect for the world's sugar industry considerably improved since its previous meeting six months ago. There is, however, no prospect of any shortage of supplies since export quotas, which were considerably reduced in the current season to meet the expected surplus, could easily again be adjusted upwards.

* * *

Cocoa Difficulties.—The cocoa market has been very depressed during the last few weeks. The London terminal market quotation for March is now down to 21s. 6d. per cwt., compared with 22s. 6d. a month ago and 24s. 11d. on September 30th, the end of the 1937/38 season. The chief reason for this weakness is the low level of demand. Naturally the limited purchases by consumers have also induced the shippers not to hasten their current shipments, particularly as their stocks are still substantial after the heavy purchases in the summer. So far only slightly over one-third of the new Gold Coast crop has been marketed, although at this time of the year the West African selling season has usually passed its peak. Official West African production figures are not yet available, but it is known that the new supplies are again large. Unless the West African crops are moved more rapidly within the next few months, their sales may again coincide with the beginning of the hedge sales of the Brazilian crop, a coincidence which would, of course, entail a further depression of prices. Meanwhile, the Gold Coast Government has appointed a special Committee to make recommendations on the steps to be taken by the Colony in connection with the recently published Cocoa Inquiry Report. The Committee is composed of a high Government official, a Native chief and a representative of the Co-operative Wholesale Society, the only large shipper which did not join the so-called Buyers Pool. There is a growing feeling in official circles that the introduction of co-operative cocoa marketing in West Africa as recommended by the previous Committee might prove a costly experiment, and that it would probably not bring about the desired rise in prices. The world price of cocoa is naturally determined by international supplies and demand, but so far nothing has been heard of any international action by the cocoa producing countries.

COMPANY MEETING AMALGAMATED BANKET AREAS, LIMITED

CONSIDERABLE PROGRESS

The annual general meeting of Amalgamated Banket Areas, Limited, was held, on the 29th instant, at River Plate House, London.

Mr H. G. Latilla (the chairman) said that after three years' work they had no fewer than five partly developed mines, namely, Abbontiakoon, Tarquah, Mantraim, Pepe and Akontansi, each representing a mine of considerable value in itself. Only a comparatively small part of the huge field covered by the company's areas had already resulted in proved ore reserves aggregating 3,289,842 tons, with the promise of substantial additions in 1939 and progressively thereafter.

They had distributed over £65,000 in dividends during the year under review, and also in the previous year. There must be a break in those dividends in the current year, but that should only be a temporary lapse, as they would soon have a vastly increased revenue from the first 30,000 tons per month unit of the new treatment plant, which was scheduled to come into operation by mid-1939. Costs of production would show a satisfactory decrease when their modern plant was operating. When they met next year the mines should be on the eve of the 60,000 tons per month mark foreshadowed last year.

SATISFACTORY DEVELOPMENTS

They were in constant receipt of satisfactory development news from the mines and the latest concerning Akontansi was very good. There was every indication that the ore reserve position there would be greatly augmented during the coming year. Perhaps the greatest tonnage of ore would be developed on the Pepe section, where they had already proved 1,897,524 tons of 2.35 dwt. ore and where, owing to the shallow nature of the deposit, costs of mining and milling should not exceed 6s. per ton. Developments of great significance to them were taking place on properties adjoining some of their ground, which contained the deep levels of Taquah and Abosso, Gold Coast Banket Areas and South Banket Areas. The continuation of those ore bodies in depth should enter this company's property in due course.

Two years ago he had said that they might contemplate the formation of perhaps two or three subsidiary companies, and that still held good. Up to now they had concentrated on areas which could supply a central mill. As they went further afield and opened up new ground, the question of separate companies would be considered.

They owned a vast property—perhaps comparable in some ways to what was originally owned by the West Witwatersrand Company—although really no comparison was possible for several reasons. One was that they owned 100 per cent. of the ground, whereas in the Union the Government owned the predominant share. Also it should be remembered that whereas their ore bodies existed and were worked from the grass roots, those of West Witwatersrand were very deeply seated—some 3,000 to 4,000 feet below the surface, thus necessitating much greater expenditure in deep shaft sinking and equipment. There was another point: they, on the Gold Coast, would not have the temptation to lower grade as and when the price of gold rose. Their fixed policy would be to mine and mill whatever was the settled average grade of ore.

MR ROBERT ANNAN'S VIEWS

Mr Robert Annan, in the course of a review of the mining operations, said that during the greater part of the past year development in the Abbontiakoon mine had been pushed ahead as rapidly as possible. The vertical shaft had reached the horizon of the seventeenth level. He would like to make it clear that the prospects for Pepe were not limited to the area to be worked from the surface. The reefs were the same as those worked in Abbontiakoon, and when the limit of surface working was reached they could be followed by underground working towards the bottom of that mine with comparable grade and working cost.

Referring to the map accompanying the report, he said that there existed under their property several conglomerate beds of a nature similar to those on the Rand, in which shoots of payable ore occurred. On the section shown by the plan alone they had some twelve miles of outcrop on which they were developing five separate mines. That gave some idea of the magnitude of the property and of the prospects as yet undeveloped. He thought shareholders would share their opinion that as development and equipment proceeded they would build up a mining enterprise of very considerable magnitude.

The report was unanimously adopted.

A resolution was unanimously passed increasing the capital to £2,300,000 by the creation of 2,200,000 shares of 5s. each.

CURRENT STATISTICS

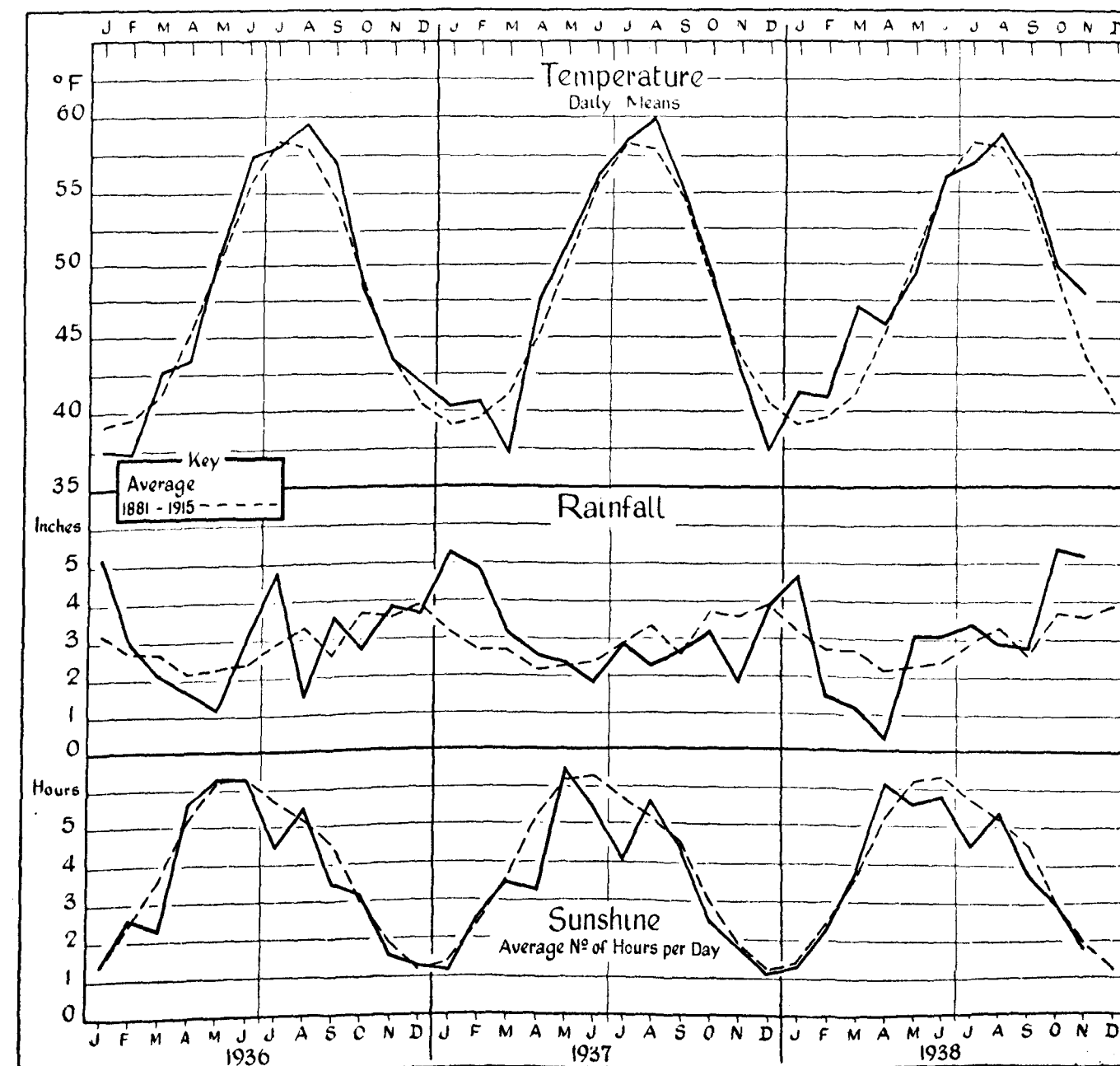
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All tables appear regularly except those whose titles are printed in italics, which are special to this issue

The Weather

The following charts may be read in conjunction with the note appearing on page 699. In each of them the experience of 1936, 1937 and 1938, represented by a continuous line, is compared month by month with the average for the standard period 1881-1915, represented by a broken line. The figures used are averages for all the British Isles.



Finance

GOVERNMENT RETURNS

For the week ended December 24, 1938, total ordinary revenue was £10,396,000, against ordinary expenditure of £11,190,000. Thus, excluding sinking fund allocations, the deficit accrued since April 1st last is £242,497,000, against a deficit of £167,549,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1937	April 1, 1938	Week ended Dec. 24, 1938	Week ended Dec. 24, 1937
ORDINARY REVENUE					
Income Tax	341,150	86,211	95,701	1,452	965
Stamps	62,000	10,940	11,910	570	690
Excise, etc.	88,000	67,170	55,660	2,130	1,350
N.D.C.	24,000	15,810	15,090	280	1,070
Other In.	20,000	40	13,010	7	540
Rev. Duties	1,250	490	780	40	10
Total I. Rev.	536,400	179,761	192,154	4,479	4,625
Customs	227,950	165,280	167,154	4,138	4,630
Excise	116,150	87,849	87,700	1,049	2,900
Total Cust. and Excise	344,100	253,129	254,854	5,187	7,530
Motor Duties P.O. (Net Receipt)	36,000	11,360	11,361	...	...
P.O. Fund	8,670	10,160	9,130	Dr 1900	Dr 2200
Crown Lands Rec. from Sun. Loans	2,400	25	960	...	...
Misc. Rec.	5,250	4,287	4,791	...	...
Total Ordinary Revenue	944,650	469,813	482,460	7,958	10,396
SELF-BAL. REVENUE					
Post Office and Broadcasting	80,412	53,190	55,720	3,250	4,000
Total...	1,025,062	523,003	538,180	11,208	14,396
Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1937	April 1, 1938	Week ended Dec. 24, 1938	Week ended Dec. 24, 1937
ORDINARY EXPEND.					
Int. & Man. of Nat. Debt	230,000	181,812	183,025	560	602
Payments to N. Ireland	8,900	5,260	5,697	369	390
Other Cons. Fund Serv.	5,239	2,045	1,897	54	54
Total...	244,139	189,117	190,619	983	1,046
Supply Serv.	702,409	448,245	534,338	9,038	10,144
Total Ord. Expend.	946,548	637,362	724,957	10,021	11,190
SELF-BAL. EXPEND.					
P.O. and Broadcasting	80,442	53,190	55,720	3,250	4,000
Total...	1,026,990	690,552	780,677	13,271	15,190

* Revenue required to meet expenditure.
† Excluding Post Office and Broadcasting and £112,900,000 under Defence Loans Act.
‡ After concessions of £100,000 made during passage of Finance Act.
§ After adding Navy and Air Supplementary Estimates, Consol. Fund increase under Eire Act and reduction by revised Civil Estimate (net increase, £2,150,000).

After raising Exchequer balances by £164,158 to £2,793,982, the other operations for the week (as shown below, but excluding £3,250,000 issued under the Defence Loans Act), raised the gross National Debt by £4,208,000 to about £8,401 millions.

WEEK'S CHANGES IN DEBT

Sales in		Number		Purchase Price	
49 weeks to —					
Dec. 11, 1937		30,178,645		22,633,984	
Dec. 10, 1938		30,295,258		22,721,444	
Week to —					
Dec. 11, 1937		572,955		429,717	
Dec. 3, 1938		625,232		468,924	
Dec. 10, 1938		571,059		428,294	
NET INCREASES IN DEBT		14,098		9,890	
Treasury Bills		14,098		9,890	
NAT. SAVINGS CERTIFICATES		14,098		9,890	

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1938, to December 24, 1938, are shown below:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	724,957	Ordinary Rev.	482,460
Eire issues	3,758	Eire receipts	10,000
Defence Loan issues	13,250	Gross borr.	256,661
Incr. in balances	430	Sinkg. Ids.	6,726
	742,395	Net borrowing	249,935
			742,395

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Total Floating Debt	Float- ing Assets
1937				
Dec. 18	622.0	317.3	41.6	980.9
Sept. 10	545.0	324.2	46.0	915.1
Sept. 17	537.0	334.5	48.2	919.7
Sept. 24	526.0	345.5	49.8	921.3
Oct. 30	521.0	379.1	49.3	953.4
Oct. 15	526.0	383.6	45.8	955.4
Oct. 22	526.0	379.1	41.4	916.7
Nov. 29	522.0	386.1	44.0	952.1
Nov. 5	517.0	405.3	46.1	971.3
Nov. 12	517.0	407.2	45.4	969.7
Nov. 19	522.0	403.7	41.7	967.4
Dec. 3	517.0	445.4	49.5	1,011.9
Dec. 10	507.0	465.3	46.7	1,019.0
Dec. 17	500.0	474.2	51.5	1,025.7
Dec. 24	493.0	495.3	42.1	1,030.4

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

TREASURY BILLS (£ millions)

Date of Tender	Amount	Average Rate	Per Cent. Allotted at minimum Rate
1937			
Dec. 17	50.0	76.8	50.0
Dec. 31	50.0	80.5	50.0
1938			
Sept. 9	45.0	63.1	42.0
Sept. 16	40.0	55.8	37.0
Sept. 23	40.0	58.2	40.0
Sept. 30	45.0	68.8	45.0
Oct. 7	50.0	71.6	50.0
Oct. 14	50.0	72.6	45.0
Oct. 21	40.0	77.3	38.0
Oct. 28	35.0	72.5	35.0
Nov. 4	35.0	67.9	35.0
Nov. 11	35.0	62.7	35.0
Nov. 18	35.0	62.6	35.0
Nov. 25	35.0	69.6	35.0
Dec. 2	35.0	74.8	35.0
Dec. 9	35.0	68.8	35.0
Dec. 16	30.0	70.6	30.0
Dec. 23	25.0	62.9	25.0

Bills are paid for during following week, on any working day at applicant's option. When normal length is 92 days, bills paid for Saturday are 91-day bills and there are no Monday maturities. When normal length is 90 days, bills paid for on Monday are 89-day bills. Bills paid for in February are 89-day bills, except those paid for each Tuesday, which are 88-day bills.

On December 23rd applications at £99 14s. 6d. per cent. for bills to be paid for on Wednesday, Thursday, Friday and Saturday of the following week were accepted as to about 44 per cent. of the amount applied for. Applications at higher prices were accepted in full. £35.0 millions of Treasury bills are being offered on December 30th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
49 weeks to —		
Dec. 11, 1937	30,178,645	22,633,984
Dec. 10, 1938	30,295,258	22,721,444
Week to —		
Dec. 11, 1937	572,955	429,717
Dec. 3, 1938	625,232	468,924
Dec. 10, 1938	571,059	428,294

BANK OF ENGLAND RETURNS

DECEMBER 28, 1938

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt.	11,105,100
In circula.	504,726,803	Other Govt. Securities	218,650,389
In Bkng. De-	51,688,925	Other Secs.	49,130
partiment		Silver Coin	285,381
		Amt. of Fid. Issue	230,000,000
		Gold Coin & Bullion	326,415,728
			556,415,728

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props. Capital	14,553,000	Govt. Secs.	69,216,164
Rest	3,413,432	Other Secs.	28,538,950
Public Deps.	15,937,522	Discs, etc.	21,455,849
Other Deps.	101,027,025	Securities	21,455,849
Bankers	36,754,756	Notes	49,904,799
		Gold & Silver Coin	51,688,925
			785,847
			171,685,735

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

THE WEEK'S CHANGES

(£ thousands)		Compared with	
		Dec. 28, 1938	Last Week
Both Departments			
COMBINED LIABILITIES			
Note circulation	504,727	+ 1,689	- 590
Deposits: Public	15,938	+ 3,415	+ 4,553
Bankers	101,027	+ 2,689	+ 19,614
Others	36,755	+ 558	+ 188
Total outside liabilities	658,446	+ 7,236	+ 15,463
Capital and rest	17,966	+ 35	+ 28
COMBINED ASSETS			
Govt. debt and securities	298,882	+ 2,895	+ 35,410
Advances and discounts	28,539	+ 13,628	+ 19,334
Other securities	21,505	+ 3,376	+ 351
Silver coin in issue dept.	285	+ 26	+ 275
Gold coin and bullion	327,202	+ 111	+ 32
RESOURCES			
Res. of notes & coin in circulation	52,475	+ 1,800	+ 10,559
Proportion of reserve to outside liabilities—			
(a) Bankg. dept. only	34.1%	- 2.5%	+ 9.3%
(b) Gold stocks to deposits and notes	49.7%	- 0.6%	+ 1.1%

COMPARATIVE ANALYSIS

(£ millions)		1937		1938	
		Dec. 29	Dec. 7	Dec. 14	Dec. 21
Issue Dept.					
Notes in circ.	505.3	487.8	495.3	503.0	504.7
Notes in bank- ing dept.	41.1	68.7	61.1	53.4	51.7
Govt. debt and securities	219.7	229.2	229.4	229.6	229.7
Other secs.	0.3	0.6	0.4	0.1	0.0
Gold	326.4	326.4	326.4	326.4	326.4
Deposits					
Public	11.4	18.6	15.7	12.5	15.9
Bankers	120.6	102.9	99.5	98.3	101.0
Others	36.6	35.9	36.0	37.3	36.8
Total	168.6	157.5	151.2	148.1	153.7
Bkg. Dept. Secs.					
Government	114.6	66.1	68.4	72.1	69.2
Discounts, etc.	9.2	17.9	16.8	14.9	28.5
Other	20.9	21.5	21.7	24.8	21.5
Total	144.7	105.5	106.9	111.8	119.2
Banking dept. reserve	41.9	69.9	62.2	54.3	52.5
"Proportion"	24.8	44.3	41.1	37.7	34.1
Reserve ratio†	48.6	50.8	50.7	50.3	49.7

† Gold stocks in both departments to deposits and notes in circulation. * At this date, Government debt was £11,015,100; silver coin in Issue Department, £285,381; capital, £14,553,000; rest, £3,413,432.

OVERSEAS BANK RETURNS

NOTE.—A return of the Bank of Spain appeared in The Economist of May 28th last. The latest return of the Bank of International Settlements appeared in our issue of December 10th; Federal Reserve Reporting Members, Denmark and Sweden, of December 17th; Australia, Canada, Czechoslovakia, Danzig, Egypt, Finland, Iran, Java, Netherlands, Roumania and South Africa, of December 24th.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Dec. 30, 1937		Dec. 22, 1938	
12 U.S.F.R. BANKS					
RESOURCES					
Gold certis. on hand and due from Treas.	9,120	11,602	11,763	11,788	
Total reserves	9,461	11,970	12,079	12,123	
Total cash reserves	331	358	306	325	
Total bills discounted	13	7	1	1	
Bills dt. in op. mkt.	7	1	1	1	
Total bills on hand	16	8	9	8	
Industrial advances	18	16	16	16	
Total U.S. Govt. sec.	2,564	2,564	2,564	2,564	
Total bills and sec.	2,598	2,587	2,588	2,587	
Total resources	12,853	15,293	15,569	15,511	
LIABILITIES					
F.R. notes in actual circulation	4,283	4,385	4,483	4,470	
Aggregate of excess m. bank res. over reqts.	1,160	3,380	2,980	3,070	
Deposits — Member bank reserve account	6,983	8,876	8,472	8,577	
Govt. deposits	140	484	10,248	941	
Total deposits	7,535	9,355	10,011	10,023	
Cap. paid in and surplus	306	300	310	310	
Total liabilities	12,853	15,293	15,569	15,511	
Ratio of total deposits to deposit and F.R. note liab. combined	80.1%	83.6%	83.3%	83.6%	
U.S.F.R. BANKS AND TREASURY COMBINED					
RESOURCES					
Monetary gold stock	12,760	14,312	14,454	14,508	
Treasury and Nat. Bk. currency	2,634	2,774	2,788	2,790	
LIABILITIES					
Money in circulation	6,571	6,788	6,943	6,912	
Treasury cash and deposits with F.R. Bks.	3,760	3,173	3,702	3,648	

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

Dec. 30, 1937		Dec. 22, 19
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BANK CLEARINGS

LONDON

(£ thousands)

	Month of November		Change	Week ended Wednesday		Aggregate from January 1 to	
	1937	1938		Dec. 29, 1937	Dec. 28, 1938	Dec. 29, 1937	Dec. 28, 1938
Number of wks. days:	26	26	%	4	4	303	303
Town	2,979,818	2,712,718	- 9.7	455,375	484,201	36,462,424	33,370,276
Metropolitan	177,102	172,239	- 2.7	31,599	27,733	2,144,555	2,059,378
Country	323,994	309,653	- 4.4	41,993	36,622	3,771,682	3,643,507
Total	3,481,914	3,194,610	- 8.2	528,967	548,556	42,378,661	39,073,161

† Based on average working day.

PROVINCIAL

(£ thousands)

	Month of November		Change	Week ended Saturday		Aggregate from January 1 to	
	1937	1938		Dec. 25, 1937	Dec. 24, 1938	Dec. 25, 1937	Dec. 24, 1938
No. of working days:	26	26	%	5	6	302	303
BIRMINGHAM	10,871	10,248	- 5.7	1,918	2,042	133,231	119,000
BRADFORD	3,622	3,391	- 6.3	739	757	50,855	40,360
BRISTOL	5,850	5,731	- 2.0	1,137	1,192	66,168	64,512
HULL	3,881	3,485	- 10.2	760	766	46,453	42,567
LEEDS	3,745	3,762	+ 0.4	721	845	50,803	48,541
LEICESTER	3,118	3,033	- 2.7	603	663	38,438	35,739
LIVERPOOL	27,318	21,889	- 19.8	5,668	4,714	349,776	263,983
MANCHESTER	46,294	38,489	- 16.8	7,984	8,276	557,941	468,086
NEWCASTLE	6,603	6,693	+ 1.3	1,227	1,510	76,191	76,933
NOTTINGHAM	2,121	1,986	- 6.3	510	444	26,201	25,150
SHEFFIELD	4,709	4,254	- 9.6	725	1,013	55,782	54,402
Total: 11 Towns	118,132	102,961	- 12.8	21,992	22,222	1,451,839	1,239,273
DUBLIN	...	...	...	4,648	5,245	295,686†	320,213†

† Based on average working day.

‡ 52 calendar weeks.

MONEY RATES

LONDON

	Dec. 22, 1938	Dec. 23, 1938	Dec. 24, 1938	Dec. 26, 1938	Dec. 27, 1938	Dec. 28, 1938	Dec. 29, 1938
Bank rate (changed from 2½% June 30, 1932)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank's drafts	1½	1½	1½	1½	1½	1½	1½
3 months' do.	1-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
4 months' do.	1-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
6 months' do.	1-1½	1-1½	1-1½	Boxing	Bank	1 1½	1
Discount Treasury Bills							
2 months'	1½	1½-1½	1½-1½	Day	Holiday	1½-1½	1½-1½
3 months'	1	1½-1½	1½-1½			1½-1½	1½
Loans—Day-to-day	1-2	1-2	1-2			1-2	1-2
Short	1-2	1-2	1-2			1-2	1-2
Deposit allwncs.: Bk.	1-2	1-2	1-2			1-2	1-2
Discount houses at call	1-2	1-2	1-2			1-2	1-2
At notice	1-2	1-2	1-2			1-2	1-2

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1938						
Dec. 1 ...	1-2	1½-1½	1½-1½	2½-3	2½-3½	3-3½
" 8 ...	1-2	1½-1½	1½-1½	2½-3	2½-3½	3-3½
" 15 ...	1-2	1½-1½	1½-1½	2½-3	2½-3½	3-3½
" 22 ...	1-2	1½-1½	1½-1½	2½-3	2½-3½	3-3½
" 29 ...	1-2	1½-1½	1½-1½	2½-3	2½-3½	3-3½

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Dec. 29, Nov. 30, 1937	Dec. 7, 1938	Dec. 14, 1938	Dec. 21, 1938	Dec. 28, 1938
Call money	1½	1½	1½	1½	1½
Time money (90 days' mixed coll.)	1½	1½	1½	1½	1½
Bank acceptances:—					
Members—eligible, 90 dys.	1½	1½	1½	1½	1½
Non-mem.—eligible, 90 dys.	1½	1½	1½	1½	1½
Commercial accept., 90 dys.	1½	1½	1½	1½	1½

EXCHANGE RATES

LONDON—SPOT

(a) Active Exchanges

(Range of the day's business)

London on	Par of Exch. per £	Dec. 23, 1938	Dec. 24, 1938	Dec. 26, 1938	Dec. 27, 1938	Dec. 28, 1938	Dec. 29, 1938
New York, \$...	4.86½	4.66½	4.66½	4.66½	4.66½	4.66½	4.65½
Montreal, \$...	4.86½	4.70½	4.70½	4.70½	4.70½	4.70½	4.70½
Paris, Fr.	124.21	177-177½	177-177½	177-177½	177-177½	177-177½	177-177½
Brussels, Bel.	35.00a	27.67-71	27.66-68	27.66-68	27.66-68	27.66-68	27.66-68
Milan, L.	92.46	88½-91	88½-91	88½-91	88½-91	88½-91	88½-91
Zurich, Fr.	25.22½	20.65-69	20.65-67	20.65-67	20.65-67	20.65-67	20.65-67
Athens, Dr.	375	540-555	540-555	540-555	540-555	540-555	540-555
Amst'd'm, Fl.	12.107	8.57½-9	8.57½-9	8.57½-9	8.57½-9	8.57½-9	8.57½-9
Berlin, Mk.	20.43	11.62-65	11.63-65	Boxing	Bank	11.62-65	11.60-65
Registered Marks	(c)	55-60	55-60	Day	Holiday	54-59	54½-59½
Br. India Rup.	18d.	172½-173	172½-173	172½-173	172½-173	172½-173	172½-173
Hong Kong, \$	† ...	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½	14½-15½
Shanghai, \$	† ...	8-9	8-9	8-9	8-9	8-9	8-9
Rio, Mil.	†5.899d.	31½-32	31½-32	31½-32	31½-32	31½-32	31½-32
B. Aires, \$...	11.45	17.13½	17.13½	17.13½	17.13½	17.13½	17.13½
Valparaiso, \$...	40	116e (f)	116e (f)	116e (f)	116e (f)	116e (f)	116e (f)
Montevideo, \$	45½d.	18-19	18-19	18-19	18-19	18-19	18-19
Lima, Sol.	17.38	22-23½	22-23½	22-23½	22-23½	22-23½	22-23½
Mexico, Pes.	9.76	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Manila, Pes.	†25.66d.	25½-26	25½-26	25½-26	25½-26	25½-26	25½-26
Moscow, Rbls.	...	24-24½	24-24½	24-24½	24-24½	24-24½	24-24½

Usance: T.T., Rio de Janeiro, Lima, Valparaiso (90 days). * Sellers. † Pence per unit of local currency. ‡ Par 8.23½ since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1935. (c) Per cent. discount. (e) Latest "export" rate. (g) Official rate is 8½ sellers. (h) Average remittance rate for importers. (i) Rate for payments to the Bank of England, for account Controller of Anglo-Italian debts. (l) Nominal. (m) Official.

(b) Other Exchanges

London on	Par of Exch. per £	Dec. 23, 1938	Dec. 28, 1938	Dec. 29, 1938
Helsingfors, M.	193.23	226½-227	226½-227	226½-227
Madrid, Pt.	25.22½	100-200†	100-200†	100-200†
Lisbon, Esc.	110	109½-110½	109½-110½	109½-110½
Budapest, Pen.	27.82	23½-24	23½-24	23½-24
Prague, Kr.	164½	135½-136½	135½-136½	135½-136½
Danzig, Gul.	25.00	24½-25	24½-25	24½-25
Warsaw, Zl.	48.38	24½-25	24½-25	24½-25
Riga, Lat.	25.22½	24½-25½	24½-25½	24½-25½
Bucharest, Lei.	813.8	650-670	650-670	650-670
Istanbul, Pst.	110	575*	575*	575*
Belgrade, Din.	276.32	204-214	204-214	204-214
Kovno, Lit.	48.66	27½-28½	27½-28½	27½-28½
Sofia, Lev.	67.66	370-400	370-400	370-400
Tallinn, E. Kr.	18.159	17½-18½	17½-18½	17½-18½
Oslo, Kr.	18.159	19.85-95	19.85-95	19.85-95
Stockholm, Kr.	18.159	19.35-45	19.35-45	19.35-45
Copenhagen, Kr.	18.159	22.35-45	22.35-45	22.35-45
Alexandria, Pst.	97½	97½-98	97½-98	97½-98
Kobe, Yen.	†24.58d.	13½-14½	13½-14½	13½-14½
Singapore, \$...	† 28d.	27½-28½	27½-28½	27½-28½
Batavia, P.	12.11	8.53½-58½	8.53½-58½	8.53½-58½
Bangkok, Baht.	†21.82d.	22½-23½	22½-23½	22½-23½

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

LONDON—FORWARD

(Closing quotations)

London on	Dec. 23, 1938	Dec. 24, 1938	Dec. 26, 1938	Dec. 27, 1938	Dec. 28, 1938	Dec. 29, 1938
New York cent. {	1 Month (p)	1½-1½	(p)	1½-1½	1½-1½	1½-1½
2 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Paris, francs {	1 Month (d)	1½-1½	(d)	1½-1½	1½-1½	1½-1½
2 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Amsterdam, cent. {	1 Month (p)	1½-1½	(p)	1½-1½	1½-1½	1½-1½
2 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Brussels, cent. {	1 Month (d)	1½-1½	(d)	1½-1½	1½-1½	1½-1½
2 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
Geneva, cent. {	1 Month (p)	1½-1½	(p)	1½-1½	1½-1½	1½-1½
2 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½
3 " "	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½	1½-1½

(p) Premium.

(d) Discount.

EXCHANGE RATES—cont.

NEW YORK

New York on	Dec. 22, 1938	Dec. 23, 1938	Dec. 24, 1938	Dec. 26, 1938	Dec. 27, 1938	Dec. 28, 1938
London:—						
60 days	465½	465½	465½	465½	465½	465½
Cables	466½	466½	466½	466½	466½	466½
Demand	466½	466½	466½	466½	466½	466½
Paris, Fr.	2.63½	2.63½	2.63½	2.63½	2.63½	2.63½
Brussels, Bel.	22.59	16.85½	16.85½	16.85½	16.85½	16.85½
Italy, Lira.	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼	5.26¼
Berlin, Mark.	40.10	40.10	40.10	40.10	40.10	40.10
Amsterdam, Guilder ...	54.35½	54.35	54.36	54.36	54.36	54.36
Copenhagen, Kr.	20.84	20.82	20.83½	20.83½	20.83½	20.83½
Oslo, Kr.	23.46	23.44	23.45½	23.45½	23.45½	23.45½
Stockholm, Kr.	24.04	24.02	24.03½	24.03½	24.03½	24.03½
Athens, Dr.	99.030	99.000	99.000	99.000	99.000	99.000
Montreal, Can. \$...	27.24	27.21	27.23	27.23	27.23	27.23
Yokohama, Yen.	16.75	16.90	16.80	16.80	16.80	16.80
Shanghai, \$...	28.95	28.93	28.94	28.94	28.94	28.94
B. Aires, Peso.	5.95	5.95	5.95	5.95	5.95	5.95
Rio, Milreis† ...	5.95	5.95	5.95	5.95	5.95	5.95

Usance: T.T.

† Official.

Investment

TRANSPORT RECEIPTS

BRITISH RAILWAY TRAFFICS

	Gross Receipts, week ended Dec. 25 (£'000)					Aggregate Gross Receipts 51 weeks (£'000)				
	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts	Pass- enger	Merch- andise	Coal & Coke	Total Goods	Total Receipts
L.M. & S.—										
1937	687	427	301	728	1,415	26,518	25,495	13,381	38,876	65,394
1938	740	350	308	658	1,398	26,531	22,819	12,977	35,796	62,327
L. & N.E. (a)—										
1937	549	308	243	551	1,100	17,301	17,624	12,847	30,471	47,332
1938	461	254	248	502	963	17,182	16,062	12,156	28,218	45,350
Great Western—										
1937	331	160	115	275	606	11,281	10,287	5,808	16,075	27,373
1938	365	144	103	247	612	11,226	9,457	5,496	14,953	26,179
Southern—										
1937	421	51	36	87	508	16,614	3,245	1,592	4,837	21,451
1938	459	47	32	79	538	16,624	3,093	1,568	4,661	21,285
Total—										
1937	1,988	946	695	1,641	3,429	71,714	56,631	33,628	90,259	161,972
1938	2,025	795	691	1,486	3,511	71,563	51,431	32,197	83,629	155,193

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance from Last Account	Net Profit After Payment of Deben-ture Interest	Amount Available for Distribution	Appropriation			Carried to Reserve, Deprecia-tion, etc.	Balance Forward	Corresponding Period Last Year	
					Prefce. Amount	Ordinary Amount	Rate			Net Profit	Divi-dend
Banks		£	£	£	£	£	%	£	£	£	%
Bank of New South Wales	Sep. 30	145,942	547,835	693,777	...	526,800	6	...	166,977	543,242	6
Breweries											
Cobbold & Company	Sep. 30	7,299	45,379	52,678	14,000	14,432	12½	16,670	7,576	54,126	13½
Financial Land, etc.											
Peel River Land, etc.	June 30	14,159	32,921	47,080	...	28,080	11½	4,000	15,000	26,650	7½
Motor, Cycle & Aviation											
Alvis, Ltd.	July 31	4,295	Dr. 82,539	Dr. 78,244	...	...	...	Dr. 81,812	3,568	(a)	(a)
Oil											
Trinidad Consolidated Oil...	Sep. 30	16,768	Dr. 22,248	Dr. 5,480	...	...	...	...	Dr. 5,480	(a)	(a)
Rubber											
Garing (Malacca)	Sep. 30	4,090	632	4,722	...	1,909	2½	...	2,813	5,754	5
Padang Senang	Sep. 30	1,078	10,138	11,216	...	8,250	5	1,779	1,187	20,373	10
Soember Ajoce	Sep. 30	1,152	4,607	5,759	...	3,228	4.16	1,000	1,531	7,137	6½
United Serdang (Sumatra)...	Aug. 31	92,924	174,715	267,639	...	128,095	9	45,000	94,544	268,662	15
Waterfall (Selangor)	Sep. 30	15,381	13,963	29,344	...	...	...	...	29,344	13,638	Nil
Trusts											
Ashdown Investment	Nov. 30	...	12,530	12,530	...	6,326	2½	4,702	1,502	(a)	(a)
Scottish Consolidated	Nov. 30	19,035	26,650	45,685	16,500	6,600	3	2,500	20,085	33,849	4
Other Companies											
Baird Television	June 30	...	Dr. 103,274	Dr. 103,274	...	...	...	Dr. 103,274	*	Dr. 111,903	Nil
Butlin's, Ltd.	Oct. 2	6,261	117,595	123,856	4,019	38,425	20	66,229	15,183	(a)	(a)
Devenish (J. A.) & Co.	Sep. 30	24,179	41,850	66,029	3,687	24,469	15	14,103	23,770	45,551	16½
Dussek Brothers	Oct. 31	12,004	20,248	32,252	3,652	10,010	10	6,035	12,555	17,527	8
Henekeys, Ltd.	Oct. 17	10,218	48,040	58,258	8,500	31,500	17½	8,132	10,126	51,968	19
Peco, Ltd.	June 30	...	Dr. 10,300	Dr. 10,300	...	...	...	...	Dr. 10,300	(a)	(a)
United Tobacco Cos. (South)	Sep. 30	521,479	1,052,350	1,573,829	56,500	960,000	40(b)	...	557,329	1,048,536	40(b)
Vactric, Ltd.	Sep. 30	3,354	12,101	15,455	3,978	4,350	4	6,698	429	21,227	15
Total Profits, 1938, in £'000's : No. of Cos.											
To December 24	2,381	89,119	301,033	390,152	48,454	156,545	...	87,558	97,595	280,450	...
To December 31	2,395	89,846	302,413	392,259	48,561	157,766	...	87,560	98,372	282,065	...

* Debit balance £103,274 added to general development account, now standing at £663,777.

† Free of Income Tax.

(a) No comparable figure.

(b) Free of South African normal Income Tax.

PRINCIPAL ISSUES DURING THE YEAR 1938

(See Leading Article on page 717)

Month Issued	Description of Issues	Nominal Amount	Issue Price	Price Dec. 28, 1938
1938	PUBLIC OFFERS	£		
Jan.	Canada 3¼% Reg. Stk. 1958-63	(a) 10,000,000	98½	98
Feb.	Birmingham 3¼% Stk. 1957-62	5,000,000	98	97½
Feb.	Johannesburg 3¼% Stk. 1958-63	2,000,000	99½	94½
May	Australia 3¼% Stk. 1952-56	7,000,000	99	94
May	L.C.C. 3¼% Stk. 1968-73	10,000,000	101½	99½
June	Brit. Gov. 3% Nat. Def. 1954-58	80,000,000	98	96
July	Brit. Oxygen 5% Cum. 2nd £1 pref.	1,000,000	22 6	23 9xd
July	Beecham Maclean Holdings 5% Cum. Pref. £1	1,496,500	Par	19 9xd
Nov.	Woolworth (P. W.) 5s. Ord. Shares	550,000	58-	57 6
Nov.	Hawker Siddeley Aircraft 4% Deb.	3,500,000	99	98
Dec.	Australia 4% Reg. Stk. 1955-70	(a) 2,517,800	100	97
Dec.	North Met. Elec. 4% Cum. Pref.	1,000,000	Par	20-
Dec.	County of London Elec. £1 ord.	1,250,000	43 6	9 9(b)
	TO SHAREHOLDERS ONLY			
May	Clyde Valley Electric £1 ord.	1,050,000	Par	36 3
Dec.	Bristol Aeroplane New ord. 10s.	1,200,000	Par	22 6
Dec.	United Steel Ord. £1	882,180	Par	23 3
	BY STOCK EXCHANGE INTRODUCTION			
May	Courage 5% Cum. 2nd Pref. £1	600,000	23 3½	23 3
June	Electrical Distribution of Yorkshire 3½% Deb. 1955-65	500,000	95 ½	94
July	African Explorers 4% 1st Mt. Deb.	1,000,000	101 ½	104 ½
June-Dec.	United Steel Co's £1 10-yr. Notes	1,500,000	102 ½	101 ½
	BY PERMISSION TO DEAL			
March	Thomas Tilling £1 Ord.	824,000	40 -	42 6
July	Burmah Oil £1 Ord.	4,578,838	80 -	82 6
July	Hoover, Ltd. 5s. Ord.	800,000	19 3½	15 -
July	Edmundson's Electricity £1 Ord.	2,250,000	27 6	25 6
Dec.	Tate and Lyle £1 Ord.	2,240,000	55 -	54 4 2

(a) All for conversion purposes. † Price at which dealings commenced.
(b) 9s. 6d paid up.

SHORTER COMMENTS

(Continued from page 725)

United Tobacco Companies (South), Ltd.—Net profit year to September 30, 1938, £1,052,350 against £1,048,536. Preference dividends, £56,500 as before. Ordinary and deferred ordinary dividends absorbed £960,000 (same). Rate, 40 per cent. (as before), free of South African tax. Carry-forward raised from £521,479 to £557,329. A first interim dividend of 3½ p.p. cent. (as before) is being paid on ordinary and deferred ordinary. Cash, £1,079,779 (£1,212,592). Stocks, £1,217,115 (£1,000,553). Debtors, £442,591 (£317,995).

National Insurance Company of New Zealand.—Net income increased in 1937-38 from £289,679 to £321,117. Underwriting surplus, £26,239 (£20,169). Interest, rents, etc., £31,040 (£28,460). Dividend, 9d. per share for year as before. To reserve, £3,500 (£6,500). To reserve for unexpired risks, £14,500. Written off premises, £1,908 (£4,537). Carry-forward reduced from £37,628 to £37,499.

Leyland Motors, Ltd.—Preliminary statement shows net profits for year ended September 30, 1938, before tax and contingencies, of £643,261—the highest since 1929. Net profit for 1936-37 was £631,597. To general reserve, £100,000 (£150,000).

John Crossley and Sons, Ltd.—Owing to unremunerative prices for carpets and abnormally heavy falls in wool prices, the year's trading has resulted in a loss of about £48,000, against a net profit of £59,586 for 1936-37. Final dividend on payment of 5 per cent. cumulative preference stock for year to December 3, 1938, is payable, but no ordinary dividend; for 1936-37 7½ per cent. was paid.

Trinidad Consolidated Oilfields.—Second report shows loss of £22,248 for year to September 30, 1938, subject to tax against profit £16,768 for period February 13, 1936, to September 30, 1937; debit balance forward, £5,480. Year's output of crude from company's Fyzabad field, 729,230 barrels.

Butlin's, Ltd.—Trading profits, including dividends, have increased to £121,796 in the year ended October 2, 1938, compared with £78,024 for period January 30, 1937, to October 2, 1937. Tax provision raised from £21,000 to £37,027, and leasehold amortisation and depreciation up from £7,530 to £21,000. Life assurance premium absorbs £1,112. Net profits £51,367, compared with £42,450. Ordinary dividend 20 per cent., less tax, on the increased capital, compared with 15 per cent. actual, carry-forward up from £6,261 to £15,183.

Western Ground Rents Purchase.—Property valued at about £5,000,000 owned by the Marquess of Bute in Cardiff and Penarth changed hands on December 23, 1938. Western Ground Rents, Ltd., have taken over the property. The chairman of the company is Lord Kennet. The properties include the Cardiff Shipping Exchange, the works of Guest, Keen, Baldwins, and the Mount Stuart Dry Docks—all ground rents.

Helbert, Wagg and Company, Ltd.—As from January 1, 1939, Sir Max J. Bonn, K.B.E., will retire from the board, whilst remaining a director of Helbert, Wagg Holdings, Ltd.

Lex Garages, Ltd., and Moons Garages, Ltd.—Agreement has been reached between these companies for forming a joint company, in order to place their pooled experience at the disposal of the authorities in connection with air raid shelter schemes.

Securities Exchange Commission and International Nickel Company.—The directors of International Nickel have voted in favour of keeping the company's stock listed on the New York Stock Exchange.

THE ECONOMIST

BANKING SUPPLEMENT

CXXXIII]

SATURDAY, OCTOBER 15, 1938

[No. 4964]

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THE ECONOMIST

BANKING SUPPLEMENT

A SURVEY OF BRITISH AND FOREIGN BANKING

CXXXIII]

SATURDAY, OCTOBER 15, 1938

[No. 4964]

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British Banking Trends

THE past six months have witnessed a new phase in British banking. The first point of contrast with the preceding half-year lies in the check to the downward trend of the business curve. Trade is still in a state of recession, but the position is little worse than it was last spring. The second point of difference is that whereas up to the early part of this year we were steadily gaining gold, since last May the banking system has from time to time had to deal with large and sudden losses. The first of these was occasioned by the French repatriation of last May, while later came the August drain of gold to New York, followed by the huge outflow of the September crisis. Other banking problems were also created by the crisis and the threat of war, but they are hardly relevant to a discussion of recent long-term trends. It may be wise, however, to add the warning that the crisis may have initiated a new phase for British banking, the trend of which is not yet apparent.

The main task of the authorities has remained the maintenance of cheap and plentiful money, and on the whole they have succeeded. It is true that the heavy gold losses of May and September threw a temporary strain upon our monetary mechanism, chiefly because the Exchange Equalisation Account could not immediately replace its gold losses by acquisitions of Treasury bills. A new technique was successfully evolved, including open-market purchases of bills by the Exchange Account and not the Bank, and also the under-allotment of Treasury bills at the weekly tenders. Even so, a certain time-lag between gold losses and bill acquisitions proved inevitable, and during this interim period there was a temporary transfer of cash from the banking system to the Exchange Account. This caused public deposits to gain at the expense of bankers' deposits, and so led to a temporary stringency in the money market.

During the September crisis, the Exchange Account was able to release its large accumulations of cash much more quickly than might have been expected, while further open-market purchases by the Bank compensated for the clearing banks' heavy withdrawals of notes for the reinforcement of their own currency reserves. The crisis increases in discount rates were as much due to the natural reluctance of the banks and others to buy fresh bills as to the reaction of the Exchange Account's heavy gold sales. But the complete banking history of the crisis has still to be written.

As the first of the charts published on the opposite page shows, the Bank of England has on the whole succeeded in preserving an even keel. There has been no change in its gold reserves since June, 1937, for the Exchange Account has been able to stand the recent gold drain without having to buy back from the Bank the gold sold to it during previous years. The continuance of the trade recession, coupled with a tendency for foreigners to dishoard British currency, is at last beginning to reduce the note circulation. Early in the year the circulation was running some £20 millions higher than it was twelve months before. By July and August the circulation had fallen to below the parallel figures for 1937. This downward trend of the circulation was compensated for by a parallel decline in the Bank's holdings of Government securities. This was a deliberate act of policy, designed to minimise changes in the size of the credit base and in total deposits in the banking department.

With total deposits remaining fairly constant, bankers' deposits were largely at the mercy of fluctuations in public deposits. The latter were affected by such passing events as subscriptions to the Defence Loan, gold sales by the Exchange Account, and so on. Nevertheless, bankers' deposits have only undergone minor fluctuations. In general the smoothing-out process has been much more successful than might have been expected. On the whole bankers' deposits are slightly higher than in 1937, but the increase is not very marked. A fair comment is that the cheap and plentiful money regime has been maintained, but no attempt has been made to counteract the recession by a contraction of the credit base.

Confirmation of this view is found in the second chart, showing the position of the clearing banks. Until September cash and deposits continued to run ahead of their 1937 levels, but the increase is not very large. There have, however, been certain significant changes in the trend of the three chief categories of earning assets. Thus discounts, though still below their 1936 level, have recently shown a tendency to increase. This tendency persisted right up to August, in spite of the fact that tender issues of Treasury bills had been shrinking ever since the end of June. The September statements naturally revealed the effects of the crisis. Both deposits and cash were lower, and there was a marked decrease in the combined total of call and short loans and discounts. These movements were due to the rapid outflow of funds from London, offset by the Exchange Equalisation Account's heavy gold sales and purchases of Treasury bills. As the third chart shows, the shrinkage in the tender issue is in part due to the second Defence Loan issue, which for the time being has reduced the floating debt; but it is mainly due to the recent big increase in the tap issue. This latter movement is due to the Exchange Account's gold sales, necessitated by the withdrawal of foreign funds from London.

Meanwhile the recession has now reached the point where it is beginning to affect the demand for advances. Last January advances were running £82 millions ahead of the previous year. Since then the twelve months' increase has gradually tapered away, until in August, a year after the recession began, advances only showed an increase of £1,000,000 over those of twelve months before. This change in the advance trend has reacted upon the trend of investments. The banks first began to reduce their investments early in 1937. There was a very significant correlation between this and the simultaneous increase in the yield on Consols, which is the best measurement of the long-term interest rate. By January, 1938, bank investments were £36 millions less than the year before, but since then the year's decrease has gradually tapered away, until by August it only amounted to £4,000,000. There has, in fact, been little change in bank investments during the past year.

If there is any truth in the argument that active trade requires a low long-term interest rate, these new trends may be of some importance. It may be permissible to regard the recent recovery and recession from a new angle. As trade revives, the demand for advances increases, though only with a time-lag. Sooner or later the need for advances reaches the point where either the credit base has to be enlarged or the banks have to realise their investments. This point was reached roughly at the beginning of 1937, when bank investments began to decline, the long-term interest rate rose from just under 3 to about 3½ per cent., and when, incidentally, the first signs of impending recession became apparent. Again there was a time-lag between the trade curve and the trend of advances. The demand for bank loans continued even after trade had turned downwards, and the peak was only reached at the end of 1937. Since then the reaction in trade and the fall in prices have at last begun to reduce the demand for loans, and this year advances have ceased to expand.

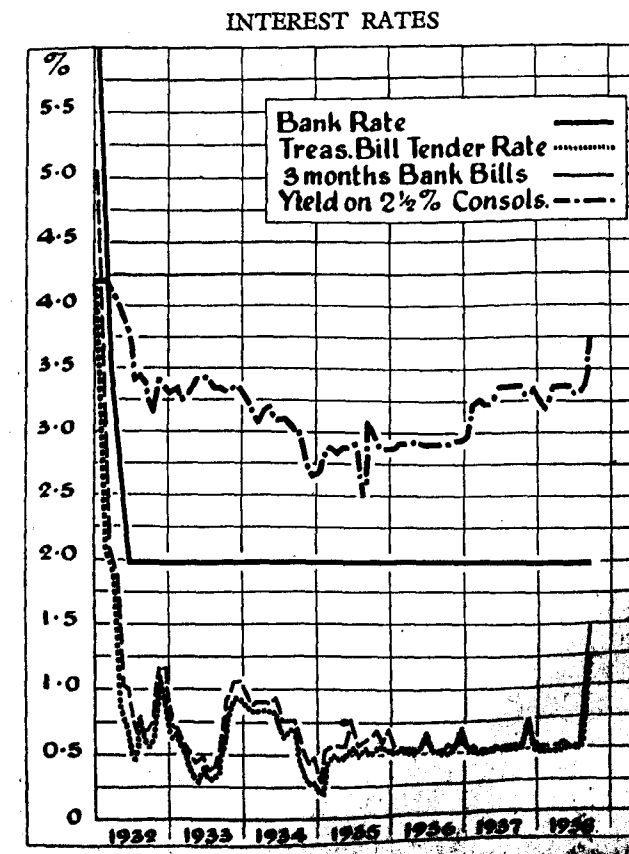
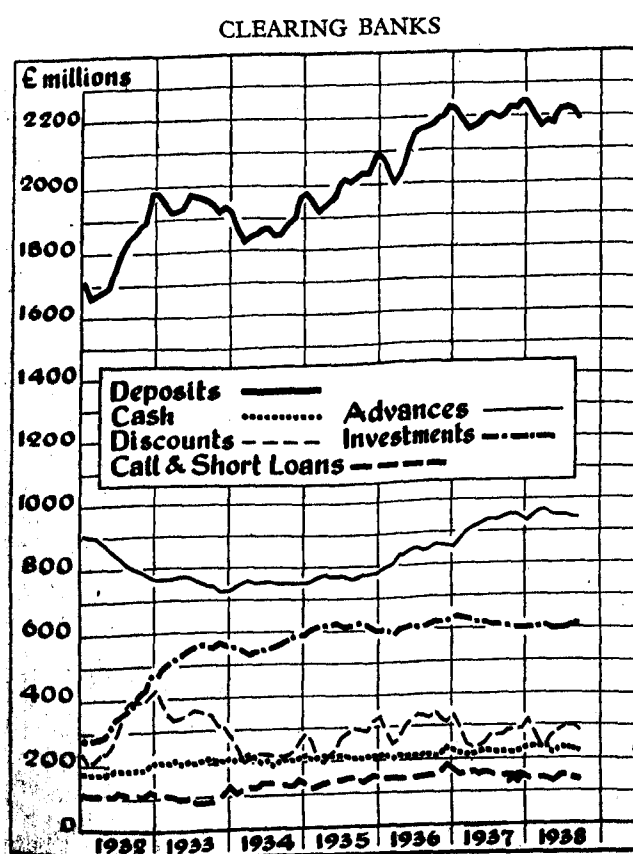
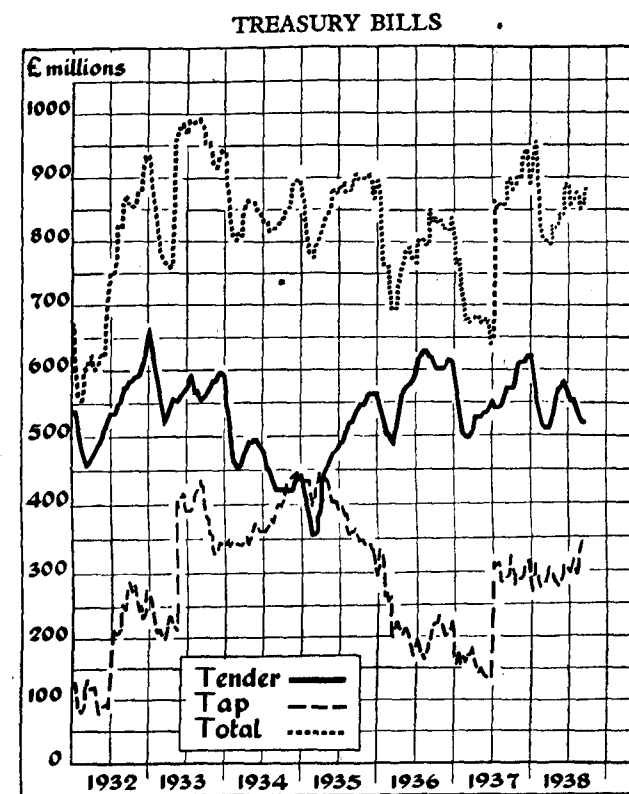
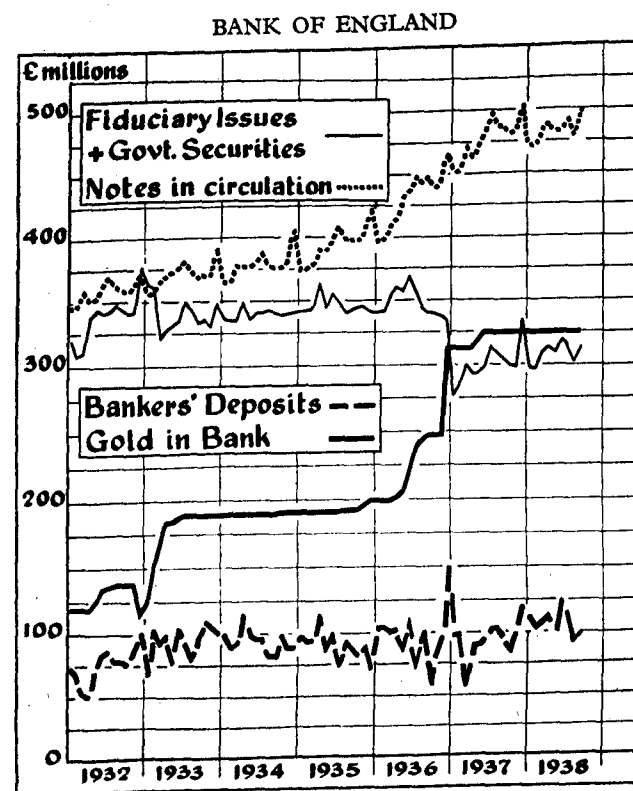
Once the growth in advances was at an end the banks were no longer under the compulsion to reduce their investments. They have not done so during the current year, and apart from the September crisis there has been no fresh increase in the long-term interest rate. The question for the future is whether or not the continuance of the recession will cause a definite contraction in advances. If so, the banks will presumably add to their investments, and in doing so will create conditions favourable for a drop in the long-term interest rate. There are many imponderables affecting this line of inference, the most important of which is the extent of new Government long-term borrowing. Yet it may be permissible to speculate on the possibility that by 1937 recovery had outrun the growth in the credit base, and that this may have been one of the main

causes of the subsequent recession. There are now indications that, owing to the recession, the credit base is once more adequate to our needs. If so, our banking position, which two years ago created conditions conducive to a recession, may now be such as to favour a new revival. This line of thought is tentative in the extreme, and ignores many over-riding influences both at home and abroad. Still, it may serve to indicate the significance of recent banking trends.

This article was necessarily written at a time when the country was only beginning to emerge from a state of crisis, but it may be useful to add a footnote, written two days before this issue went to press. The floating debt statement for October 8th shows that since August 13th tap issues of Treasury bills had increased by £42 millions, while the Exchange Equalisation Account must also hold to-day large quantities of tender Treasuries bought in the open market. Its gold losses must be of the order of £120

millions, even after allowing for its crisis acquisition of dishoarded and French gold. That implies a withdrawal of funds from the English banking system of between £100 and £150 millions.

Now the cash lost to the British banks through these withdrawals has already been made good by the Exchange Account's purchases of Treasury bills. It follows, therefore, that the technical position of the banks is probably more liquid than it was before the crisis; for their deposits are lower while their cash is probably unchanged. For confirmation of this view we must await the October clearing bank returns, but if it is correct, it adds even more force to the suggestion made above that our credit base is once more adequate to our needs. The credit base, in fact, has no longer to carry a mass of foreign "hot money," and so is all the more able to support a fresh expansion in accommodation to British commerce and industry.



The Irish Banking Commission

(By a Correspondent)

TWO events of outstanding importance have occurred in the last twelve months: the settlement of the dispute with Great Britain which was concluded in April, and the publication of the Report of the Banking Commission in August. The former event, which put an end to the so-called "economic war," has been of great assistance to the economic life of Eire, as it was followed by a revival of the agricultural export trade, the discontinuance of the export bounties and a renewal of confidence in the future. The latter event, namely the publication of the Report of the Banking Commission, has also been productive of confidence, since the Report has recommended the continuance of the link with sterling, has discountenanced all attempts at monetary experiments, and has established high standards in the domain of public finance. There is no reason to doubt that Eire is entering on a period of relative prosperity after six years of hardship and pressure.

Whether the two events referred to in the previous paragraph were connected with each other is a question on which opinions differ. It is frequently asserted that the Report of the Commission—the contents of which were known to Ministers in the spring—exercised considerable influence in the settlement of the Anglo-Irish dispute by its insistence on the debilitating effects of the economic war on the Irish economy. This has been denied by the Government, who assert that defence was the outstanding consideration that moved them to seek for a settlement and that they had not read, much less digested, the Report at the time when the negotiations were opened. Whatever may have been the case, one thing is certain, namely that the settlement of the economic war has not rendered the Report obsolete or out of date, as it is the fashion for Government spokesmen to assert. Many of the matters dealt with in the Report—for example, borrowing for housing and for land settlement—have nothing to do with the economic war and remain as problems to be solved in spite of the settlement.

From the banking standpoint the main interest of the Report arises from its recommendations that the consolidated bank note issue should be abolished and that the Currency Commission should be elevated to become a Central Bank. The abolition of the bank notes is of no real importance, as the issue has been unprofitable in recent years owing to the high rate at which it has been taxed. The proposed central banking functions of the Currency Commission will not interfere with the banks in any essential respect, and the suggested Central Bank is designed to control the Government's financial operations rather than the banks. Far from being an additional and sharper weapon in the armoury of economic nationalism, the proposed Central Bank will act rather as a brake upon financial folly and as a counsellor of sound and orthodox practice. Indeed, many of those who were most enthusiastically in favour of a Central Bank when it was believed that such a bank would facilitate inflationary experiments, have been somewhat disappointed to discover that the main object of the Commission's suggested bank is the tightening of the link with sterling and the imposition of a conservative prudence in the financial sphere.

It is too early to attempt to assess the good results that will arise from the settlement of the economic war. Presumably the adverse balance of trade, which for the twelve months to May amounted to £22,460,046, will show some diminution with the revival of exports. The cost of living may also be slightly reduced if the Prices Commission does its work well. Many difficulties, however, still remain. The railways are in a very unsound position, industrial costs are too high, borrowing is proceeding, largely for unproductive purposes, and, in spite of emigration, unemployment remains as an obstinate problem. It would be a mistake to

allow the feeling of immediate relief at the settlement to induce an optimistic or even a complacent frame of mind. It may perhaps be suggested that such an error was committed by some of the bank chairmen at their half-yearly meetings held during the summer, in spite of the fact that their own profits show a downward tendency and that one bank has reduced its dividend.

A comparison of the banking return for the June quarter of this year with the return for the same quarter last year shows that deposits are lower by about £2 millions. The withdrawal of deposits was largely in respect of subscriptions to the Financial Agreement Loan of £10 millions which was most successfully floated in May at the reasonable rate of 3½ per cent. Loans and advances increased by about £4 millions, mainly arising from an increased demand for accommodation by the new protected industries and by farmers as the result of rising prices. The decline in deposits, together with the increase in loans and advances, accounted for a decrease of £7 millions in the banks' holdings of Government securities. The slight reduction in liquidity caused by this redistribution of assets is neutralised by an increase of nearly £2 millions in cash and money at call and short notice. The net sterling assets held by the banks declined from £71 millions to £67 millions, this reflecting the growing disequilibrium in the balance of payments. This decline in the net sterling assets tended to slow down in the middle of this year.

The total monetary circulation in June was £16,745,401, compared with £16,151,537 in 1937 and with £15,211,342 in 1936. This signalises the internal expansion that has been taking place as a result of the Government expenditure on housing and other public works. Every addition to the note issue involves a reduction of the banks' sterling assets, since Irish legal tender notes are issued only in return for sterling, and in this respect the Banking Commission recommends that the present system should continue subject to minor changes. The same tendency towards internal expansion is revealed in the statistics of bank debits. The total debits (excluding debits on Government accounts) in the first six months of the present year amounted to £265,248,000, compared with £259,199,000 in 1937 and with £244,997,000 in 1936. Debits on Government accounts during the same periods were as follows: 1938, £111,063,000; 1937, £87,550,000; 1936, £83,704,000. The Dublin banks' clearings of notes, bills and cheques show a similar upward movement from a weekly average of £5,912,342 in the first half of 1937 to one of £6,270,237 in the same period this year.

The Report of the Agricultural Credit Corporation for the year ended October, 1937, states that the aggregate of loans issued by the Corporation from the opening of business in 1927 amounted to £1,620,804. The number of loans comprised in this total is 18,185, of which 17,915 are for sums under £500. The Corporation's lending rate was retained at 5 per cent. The Report of the Industrial Credit Company for the same period states that during the year the company undertook five capital issues, the net cash involved being £428,707. The net cash total of the capital issues undertaken by the company since its incorporation in 1933 is £4,397,107, of which the underwriters were called upon to take up 14.6 per cent. The activities of these two bodies are fully reviewed in the Report of the Banking Commission, which makes important recommendations regarding their future.

The report of the Currency Commission for the year ended March 31, 1938, states that the volume of the legal tender note issue fluctuated during the year between a minimum of £8,842,556 in August and a maximum of £10,292,123 in December, the latter being the highest figure ever attained by this issue. The surplus income of

the Commission amounted to £193,821, an increase of £6,124 over the previous year, due chiefly to the higher earnings of the Legal Tender Note Fund as a consequence of increased circulation. The Banking Commission recommends that the Currency Commission should be given the title and the functions of a central bank, that its membership should be increased, and that it should have a department for statistical research. In September of this year the Currency Commission purchased £2 millions of gold

bullion as an emergency backing for the note issue during the period of international crisis.

The amount of Savings Certificates outstanding on March 31, 1938, was £7,928,000, compared with £7,868,000 in 1937. This popular form of saving was fully investigated by the Banking Commission, which makes important recommendations regarding the backing that should be held against the certificates, which represent a demand liability by the State.

Gold and the Crisis

(By a Correspondent)

THE London gold market, regarded as a barometer, is not easy to read, as it often reacts unexpectedly to political or economic events. Purely national political or economic troubles in Europe usually cause a rush of gold buying in London by private operators anxious to safeguard their capital against possible losses from such events. But should such troubles show signs of developing internationally, these Continental holders of gold in London become apprehensive as to the fate of their holdings there, especially when there is a possibility of this country being involved in a war on a large scale. Whether such fears are well founded, it is difficult to say, as there is no precedent.

Towards the middle of August the demand for hoarding purposes—a prominent feature during the previous month or two—which had raised the total amount of gold stored in London on foreign account to a figure probably in excess of that obtaining before the gold scare of 1937, showed unmistakable signs of easing. The cause of this lay first in the fact that such demand had more or less reached saturation point; and second in the gathering clouds which had already begun to darken the European political horizon.

Still the approaching European crisis had up to then had

little direct effect on the market. Indirectly the market was affected because, as a result of the British Control's efforts to stem the rather rapid appreciation of the dollar against sterling, official daily offerings began to increase. With the easing off of private demand such sales were largely absorbed by arbitrage buyers for shipment to New York. Although the daily fixed prices, when compared with the U.S. exchange rate at the "fixing" time, showed little margin, the gradual improvement of the dollar allowed arbitrage operators to work more or less "on tendency" and as a rule showed them some profit, even though they usually bought their gold before covering their exchange.

It was not until September that there was any sign of large-scale sales by Continental gold hoarders. Then there began a steady flow of refugee funds from gold into U.S. dollars. Sales of gold became so large that private arbitrage buyers found it difficult to absorb all offerings and the "Control" had on occasion to absorb the surplus. This official support maintained the price at about the dollar parity until on September 14th the growing danger of a European war caused the London insurance underwriters to give notice that existing rates quoted for war risk insurance on gold shipped to New York were

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cancelled. They also announced that they could only cover such risks on steamers sailing within 48 hours. Up to that time the rate ruling for war risk on gold to New York was 6d. per cent.

This step seriously hampered arbitrage operators wishing to acquire gold for shipment to New York. Previously it had been possible to obtain provisional war risks cover for a week or two ahead at an agreed rate, and the intending operator, having acquired his gold, had only to worry about covering the necessary exchange or vice versa. Henceforward, he also had to estimate the cost of insuring his gold.

The war risk rate on gold to New York rose almost immediately to 2s. 6d. per cent., which added about 1½d. per fine ounce to the cost of shipping to the United States and automatically lowered the "dollar parity" price by that amount. For the next two or three days following September 14th the gold price was fixed round about this new parity and supplies were readily absorbed by arbitrageurs, especially as war risk insurance had in many cases been *definitely* covered for the next two or three steamers at the old rate of 6d. per cent. When war risks cover at the old rate of 6d. had finally been used up, arbitrage buyers could safely buy for shipment only on the day previous to the departure of a steamer owing to the fact that the new war risk cover was only valid provided the vessel sailed within 48 hours from the time of arranging the insurance. Consequently, if no suitable steamer was scheduled for the next day, buyers were scarce and the Control had to come to the rescue. Even then the price sagged several pence below the dollar parity calculated on the fresh war risk rate.

Towards the end of September, when the European situation had become very grave, the war risk rate rose to 5s. per cent., and even at this rate it was not easy to obtain cover. At the same time, European holders of gold in London panicked, and very large quantities of gold were offered in the London market. Most of the sellers turned the sterling proceeds of such sales into dollars, causing that currency to appreciate sharply against sterling. Private arbitrage operators, hampered as they were by insurance and finance difficulties, could not possibly absorb these offerings, and the authorities had to come in as buyers. On September 27 and 28 offerings of gold to the extent of £2,342,000 and £2,267,000 respectively were practically all taken by the Control. On the last-mentioned day the price of 147s. per fine ounce, which was the highest fixed since March, 1935, was nearly 2s. under the dollar parity, even when allowance was made for the prevailing war risk insurance rate of 5s. per cent.

Since that date, as the European tension eased, the gold market has gradually returned to more normal conditions. On October 1st the war risk rate was reduced to 1s. 3d. per cent. Arbitrage buyers began again to operate freely, and the London price moved back again once more to "dollar parity." Still the chief lesson remains. In times of extreme nervousness, arbitrage between gold and the dollar tends to become impracticable, while even gold itself becomes suspect, and is jettisoned by its holders in favour of dollars or any other "safe" currency. Thus the British Control can no longer rely upon the London bullion market as an auxiliary to its own efforts to support sterling. These lessons may be of value, if ever a similar emergency arises.

The Reform of Banking Statistics

(By a Correspondent)

THE gradual evolution since 1931 of a new monetary technique has made it more important than ever that frequent, regular and complete information should be available regarding the general monetary and banking position. Up to a point that need has been met. The Bank of England's weekly return is a much more informative document than it was up to ten years ago. Two of the eleven clearing banks have long ago adopted the more detailed form of accounts recommended by the Cunliffe Committee. Since eighteen months ago one corner has been lifted of the veil hiding the Exchange Equalisation Account's operation, for a six-monthly statement of the Account's gold holdings is available, though only with a time-lag of three months. Last but not least, the Bank of England has adopted a suggestion of the Macmillan Report, and now publishes a Monthly Statistical Supplement which contains much new and valuable information.

In these circumstances it may appear ungenerous to ask for more, but it cannot be gainsaid that our regular supply of banking and monetary statistics contains many gaps. Some of these admittedly cannot be filled, for every banker is under an obligation of secrecy to his customers. Still, a lot more information could legitimately be provided, while that already available is sadly impaired by its haphazard method of presentation.

The three main sources of banking information are the weekly return of the Bank of England, the weekly statement of Exchequer cash receipts and payments and also of the floating debt, and the monthly averages of the eleven clearing banks. The first point to notice is the complete lack of synchronisation between the three statements. The Bank return shows the Bank's position at the close of business on Wednesday. The revenue returns and the floating debt statement relate to Saturday. The clearing bank averages are even more complex. The final table is an aggregate of the returns supplied by each of the clearing banks. Each such return is an average for the month of the

weekly balance sheets of each clearing bank. Now, as is well known, each clearing bank chooses its own day of the week for the preparation of its accounts. One bank chooses Monday, another Tuesday, several Wednesday, and one Thursday. Nor, if a bank has five of its particular days in a month, does it necessarily prepare accounts for the fifth day. Again, each bank used to call from the money market for "making-up" purposes, so as to show what it regarded as an adequate supply of cash on its particular day, and so there was always a certain amount of cash marching round from bank to bank like a stage army, as the Macmillan Report expressed it. This practice of making-up each week is now partly in abeyance, but is not entirely extinct. It follows that the omnibus return showing the aggregate monthly averages of all the clearing banks counts a certain amount of cash many times over, possibly at the expense of call and short loans.

The first suggestion, therefore, is that all three statements should be published weekly and should relate to the close of business on Wednesday of each week. This would render possible a correlation of the three statements, and would greatly clarify the picture. Admittedly some difficulties would remain. It is a matter for consideration whether the Treasury bill week should be altered, so that payments and maturities would run from Thursday to Wednesday, instead of from Monday to Saturday. Also, if all banks made up on the same day, they would have to abandon finally their practice of window-dressing. That in itself would not be a bad thing.

The next need is for greater uniformity, as well as for more information. The Bank of England might begin by sub-dividing Government securities, whether held in the issue or the banking department. The obvious line of demarcation is Treasury bills, Ways and Means advances, and other Government securities; and Treasury bills should also be shown separately when carried under discounts and advances. Public deposits should be divided into Exchequer

balances and other accounts. Other deposits should show as a separate total balances held by overseas central banks and similar institutions.

The clearing banks should all adopt for their weekly accounts the detailed form of accounts prescribed by the Cunliffe Committee. *Inter alia* this would show their holdings of Treasury bills as distinguished from other bills. It would also introduce some very necessary uniformity into that very vague item "acceptances, endorsements, guarantees, etc." To-day some banks only show acceptances, others give an omnibus figure for all these items, while others give two separate figures, one for acceptances and confirmed credits, and the other for endorsements, guarantees, etc. There is also need for the uniform handling of forward exchange contracts. To-day, it is impossible to arrive at a combined total for all the clearing banks which has any meaning at all.

It is possible to make further suggestions. Cash should be divided into till-money and balances at the Bank of England. Cheques in course of collection should be separated from balances with other banks. Call and short loans could be usefully divided into money market and Stock Exchange loans, and the former could again be split into loans against bills and loans against bonds. The analysis of advances according to the type of borrower, already made by one or two of the bank chairmen in their annual addresses, should be adopted in a uniform manner by all the banks and issued quarterly without too long a time-lag. Finally, current and deposit accounts could be shown separately, and the banks might now overcome their reluctance to reveal how much of their deposits and advances consists of internal balances. As a separate adjunct, the weekly return of clearings should be supplemented by a weekly total of debits to individual accounts.

The weekly revenue returns are in themselves explicit, so far as they go, and provided that it is realised that they are no more than a statement of cash receipts and payments

by the Exchequer. The chief suggestion here is that the floating debt statement should segregate tender issues from tap issues of Treasury bills. Incidentally, it would be helpful to know the total of Treasury bill maturities and payments on each day, again segregating tender from tap. But the Government could usefully provide much more information than this. Nothing is known regularly of the extent and composition of the assets of the chief public departments. Here a quarterly return would be invaluable, and it should be sufficiently detailed and uniform to render it possible to form some idea of the quantity of cash, Treasury bills and each class of long-term security held by the department in the aggregate. In fact, the real need is for a special table showing the total amount of cash, Treasury bills and the various Government securities held "inside."

There remains the delicate question of the Exchange Equalisation Account. Twice a year we are told the amount of gold which it holds, though only after a lapse of three months. Let it be granted that secrecy was essential in the early days of the Account, but to-day when our gold reserves are so large, secrecy is much less imperative. In fact, it might create rather than disturb confidence, if it were known how much gold we were gaining and losing week by week. Already incomplete information is available in the shape of the daily returns of gold dealt in at the fixing and the weekly returns of gold imports and exports. Also, the American monetary gold stocks are disclosed each week. It is notorious that incomplete and possibly misleading information tends to impair confidence.

If the provision of adequate information were the sole consideration, it would be possible to argue in favour of a weekly return of the Exchange Equalisation Account, to be dated each Wednesday in conformity with the general plan. Such a return should be complete. It should show not only gold, but any foreign currencies and also the Account's

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sterling assets. The last should be divided into Treasury bills, ways and means advances, other securities, and balances at the bank. The return should also show each week the Account's accrued profit or loss to date.

These suggestions only touch the beginning of the problem. There are the cases of those banks and similar institutions which play a large part in our financial machine but which are not members of the Clearing House. There are the very vexed questions of the amount of Empire and foreign money in London, and the way in which it is

employed. Also the suggestions already made are in many respects debatable, and indeed may be regarded as a counsel of perfection. Still there is no doubt that more information is needed, and that such information is of importance to the general public as well as to bankers themselves. To-day in this all-important field of financial policy we are still largely walking in the dark. More light would create confidence and not dispel it, and would also make it easier for the general public to take a correct view in the ordering of their daily affairs.

American Banking Policy

(By a Correspondent)

THE central banking history of the United States during the past two years can be divided into three distinct periods. The first lies between August 15, 1936, and May 1, 1937, and covers the period in which, by the doubling of reserve requirements and the institution of the Inactive Gold Fund, excess reserves in the Member Banks were reduced from about \$3,000 to about \$800 millions. The second phase ran for almost a year. It was characterised by a partial reversal or modification of previous policy in the direction of stimulating expansion (or, perhaps better, arresting an unanticipated contraction) by increasing excess reserves. In September, 1937, \$300 millions of gold were released from the Inactive Fund. Later, there were small open-market purchases by the Reserve Banks. Finally, in February, 1938, it was announced that gold would be monetised (from imports or domestic production) to an amount of \$100 millions per quarter. These manoeuvres increased excess reserves by over \$400 millions to a total of well above \$1,000 millions.

The third phase dates from mid-April, 1938, when the entire Inactive Gold Fund (\$1,200 millions), plus about \$200 millions of other gold, was monetised through the Reserve Banks, and reserve requirements were reduced by about 13 per cent. This was a definitive programme of stimulating the expansion of bank credit. In actual operation, however, this programme was not pushed to its utmost capacity. Thus in the first place the release of the Inactive Gold Fund to the Reserve Banks increased their holdings of "gold certificates" and also Treasury deposits, but between April and early September these deposits were reduced by the redemption of maturing Treasury bills, and the entire sum (\$1,400 millions) has not yet been utilised. Second, although the Inactive Fund has been abandoned, the Treasury has not made it a practice to release all incoming gold to the Reserve Banks. As a consequence, the increase in Member Bank excess reserves since mid-April has been less than the sum of (a) the reserves released by the change in reserve requirements (about \$750 millions); (b) the liquidation of the Inactive Gold Fund (\$1,400 millions); and (c) new gold (about \$300 millions). Nevertheless, at the end of August, 1938, excess reserves were just under \$3,000 millions. This meant that they were more than \$2,000 millions above the figure of the end of August, 1936, and approximately as high as they were in August, 1936, when the initial increase in reserve requirements was made. These \$3,000 millions of excess reserves are bank cash, over and above the required reserve, which is still 87 per cent. higher than that required prior to August 15, 1936.

The following table shows relevant items in successive Reserve Bank statements during the past year:—

RESERVE BANK ITEMS (\$000,000)				
	Aug. 12, 1936	May 5, 1937	Mar. 30, 1938	Aug. 31, 1938
U.S. securities	2,430	2,526	2,564	2,564
Gold certificates	8,225	8,843	9,213	10,632
Gold stocks	10,661	11,838	12,794	13,135
Member Bank reserves	6,116	6,882	7,312	8,179
Of which, excess	3,170	890	1,560	2,940
Treasury deposits with F.B. Banks	338	97	292	720

Minor, or at least relatively minor, items (formerly their magnitude would have entitled them to recognition) had some influence—the changes in "due to foreign banks" and "other deposits" and the continued issue of large sums of silver certificates. But the items given above and the dates selected present a fairly comprehensive picture of the changes attributable to direct management. The centre of gravity of the period is excess reserves. Between August, 1936, and May, 1937, they fell from over \$3,000 to under \$1,000 millions (they dropped to about \$750 millions in August, 1937, for incidental reasons). Subsequently, a partial reversal of policy (combined with incidental influences) doubled them by the end of March, 1938; and between the end of March, 1938, and the end of August they were doubled again.

The following table shows the experience of the reporting Member Banks over the past two years. Instead of tabulating the usual Reporting Member Banks aggregate, the tables are divided into New York banks and those outside New York. The object of this is to emphasise the fact that in this particular instance, the lead was clearly taken by New York. Evidence of contraction appeared in New York months before it appeared elsewhere, and the same is true of the later evidence of expansion.

ITEMS OF THE REPORTING MEMBER BANKS
(\$000,000)

New York City					
	Aug. 12, 1936	Dec. 30, 1936	Aug. 11, 1937	Mar. 30, 1938	Aug. 31, 1938
Total loans and investments	8,621	8,749	8,323	7,576	7,751
Total loans	3,160	3,656	3,996	3,158	3,007
U.S. and guaran. securities	4,341	4,030	3,353	3,263	3,664
Other securities	1,120	1,063	974	1,155	1,080
Reserve	2,355	2,467	2,342	2,958	3,425
Demand deposits	6,229	6,448	5,968	6,100	6,446
Inter-bank deposits*	2,425	2,380	1,858	1,956	2,500
Outside New York City					
Total loans and investments	13,703	14,182	14,008	13,234	13,110
Total loans	5,192	5,533	5,921	5,613	5,263
U.S. guaran. securities	6,316	6,449	6,032	5,671	5,780
Other securities	2,195	2,200	2,055	1,950	2,067
Reserve	2,500	2,676	2,780	2,797	3,260
Demand deposits	8,523	9,123	8,946	8,168	8,942
Inter-bank deposits*	3,533	3,629	3,025	3,127	3,458

* Domestic.

Over this period the Reporting Member Banks show fluctuations, which may be certainly described as *post hoc* and which many describe as *propter hoc*. This period may, again, be divided into three phases. The first phase runs from August, 1936, to the end of that year. During this period bank credit (total loans and investments as well as deposits) continued to expand. This was followed by the second phase, from the end of 1936 to the end of March, 1938, during which bank credit contracted sharply. This in turn has been followed by the third phase (from the end of March, 1938, to the present date), during which total loans and investments have showed little change, but demand deposits have risen meteorically. These three phases are quite distinct, but when the detailed figures are analysed the first two become blurred in two ways. First, the contraction appeared first in the New York City banks and only later in the interior banks. Second, the contraction in the New York banks was relatively more severe, partly because of their monopoly of the call loan market, which shrank by half during the period. The collapse of the stock market reduced brokers' loans from over \$1,000 millions in the middle of 1937 to about \$500 millions a year later,

and accounted for about two-thirds of the cyclical loan reduction of the New York City banks. Analysing the experience of these banks in greater detail, there was first a phase in which holdings of Government securities were rapidly reduced while loans were increasing. During the second phase brokers' loans were rapidly reduced. The third phase witnessed a reduction of commercial loans. Finally, there is, as was said above, the current period, which is almost the reverse of the first, with the banks increasing their purchases of Government securities at a time when loans are still falling, or are stabilised, and with brokers' loans rising materially before there is any clear evidence of an upturn in commercial loans.

In short, the Reporting Member Banks over the last two years offer a remarkably clear example of cyclical credit behaviour. The expansion of the last months of 1936 continued a trend initiated many months earlier. The calendar year 1937 and the first half of 1938 reversed this trend and brought a material decline in loans, investments and in deposits. In the second quarter of 1938 this trend was in turn reversed by the monetisation of the Inactive Fund, which brought of itself a great and rapid increase of deposits and cash in the Member Banks. To date this has been followed by some increase in bank investments with, so far, evidence of a stability rather than an increase in loans. The trends in deposits are clear—rising deposits to the end of 1936; falling deposits for 15 consecutive months through March, 1938; and rapidly rising deposits since March 1938.

The clarity of the cyclical movement of deposits becomes more blurred as one analyses the other side of the balance sheet, but the movement was far more pronounced in New York City than elsewhere, and was proportionately more severe. This is largely attributable to the stock market collapse, referred to above.

There can be no dispute as to the cause of the rise of \$1,000 millions in deposits between April and August this year. Loans and investments in New York rose \$150

millions, with loans falling and heavy buying of the guaranteed securities. Outside New York, total loans and investments have fallen almost as much as they have risen in New York, as the increase in investments was less than the decrease in loans. The increase in deposits is represented on the asset side by the rise in reserves, which is mostly the consequence of the monetisation of the Inactive Fund.

As a footnote it may be observed that in money rates it would be hard to find a corresponding cyclical phenomenon. The usual quotations—call money, commercial paper, Treasury bills, customers' loans—have been so insensitive that they did not conform to the required pattern. Oddly enough, the yield corresponding to the issue price of the five-year tax exempt Treasury notes comes closer to following an analogous course. This appears in the following table:—

FIVE-YEAR TREASURY NOTES

	Per cent.
June 15, 1936	at 1½
December 15, 1936	1½
June 15, 1937	1½
September 15, 1937	2
December 15, 1937	1½
June 15, 1938	1½
September 15, 1938	1½

Up to the issue of December 15, 1936, the rate had been steadily falling; for example, the four-year notes of September 15, 1934, had gone at 2½ per cent., after which there was a suspension of that type of paper until March, 1935, when the rate was 1½ per cent. for a five-year note. The rate rose from its low point of December, 1936, to a peak nine months later, and has since suffered a fresh relapse. Thus its fluctuations conform closely to the cyclical pattern of the bank deposits of the period, and it would appear that during the period the five-year Treasury note was the typical sensitive investment in the money market.

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Australian Banking

(By a Correspondent)

UNTIL quite recently Australia continued to enjoy a level of prosperity equal to that of the best pre-depression years. Internally, Australia had thus far been immune from the recession in her customer countries overseas, even though that had brought with it a steady fall in her export prices, which was accelerated between September, 1937, and March, 1938, but retarded since that latter date. A further factor which might have been expected to diminish prosperity was the recent severe drought. This fortunately is now over, although it has reduced the quantity of primary products available for export in the current season. The period of lag between the appearance of these adverse forces and their effects on the internal economy is now drawing to a close, and in the absence of an immediate stimulus from improved export prices and increased capital imports, it seems that Australia in the ensuing year must expect an appreciable recession. As is shown later, in the absence of central bank action, it is doubtful if the trading banks can do much to counteract this anticipated recession.

The overseas trade returns for 1937-38 show a decline in exports of only £A4.9 millions from the very high level of the previous year, a marked fall in the export prices of wool and wheat having been largely offset by increases in the volume of these and other exports and by higher prices for some other exports. Imports, as is usual, following a good export season, increased considerably, reaching £A139.6 millions in 1937-38, compared with £A113.5 millions in the previous year. After providing for external interest on Government and local government debt, amounting to about £A27.5 millions in each year, there was a deficit of £A13.1 millions in 1937-38, compared with a surplus of £A17.9 millions in the previous year. The slight fall in exports did not materially affect business activity during 1937-38, although together with the marked increase in imports, it was partly responsible for the trading banks being placed in a tight position internally.

Externally, the banking position is still very strong. The combined London funds of the Commonwealth Bank and the trading banks are estimated to have been reduced over the year by the moderate amount of about £A10 millions from their previous high level of £A89.9 millions. This comparatively satisfactory result was partly due to the London loan of £7 millions sterling raised last May, £5 millions sterling of which was applied to improving the liquid position of the Commonwealth Bank. On present indications there will be a further reduction during the current year in London funds, owing to a lower export income and a high, though reduced, level of imports.

The following table, which shows the changes in assets and deposits of the trading banks between the June quarters of 1937 and 1938, helps to give a rough idea of the credit policy pursued.

AUSTRALIAN BANKING AGGREGATES (Nine Trading Banks)

Change between June Quarter, 1937, and June Quarter, 1938

	£A. millions
Increase in advances	+24.4
Decrease in Treasury Bills	- 5.7
Increase in Government securities	+ 5.5
	- 0.2
increase in internal earning assets	+24.2
ase in overseas assets	-12.0
U.S. sec.in total earning assets	+12.2
Gold certifi. reserves in Australia	- 4.9
Gold stocks	
Member Bank R.....	+ 7.3
Of which, exccs	
Treasury deposit from the table that the trading banks	
F.B. Banksir assets so as to take up Government	

securities, believed to be securities maturing at the end of this year, in place of Treasury bills bearing a lower rate of interest. These two items almost cancel out. Of the remaining increase of £A24.2 millions in home earning assets, £A12 millions (deduced from the other figures, which come from official returns) had the effect of offsetting the internal credit displacement, which was the counterpart of the drop in overseas assets. The principal factor responsible for this decline in overseas assets was the continued high level of imports. This was partly the reflection of the high exports of the previous year. It was also due partly to the financial and banking policies pursued in an earlier period, and partly to the influx of overseas capital and re-armament.

The increase in advances was due in part to demands arising indirectly from the overseas trade position, to finance for farmers and graziers made necessary by the drought, and to industrial demands stimulated by the good 1936-37 season and also by re-armament. To provide these advances the banks were forced to pay out some of their cash reserves in Australia. Their cash reserves declined by £A4.9 millions, most of which was drawn from their deposits with the Commonwealth Bank. The net effect of all these movements was an increase in customers' deposits of £A7.3 millions.

The conclusion to be drawn from these figures is that the trading banks more than neutralised the potentially adverse effects of the overseas trade position and the drought upon the Australian economy. They have been known for some time to have been following a "selective" advance policy, but apparently they have been unable to restrain the urgent demands arising from the drought and re-armament. Now, however, in view of a worsening in their liquid position over the past year, there can be no alternative for them but to discriminate still more closely in the future. The ratio of cash to deposits, after rising from 10.61 per cent. in the June quarter of 1936 to 12.3 per cent. in the June quarter of 1937, declined during the year 1937-38 to 10.5 per cent., or to the lowest June quarter average for many years. Seasonally, the liquid position should be strongest in the June quarter. Over the same period, the ratio of advances to deposits, which had improved from 89.9 per cent. to 83.3 per cent. in 1936-37, increased to 88.98 per cent. in the June quarter of 1938.

The Commonwealth Bank in its Report for the half year ended June 30, 1938, mentions that one cause of the decline in liquid assets was "the building up of Government deposits with the Commonwealth Bank from recent loan flotations." The influence of this temporary factor will wear off with the spending of the loan moneys, but only in the third and fourth quarters when liquidity generally is seasonally at its lowest. The liquid position of the banks, therefore, is likely to remain poor in spite of the impending disbursement of loan money, and this will preclude a liberal lending policy in the current year. Thus, very little assistance is possible from the trading banks in meeting the recession unless the Commonwealth Bank considers it desirable to increase the credit base.

It is now over a year since the Banking Commission presented its Report, the main recommendations of which were discussed in *The Economist* Banking Supplement for October, 1937. Although the Banking Bill, supposed to embody the main proposals of the Commission, has not been presented to Parliament, action appears already to have been taken on the lines of some of the Commission's recommendations. The amount of £5,000,000 sterling handed to the Commonwealth Bank in redemption of Commonwealth Government sterling debentures in its portfolio increased the supply of London funds available for meeting Australian overseas interest commitments, at the cost of increasing the long-term external debt. The Commonwealth Bank had

stated that it felt handicapped through not holding the bulk of the overseas assets of the Australian banking system, and one member of the Commission recommended the above step as a means of increasing the proportion of Australia's "London funds" held by the Commonwealth Bank. Its proportion has increased considerably from the 53 per cent. at the end of 1937, which was shown by the statistics given in the Commission's Report.

The Banking Commission recommends the gathering of additional statistics, and it is to be noted with approval that the Commonwealth Bank has subsequently extended its research activities, some of the results of which are embodied in a regular monthly Statistical Bulletin, which it now issues, as suggested by the Commission. The recommendation of a mortgage bank has been accepted in principle by the Government, which considers that it should take the form of another special department of the Commonwealth Bank.

It will be remembered that the Commission had something to say about the choice of directors for the Commonwealth Bank, recommending that they should be chosen for capacity and diversity of interests instead of, as pre-

viously, as representatives of special interests, and also that the Governor should be the principal executive officer of the Bank and not necessarily a former member of the staff of the Bank. It is not clear to what extent the Commission's recommendations led to the decision to appoint Sir Harry Sheehan, C.B.E., at the end of 1937 to be Governor and a member of the board. Sir Harry is not a banker, but he had a distinguished career in the civil service and was formerly a member of the board *ex officio* while Secretary to the Treasury.

Prior to formulating its Banking Bill, the contents of which are something of a mystery, the Government called a conference of representatives of the Commonwealth Bank and the trading banks to discuss the recommendations of the Commission. Since then there has been some controversy over what the Bill is believed to contain, although the Government resolutely denies that its critics know the contents, which, it also asserts, do not include many of the things to which the critics take exception. At the moment of writing, the presentation of the Bill to Parliament is held up owing, it is believed, to delays the Government has encountered in bringing forward more pressing legislation.

Canadian Banking

(By a Correspondent)

CANADIAN business conditions have inevitably been adversely affected this year by the sharp slump in the United States. General manufacturing activity has declined by something of the order of 20 per cent., and the important newsprint industry is working at only two-thirds of the level of last summer. Although relatively unimportant for Canada, it is interesting to notice that her textile industry has experienced as severe a slump as that of Great Britain. Even the index of mineral production shows some decline, though the decline in the average figure is largely due to nickel and zinc, while many other items have increased. Counteracting the depressive external influences have been two internal factors—the prospect of an extremely heavy wheat crop and the continued progress of copper, silver and gold mining. The wheat crop is expected to be just twice as big as that of 1937, and the prospect has led to relatively heavy purchases of farm equipment, etc. The tourist industry had a very good season in 1937, but early reports of the new season suggest that depressed business across the frontier may reduce tourist receipts this year by about 10 per cent.

The Bank of Canada has continued its cheap money policy without any spectacular development. The following table shows the most important items in its returns, at the end of each of the last five quarters:—

BANK OF CANADA RETURNS

	Sept. 29, 1937	Dec. 29, 1937	Mar. 30, 1938	June 27, 1938	Sept. 28, 1938
				(millions of dollars)	
Notes	161	167	149	154	174
Government deposits	26	13	24	21	25
Bankers' deposits	180	196	195	195	206
Gold	179	180	181	182	184
Sterling and U.S. dollars	26	19	23	31	31
Government securities (Canadian)	159	174	161	166	194
Other securities	11	12	12	1	—
Reserve proportion	56.5%	53.3%	55.6%	57.4%	52.8%

The gold is valued each week at the current market price. Government securities have recently been much increased. There has been a tendency over the last two

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years to increase the foreign exchange reserve appreciably, although lately this has been effected partly at the expense of "Other Securities" (British and United States short-term securities). Returns have shown marked changes from week to week in the foreign exchange holdings. These changes may frequently be connected with Government dividend payments to external bondholders; but it is generally accepted among Canadian bankers that the Bank of Canada has been consciously acting as a stabilisation fund. The Canadian dollar has been held very close to parity with that of the United States (and has therefore tended to appreciate in terms of sterling). The Bank has also busied itself with facilitating Government debt operations. Its holdings of Dominion Treasury bills are continually varying, and it makes itself felt in the market for long-term bonds almost every week. The Bank of Canada earned somewhat higher profits in 1937 than in 1936. The dividend at the legal maximum of 4½ per cent. absorbed \$454,000 (just over half going to the Government as shareholder). Of the balance, amounting to \$1,814,096, one-third was retained as reserve capital and two-thirds were placed to Government account, in accordance with the Bank's Charter.

As a result of controversies in the Saskatchewan election campaign, the Liberal Government announced in May its intention of buying out the private shareholders of the Bank of Canada, at the average price of the stock during the early part of 1938. Two of the five non-Government directors have retired and their places are not being filled. The process of nationalisation may therefore be described as virtually complete. It has caused some heartburnings in conservative banking circles, but there has been no suggestion that the change has had any influence on the Bank's operations.

While the turn in the business tide has checked the rise in the note circulation, the Bank of Canada has greatly increased its assets, so that the chartered banks have found themselves with somewhat slightly higher cash reserves. The outlet for loans has expanded further during the last year (possibly owing to farmers' anticipations of big receipts from wheat sales), and current loans have increased from \$728 millions in June, 1937, to \$786 millions in June, 1938. Investments in the same period rose from \$1,442 millions to \$1,462 millions, and deposits in Canada from \$2,430 millions to \$2,484 millions (a slight fall in demand deposits being more than offset by a rise in time deposits). Cash reserve ratios remain far above the legal minimum. This improvement in the chartered banks' earning capacity is reflected in the 4 per cent. increase in their published profits. All dividends remain at the levels to which they were reduced by 1934.

The slight improvement in earning power in 1937 must

not, however, be allowed to obscure the fact that the chartered banks are still doing very poorly as compared with their experience in the nineteen-twenties. This is made clear by a comparison of the two boom years—1929 and 1937. The estimated national income was \$6,072 millions in 1929 and \$4,870 millions in 1937.* The chartered banks' current loans averaged about \$1,300 millions in 1929 and rather more than \$700 millions in 1937. Investments (much less profitable for the banks) rose from \$500 millions odd to \$1,400 millions odd. The secular change in bank loans relatively to the national income is probably to be associated with the great decline in the contribution of agriculture and forestry to the national income, while mining has become more important. (The value of mining production now approaches half the value of agriculture's output.) Certainly the change is too pronounced and has gone on too long now to be ascribed to the accidents of particular years. The banks have met the situation partly by the drastic closing of unprofitable branches. The total number of branches was reduced from 4,083 in 1930 to 3,398 at the end of 1936 and further to 3,336 at the end of 1937. But this action has done no more than moderate the fall in profits and dividends. The gradual substitution of Bank of Canada notes for chartered bank notes (already noticeable) is bound to reduce earning power further, though this factor may easily be exaggerated.

Both imports (at \$808 millions) and exports (at \$1,125 millions) were higher in 1937 than in 1936. The increase in exports was spread over all the main items except wheat, the quantity of which dropped from 243 million bushels to 96 million bushels, though the rise in the price made the value decrease, from \$227 millions to \$125 millions, much smaller. Exports of newly-mined gold were again higher, and in value actually exceeded wheat, being second only to the very valuable tourist traffic as a Canadian export in 1937. The net balance on tourist account was \$170 millions. The final balance on current account for 1937 was probably again over \$300 millions. This is slightly less than the 1936 balance, for the shrinkage in the value of wheat exports was not fully offset by the expansion in the other items. In 1938 the value of wheat exports, despite lower prices, will be higher, as will also gold exports; but tourist traffic has declined. Canada's position as a large-scale exporter of capital (largely in the form of repurchase of Canadian securities held abroad) is so strongly entrenched that it has survived even a poor wheat year. In the more favourable conditions of 1938 no difficulty is being experienced in holding the Canadian dollar close to parity in New York.

* Official estimate for 1929, and unofficial for 1937. The two figures are perhaps not precisely comparable.

Indian Banking

(By a Correspondent)

BANKING conditions in India during the past year have been largely influenced by the downward trend of commodity prices. The general index number of wholesale prices (Calcutta, July, 1914=100), which in October, 1937, was 104, had fallen by January, 1938, to 100 and by April to 94, around which figure it has since remained fairly steady. Export prices during the busy season from October to April were thus seriously affected, and the favourable balance of trade in merchandise for India and Burma fell from Rs. 77 crores in 1936-37 to Rs. 43 crores in 1937-38. On balance there was no variation in the net transactions in treasure as between 1936-37 and 1937-38, reduced exports of gold in the latter year being offset by smaller imports of silver. The dwindling trade balance, however, did not affect the exchange rate until April, 1938, largely owing to the fact that the Reserve Bank continued to maintain a minimum buying rate for sterling of 1s. 6½d. Though owing to the fluctuating trading position, considerable variations were shown throughout the exporting season in

the weekly amounts of sterling tendered to the Reserve Bank by the scheduled banks, it was not until April 12th that the Reserve Bank lowered its minimum buying rate to 1s. 6¾d. Later it suspended altogether its weekly purchases by tender, and offered to buy sterling on tap at 1s. 6¾d. Speculative action, however, had by this time rendered the latter rate ineffective, and the rupee exchange fluctuated below 1s. 6d. during May and June, settling down finally at about 1s. 5¾d. On July 5th the Reserve Bank reduced its minimum rate still further to 1s. 5½d., and with the improved trading position which has been in evidence during the last few months exchange has strengthened sufficiently to enable small purchases of sterling to be made at this rate. The amount of sterling purchases by the Bank in 1937-38 was about £25 millions, compared with the Government of India's requirements for the year of £37 millions, the deficiency of £12 millions being met from the Bank's sterling reserves.

In spite of the decline in export activity, internal trade

remained fairly brisk, the active note circulation averaging Rs. 186 crores in 1937-38, compared with Rs. 176 crores in 1936-37. Advances and discounts of the scheduled banks which in September, 1937, were Rs. 112 crores, rose to Rs. 132 crores in April, 1938, and at the moment are about Rs. 113 crores. Telegraphic transfers issued at the offices of the Reserve Bank amounted to Rs. 234 crores in 1937-38, a decline of about Rs. 33 crores compared with the preceding year, but the total of cheque clearances at Rs. 2,051 crores was higher than in 1936-37. The indices of manufacturing and productive activity, as in the previous year, also generally recorded increases, especially in connection with the manufacture of cotton yarn and cloth and the production of iron and steel. This upward trend, notwithstanding the fall in agricultural commodity prices, is undoubtedly an important factor in the maintenance of the advances of the scheduled banks at their present high level. Monetary conditions throughout the exporting season remained very easy, and call money rates rarely rose above ½ per cent. to 1 per cent. No change was made in the Bank rate, which has remained at 3 per cent. since November 28, 1935.

The cash balances of the scheduled banks, expressed as a percentage of their demand and time liabilities, averaged 14.69 per cent. in September, 1937, and the proportion fell gradually to about 8.29 per cent. in February, 1938. With the onset of the slack season from May onwards the percentage has risen again to about 13 per cent. As the cash supplies of the banks were sufficient to finance such seasonal accommodation as was required, no occasion arose for currency expansion during the winter months. In early December, owing to its inability to obtain sterling tenders, the Reserve Bank allowed the three months' Treasury bill rate to rise sharply from about ¾ per cent. on December 7th to 1½ per cent. by the end of that month, from which level it advanced to Rs. 1.9 annas 9 pies per cent. on March 22nd, gradually falling again as market resources increased. The yield at present is about 1 per cent. The total of Treasury bills outstanding with the public rose during

this period from Rs. 23 crores in December to Rs. 26 crores in February. After falling to Rs. 16½ crores in August, the amount has been allowed to rise again to about Rs. 23 crores, no doubt owing to the repayment of about Rs. 8 crores of 5½ per cent. 1938-40 loan on October 1st. In recent months several of the Provincial Governments have also come to the market for ways and means finance by the issue of small amounts of six months' and nine months' Treasury bills. With conditions in the Government security market entirely favourable, the Reserve Bank issued, early in May, on behalf of the Central Government, a 3 per cent. cash cum conversion loan at 98, repayable in 1963-65. By this means some Rs. 11 crores of 5½ per cent. 1938-40 loan and Rs. 8 crores of 5 per cent. 1939-40 loan were converted, and cash subscriptions to the amount of Rs. 6 crores were also accepted. Recently also both the Punjab Government and the Madras Government have issued loans through the Reserve Bank, the first-named offering a 3 per cent. loan for Rs. 100 lakhs at 99½, repayable in 1958, and the second a 3 per cent. loan for Rs. 110 lakhs at 99, repayable in 1953.

Banking profits on the whole have been well maintained during the past year, in spite of the low money rates. The slight rise in the yield of the three months' Treasury bill during the year, and the steadiness of the Government security market, have been favourable factors. The Reserve Bank's profits for the year ended December, 1937, however, dropped sharply owing to the expiry in April, 1937, of the term during which it was enabled to invest in British Government securities of a longer maturity than five years. This necessitated the large sterling assets of the issue department being held in short-term securities, the yield on which was very low. In December the Bank's agricultural credit department issued the Statutory Report under Section 55 (1) of the Act on the question of the extension to the indigenous bankers of the provisions relating to scheduled banks. The indigenous bankers, however, as a class, show little disposition to avail themselves of such discounting and other facilities as the Reserve Bank can

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offer them. It is clear that in these circumstances the large volume of credit which they supply will for the present remain outside any controlling influence of the Central Bank. The Reserve Bank is, therefore, directing its efforts to establishing an open bill market, and at its request the Government has consented to reduce the stamp duty on inland bills to a uniform level of 2 annas per thousand rupees. In this connection it is possible that the utilisation of a standard form of "Hundi," the widespread use of which would be facilitated by a differentiation in stamp duty, would bring quicker results.

In recent weeks an important banking crisis has arisen in Southern India owing to the suspension of business by

a scheduled bank with about 80 branches in various parts of India and with deposits from the public of about Rs. 3½ crores. The loss which the compulsory winding up of this concern will entail will, it is feared, fall mainly on a large number of small depositors, and this is bound to react unfavourably on public confidence in Indian banks. Arising out of this unfortunate occurrence, the Reserve Bank has issued a circular to scheduled banks inviting them to supply it with classified information twice yearly regarding their advances, their investments and the persons for whom they are negotiating bills. If this were done the Reserve Bank would be able to render quick assistance in the event of any emergency.

South African Banking

(By a Correspondent)

DURING the past year South Africa, like the rest of the world, has suffered a check to the rise in business activity, which in that country had been rapid and continuous since 1933. In the particular case of South Africa the check may be ascribed to two main causes—the after-effects of the "gold scare" of April, 1937, and the shrinkage in world demand for some of the most important of South African export products, especially wool and diamonds. The importance of the first cause is shown by the fact that despite the increasing output and price of gold, business indices frequently show as great declines in the Witwatersrand as in the districts more dependent on the prosperity of the farmers. That the commodity price fall has hitherto had much less effect on farming incomes than in 1929, the

last period of comparable price movements, is due partly to the increased diversification of modern South African farming, so that a smaller part of total farm output consists of the old staple products; partly to the fact that up to the end of June the fall had been confined mainly to prices of raw materials, while prices of foodstuffs were fairly well maintained; and partly to the unusually large 1937 maize crop, which was sold at quite good prices. In spite, therefore, of the heavy fall in prices of wool and other pastoral products, total exports of farm produce were only slightly smaller in 1937-38 than in 1936-37.

The statements of the South African commercial banks for the end of June, 1938, reflect the decline in South African business activity only to a very small extent.

JOINT STOCK BANKS CONDUCTING BUSINESS IN THE UNION OF SOUTH AFRICA

(000's omitted)

Date	LIABILITIES					ASSETS					
	Capital and Reserves	Notes	Deposits	Due to Head Office and Branches	Total (including Other Liabilities)	Cash and Call (b)	Due by other Banks	Investments	Discounts and Advances	Due by Head Office and Branches	Total (including Other Assets)
IN THE UNION (South African Currency)											
1914—Dec. 31	£ 3,479	£ 2,357	£ 35,668	£ (a)	£ 42,885	£ 6,616	£ (a)	£ 2,225	£ 29,697	£ (a)	£ 39,872
1919 "	4,047	7,985	87,874	244	104,111	7,960	593	3,269	55,541	31,124	102,075
1927 "	109	...	59,383	649	63,028	8,789	615	2,872	41,885	7,347	64,811
1928 "	112	...	62,249	1,095	66,694	8,842	179	5,159	45,378	5,965	68,532
1929 "	115	...	60,633	3,846	67,717	8,766	141	4,083	51,053	2,537	69,826
1930 "	117	...	63,519	629	67,383	8,157	170	5,753	44,515	10,448	72,451
1931 "	120	...	56,632	2,749	62,196	6,967	114	5,888	45,542	59	62,251
1932 "	123	...	54,364	2,226	60,042	6,950	167	8,150	40,052	3	60,069
1933 "	124	...	81,247	302	85,152	29,376	327	7,605	37,895	5,376	85,078
1934 "	125	...	85,212	385	89,316	25,144	1,000	8,621	47,012	2,822	89,181
1935 "	127	...	88,400	1,435	93,589	31,395	1,338	5,681	48,234	2,173	93,477
1936—Dec. 31	130	...	94,542	691	98,457	25,794	490	13,591	52,833	1,404	98,329
1937—June 30	134	...	91,599	418	95,041	21,224	497	12,612	55,453	684	94,932
1937—Dec. 31	134	...	93,491	360	96,977	20,518	641	12,685	58,756	30	96,910
1938—June 30	143	...	93,983	393	97,222	20,926	400	14,273	56,424	957	97,158
OUTSIDE THE UNION (Sterling)											
1914—Dec. 31	£ 4,627	£ 47	£ 9,729	£ (a)	£ 25,413	£ 2,243(c)	£ (a)	£ 2,405	£ 11,606	£ (a)	£ 28,426
1919 "	5,372	235	19,203	21,584	55,186	9,784	3,409	14,063	26,114	242	57,222
1927 "	11,983	1,516	37,514	2,276	63,997	7,265	4,905	15,417	28,326	2,507	62,214
1928 "	12,186	1,517	39,695	3,641	69,686	7,540	5,729	16,070	29,902	4,413	67,847
1929 "	12,825	1,518	40,801	94	67,523	6,924	5,560	13,350	28,313	7,116	65,414
1930 "	12,935	1,418	40,996	6,699	72,758	8,168	6,809	24,698	24,654	610	67,689
1931 "	13,143	1,237	40,154	...	65,826	7,092	7,219	21,842	22,375	4,591	65,748
1932 "	13,212	1,163	51,301	...	78,366	8,457	7,587	32,191	21,894	3,852	78,337
1933 "	12,522	1,169	42,687	3,707	72,149	6,084	6,238	34,714	21,787	899	72,225
1934 "	12,815	1,257	44,183	823	72,098	7,407	7,039	33,340	21,829	340	72,234
1935 "	12,933	1,412	51,229	...	80,924	8,416	10,929	31,713	25,520	1,633	81,036
1936—Dec. 31	12,808	1,647	51,760	...	82,520	7,191	7,038	34,378	27,289	3,924	82,648
1937—June 30	13,334	1,910	59,667	...	92,580	8,043	13,715	36,421	28,307	3,453	92,689
1937—Dec. 31	13,334	1,910	57,815	...	89,486	9,509	11,894	34,996	26,773	3,423	89,553
1938—June 30	13,448	2,120	59,822	...	92,893	11,250	12,860	39,558	23,693	2,887	92,957

NOTES.—(a) Not available.

(b) Including throughout balances with the South African Reserve Bank.

(c) Excluding Money at Call, which for this year is included with other assets.

The change in the figures between earlier years and 1927 is due to the incorporation of the National Bank of South Africa, Ltd., with Barclays Bank (Dominion, Colonial and Overseas).

EXPORTS OF FARM PRODUCE

	(£ mn.)	1928-9	1931-2	1936-7	1937-8
Wool.....	16.4	5.4	13.8	8.8	3.8
Maize and meal	4.6	0.7	0.2	1.8	1.8
Hides and skins	4.0	0.9	2.3	9.0	9.0
Other	2.4	4.6	7.3	23.4	23.4
Total	27.4	11.6	23.6	67.1	126.1
Index of price*	100	38	79	67.1	126.1
Index of quantity*	100	112	109	67.1	126.1

* Based on 26 principal commodities.

† Provisional figures.

The relatively small dimensions of the present decline in activity can be seen from the following indices:—

	BUSINESS INDICATORS		1931-2		1936-7		1937-8	
	£mn.	% of 1928-9	£mn.	% of 1928-9	£mn.	% of 1928-9	£mn.	% of 1928-9
Bank debits to individual accounts—								
Transvaal	557	87	1,479	233	1,175	185	185	185
Other provs.	557	70	752	95	733	92	92	92
Value of buildings commenced—								
Witwatersrand ...	3.3	70	12.0	256	10.4	222	222	222
Other towns	3.5	57	6.8	111	6.0	98	98	98
Index of European employment (1925 = 100)—								
Witwatersrand ...	83	146	142	142	110	110	110	110
Other towns ...	80	113	110	110	110	110	110	110

Advances in South Africa have fallen back a little from the peak reached at the end of 1937, but are still above the figure for June, 1937. Deposits in South Africa have risen since last year, and have enabled the banks to expand still further their South African holdings of Securities. Perhaps the most interesting feature to those who remember the events of 1929 is the very trifling fall in the banks' reserves of cash and foreign exchange, which is in striking contrast to the heavy fall in the Union's favourable balance of trade, due, as in 1929, to a continued rise in imports for many months after the rise in exports had been checked, and also to a fall in imports of capital. The explanation of why in 1937-38 the banks' reserves have been unaffected, whereas in 1929 a similar movement caused them to be severely depleted, seems to lie in the financial operations of the South African Government. In both 1935-36 and 1936-37 the Government paid off substantial amounts of overseas debt. In 1937-38 these repayments ceased, with a consequent relief to the South African balance of payments. The way in which the Government has timed its financial operations so as to prevent fluctuations in the banks' cash reserves is striking, and it would seem that those in charge of the operations have either been very lucky or very skilful. The effect on the estimated South African balance of payments is indicated in the following table:—

BALANCE OF PAYMENTS		(£mn.)	1936-7	1937-8
Exports of merchandise			37.3	36.9
Gold produced			80.8	82.5
Imports			118.1	119.4
Export surplus			94.3	102.3
Estimated net balance of other payments on income account			23.8	17.1
Estimated balance of payments on income account			28.0	27.0
Estimated provision for repayment of Government's overseas debt			-4.2	-9.9
Reduction in S.A. banking system's holdings of gold and foreign exchange			10.0	...
Estimated net inflow of capital			-14.2	-9.9
			1.5	1.0
			12.7	8.9

The absence of pressure on the banks' reserves has on this occasion permitted them to wait passively for the upward trend in imports to reverse itself, whereas in 1929 the depletion of their reserves compelled them to hasten

it by restricting credit. In point of fact, the rise in imports stopped at the end of the first quarter of 1938, and imports are now falling. It is possible that the speed with which the rise was checked was due to the accident of last year's "gold scare." If the effects of the depression had been felt solely through the fall in world prices, it seems likely that the rise in imports would have been more persistent and might have affected the banks' reserves more seriously, though in view of their still very high level it is unlikely that any stringency would have resulted.

For the coming year prospects in South Africa seem to depend largely on the course of world prices of farm produce. Even if present prices are maintained, average prices of South African farm exports will be lower than those for 1936-37, while the new maize crop is much smaller than last year's and will leave comparatively little surplus available for export. Farm exports and incomes are therefore likely to be appreciably lower. On the other hand, the gold-mining industry, upon which an even larger proportion of the national income now depends than was the case before 1933, will benefit both from increased production, facilitated by more adequate supplies of native labour, and probably from a higher average price for gold. On balance it seems probable that, in the absence of a further heavy fall in prices, both exports and national income will be only moderately below the level for 1937-38. Imports, however, may well continue to fall fairly substantially for a time, though they are hardly likely to go far below the level of 1936-37. The position of the banks remains exceedingly strong, and though both advances and profits in South Africa may show some decline, the falls are not likely to be at all spectacular. Indeed, it seems probable that the banks will be able to look to the South African section of their business as their best hope of maintaining their total profits in the vicinity of their recent high levels.

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ALSO

The Chase National Executors & Trustees Corporation, Ltd.
6 Lombard Street, E.C.3

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

BANKS IN EIRE

BANKS IN IRE									
1		2	3	4		5	6	7	8
Name of Bank	Date	No. of Branches and Sub-branches	Capital Subscribed	Uncalled Capital		Capital Paid-up	Reserve Fund	Un-divided Profits	Notes in Circulation
				Callable	Reserved				
Bank of Ireland †	Dec. 31, '37	104	£ 2,769,231	£ ...	£ ...	£ 2,769,231	£ 3,180,000	£ 287,950	£ 2,039,782
Hibernian Bank	June 30, '38	62	2,000,000	500,000	1,000,000	500,000	730,000	57,455	501,868
Munster and Leinster Bank ...	June 30, '38	214	1,875,000	1,125,000	...	750,000	1,000,000	90,218	824,217
National Bank	June 30, '38	274	7,500,000	1,000,000	5,000,000	1,500,000	1,140,000	150,609	1,333,410
Provincial Bank of Ireland	June 30, '38	121	4,080,000	1,500,000	2,040,000	540,000	525,000	64,639	1,016,299
Do. New									
Royal Bank of Ireland	Dec. 31, '37	41	1,500,000	300,000	900,000	300,000	310,000	22,639	239,313
Total		816	19,724,231	4,425,000	8,940,000	6,359,231	6,885,000	673,510	5,954,889

† No London Office.

AFRICAN BANKS

AFRICAN BANKS									
Bank of Br. West Africa, Ltd.	Mar. 31, '38	39	3,000,000	300,000	1,500,000	1,200,000	400,000	91,714	...
Barclays Bank (Dominion, Colonial and Overseas)	Sept. 30, '37	498	6,975,500	2,000,000	3,024,000	4,975,500	2,025,000	...	1,083,980
Netherlands Bank of S. Africa	Sept. 30, '37	20	632,986	Nil	Nil	632,986	315,227	75,436	...
Standard Bk. of S. Africa, Ltd.	Mar. 31, '38	380	10,000,000	7,500,000	Nil	2,500,000	3,000,000	570,925	874,721
Total		937	20,608,486	9,800,000	4,524,000	9,308,486	5,740,227	738,075	1,958,701

AUSTRALASIAN BANKS

Commonwealth Bank of Australia.....	June 30, '38	273	20,000,000	...	...	4,000,000	2,584,187	...	...
Bank of Adelaide	Mar. 28, '38	117	1,250,000	Nil	1,250,000	1,250,000	1,000,000	76,595	6,574
Bank of Australasia	Oct. 11, '37	243	4,500,000	Nil	4,500,000	4,500,000	4,475,000	372,893	2,773
Bank of New South Wales ...	Sept. 30, '37	850	8,780,000	Nil	8,780,000	8,780,000	6,150,000	277,642	81,416
Bank of New Zealand	Mar. 31, '38	234	6,935,175	Nil	Nil	6,935,175	3,575,000	654,740	627
Commercial Bank of Australia, Ltd.	June 30, '38	540	4,117,350	Nil	Nil	4,117,350	2,250,000	226,708	6,188
Commercial Banking Company of Sydney, Ltd.	June 30, '38	446	9,478,025	Nil	4,739,012	4,739,012	4,300,000	284,341	13,622
English, Scottish & Australian Bank, Ltd.	June 30, '37	394	5,000,000	2,000,000	Nil	4,872,966	3,280,000	482,603	1,011
National Bank of Australasia, Ltd.	Mar. 31, '38	337	6,800,000	1,800,000	Nil	5,000,000	3,300,000	304,941	47,556
National Bank of New Zealand, Ltd.	Mar. 31, '38	60	6,000,000	4,000,000	Nil	2,000,000	1,500,000	154,524	...
Queensland National Bank, Ltd.	June 30, '38	103	1,750,000	Nil	Nil	4,477,585	860,000	60,177	...
Union Bank of Australia, Ltd. Total (excluding Commonwealth Bank of Australia)	Aug. 31, '37	232	12,000,000	Nil	8,000,000	4,000,000	4,850,000	281,247	7,565
		3,829	66,610,550	7,800,000	27,269,012	50,672,088	35,540,000	3,176,411	167,332

(a) Contingent liabilities.

CANADIAN BANKS

SCHEDULE D—BANKS									
Bank of Montreal	Oct. 30, '37	517	7,200,000	Nil	7,200,000	7,200,000	7,800,000	379,439	4,885,779
Bank of Nova Scotia	Dec. 31, '37	302	2,400,000	Nil	2,400,000	2,400,000	4,800,000	255,417	1,732,050
Canadian Bank of Commerce...	Nov. 30, '37	571	6,000,000	Nil	6,000,000	6,000,000	4,000,000	269,697	4,335,773
Dominion Bank	Dec. 31, '37	133	1,400,000	Nil	1,400,000	1,400,000	1,400,000	189,226	1,105,748
Royal Bank of Canada	May 31, '38	698	7,000,000	Nil	7,000,000	7,000,000	4,000,000	605,035	5,331,939
Total.....		2,221	24,000,000	Nil	24,000,000	24,000,000	22,000,000	1,698,814	17,391,289

(Converted at rate of \$5 to £1.)

INDIAN BANKS

INDIAN BANKS									
Chartered Bank of India, Australia and China	Dec. 31, '37	44	3,000,000	Nil	3,000,000	3,000,000	3,000,000	463,785	1,688,860
Eastern Bank, Ltd.	Dec. 31, '37	12	2,000,000	Nil	1,000,000	1,000,000	500,000	171,191	...
Mercantile Bk. of India, Ltd. } Do. " B " Shares } Do. " C " Shares }	Dec. 31, '37	23	{ 750,000 750,000 1,500,000	{ 187,500 187,500 1,200,000	{ 187,500 187,500 Nil	{ 1,050,000	1,075,000	236,327	326,856
National Bank of India, Ltd.	Dec. 31, '37	29	4,000,000	2,000,000	Nil	2,000,000	2,200,000	529,817	...
Total		108	12,000,000	3,575,000	4,375,000	7,050,000	6,775,000	1,401,120	2,015,716

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

BANKS IN EIRE

BANKS IN IRE										
9	10	11	12	13		14	15	16	17	18
Acceptances and Bills for Collection	Miscellaneous Liabilities	Deposits	Total Liabilities and Assets	Cash in Hand and Money at Call and Short Notice		Investments	Bills Discounted or Purchased (when shown separately)	Bills, Loans, and Advances	Premises and Sundries (including Cover for Acceptances)	Name of Bank
				Cash in Hand, with Banks and in Transit	Money at Call and Short Notice					
£ 30,000	£ ...	£ 35,988,481	£ 44,295,444	£ 3,004,147	£ 2,559,633	£ 23,699,977	£ ...	£ 14,397,747	£ 633,940	Bank of Ireland†
...	55,261	10,096,961	11,941,545	1,054,510	...	4,574,383	...	6,140,694	171,958	Hibernian Bank
...	...	23,122,926	25,787,361	1,255,761	800,000	12,007,991	936,829	10,402,869	383,911	Munster&Leinster
275,411	...	37,370,223	41,769,653	4,591,893	3,003,611	14,154,691	1,518,274	17,585,255	915,929	National Bank
...	200	14,700,603	16,846,741	931,129	1,000,000	7,463,753	941,123	6,315,643	195,093	{ Pro. Bk. of Irel'd. Do. New
2,108	...	6,465,817	7,339,877	587,338	...	2,415,907	88,176	3,996,347	252,109	Royal B. of Irel'd.
307,519	55,461	127,745,011	147,980,621	11,424,778	7,363,244	64,316,702	3,484,402	58,838,555	2,552,940	Total

† No London Office.

AFRICAN BANKS

837,067	158,001	9,851,769	12,538,551	5,865,566	...	2,500,603	533,275	2,539,667	1,099,440	Bank of British W. Africa.
5,712,899	...	96,209,544	110,006,923	24,643,144	1,761,000	28,334,085	11,108,285	35,917,728	8,242,681	Barclays Bk. (Dom. Col. & Overseas)
172,539	585,298	3,088,126	4,869,612	1,003,552	...	90,849	1,134,059	1,751,416	889,726	Netherlands Bk. of S. Africa.
12906567	...	65,149,365	85,001,578	11,248,574	2,175,000	15,799,999	4,640,370	38,252,281	12,885,354	Standard Bank of S.A., Ltd.
19629072	743,299	174,298,804	212,416,664	42,760,836	3,936,000	46,725,536	17,415,989	78,461,102	23,117,201	Total

AUSTRALASIAN BANKS

				Cash & Notes in Hand and at Bankers	Money at Call and Remittances in Transit						Comm. Bank of Australia.
665,648	8,990,003	85,057,295	101,297,133	4,821,354	27,076,734	49,038,902	...	18,736,325	1,623,818	Bank of Adelaide	
	340,800	6,971,877	9,645,846	797,237	1,463,483	904,137	...	6,075,864	405,125	Bk. of Australasia	
5,720,809	...	40,775,464	55,846,939	10,055,805	...	8,402,412	...	36,377,944	1,010,778	Bk. of N.S. Wales.	
8,322,177	3,657,503	95,876,747	123,145,485	17,746,102	2,070,000	7,855,402	...	88,542,567	6,931,414	Bk. of N. Zealand	
61,264	5,458,786	34,731,532	51,417,124	6,270,177	1,940,743	13,460,075	614,198	27,026,554	2,105,377	Commercial Bank of Australia.	
1,587,678	1,386,658	30,052,875	39,627,457	4,241,912	...	5,823,497	...	26,772,060	2,789,988	Comm. Bkg. Co. of Sydney, Ltd.	
1,349,094	...	54,659,194	65,345,263	6,440,568	4,600,448	11,303,894	...	41,795,388	1,204,965	English, Scottish & Australian Bk.	
...	2,768,960	35,282,660	46,688,200	11,324,780	...	2,867,438	...	31,730,893	765,089	National Bank of Australasia.	
...	1,678,789	43,054,982	53,386,268	5,979,379	...	6,787,998	...	38,967,137	1,651,754	National Bk. of New Zealand.	
...	1,334,170	13,908,667	18,897,361	2,137,719	308,430	2,229,728	414,437	13,171,534	635,513	Queensland Nat. Bank.	
...	370,616	8,992,762	14,761,140	1,772,027	...	2,229,893	...	10,200,671	558,549	Union Bank of Australia.	
...	1,549,562	37,328,085	48,016,459	6,957,144	360,000	5,345,650	...	34,915,540	438,125	Total (excluding Commonwealth Bk. of Australia).	
17041022	18,545,844	401,634,845	526,777,542	73,722,850	10,743,104	67,210,124	1,028,635	355,576,152	18,496,677		

* Includes money at call.

CANADIAN BANKS

4,010,758	507,132	141,143,682	165,926,790	26,929,290	5,347,329	87,533,612	...	40,952,162	5,164,397	Bank of Montreal
2,165,648	59,389	48,483,437	59,895,941	10,390,452	2,142,477	24,337,808	...	20,036,115	2,989,089	Bk. of Nova Scotia
3,439,258	...	112,135,180	130,179,908	22,105,048	6,479,356	52,571,428	...	40,767,359	8,256,717	Canadian Bank of Commerce.
413,339	81,325	24,220,293	28,809,931	5,513,401	1,898,988	10,809,748	...	8,908,236	1,679,558	Dominion Bank
19,881	6,770,222	150,261,626	173,988,703	31,673,166	4,752,637	64,161,586	...	65,515,688	7,885,626	Royal Bk. Canada
10048884	7,418,068	476,244,218	558,801,273	96,611,357	20,620,787	239,414,182	...	176,179,560	25,975,387	Total

(Converted at rate of \$5 to £1.)

INDIAN BANKS

				Cash in Hand, with Bankers, and in Transit							Chartered Bk. of India, Australia and China.
3,109,288	3,135,815	49,741,350	64,139,098	7,159,586	...	23,610,811	10,159,417	20,795,843	2,413,441		Eastern Bk., Ltd. Mercantile Bk. of India, Ltd. Do. "B" Shares Do. "C" Shares Nat. Bk. of India
1,029,566	1,503,567	7,717,024	11,921,348	1,107,066	...	5,401,092	1,164,742	3,304,357	944,091		
917,097	43,280	16,025,388	19,673,948	2,232,768	...	7,237,985	2,298,816	6,887,963	1,016,416		
1,135,265	...	30,466,946	36,332,028	5,303,152	...	15,304,062	4,525,842	10,073,728	1,125,244		
6,191,216	4,682,662	103,950,708	132,066,422	15,802,572	...	51,553,950	18,148,817	41,061,891	5,499,192	Total	

DOMINION BANKS WITH OFFICES IN LONDON

(1) BANKS IN EIRE

JOINT-STOCK BANKS OF IRELAND

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1895	9	496	10,200,000	16.5	44,390,000	72.0	6,143,000	9.9	61,663,000	11,253,000	18.3	17,934,000	29.1	31,182,000	50.5
1900	9	543	10,894,000	16.0	49,449,000	72.8	6,708,000	9.9	67,988,000	11,697,000	17.2	17,719,000	26.1	37,464,000	55.0
1910	9	663	11,475,000	13.9	62,508,000	76.0	7,211,000	8.8	82,150,000	13,762,000	16.7	23,215,000	28.2	44,127,000	53.7
1920	9	912	12,899,000	5.4	200,441,000	83.2	24,717,000	10.3	240,391,000	46,698,000	19.4	80,959,000	33.5	109,623,000	45.5
1922	9	986	13,779,000	5.7	209,777,000	86.0	17,321,000	7.1	242,199,000	31,834,000	13.1	103,019,000	42.5	104,554,000	43.1
1928	6*	784	13,319,231	8.7	128,280,338	83.9	10,467,485	6.8	153,020,542	20,603,358	13.6	62,921,757	41.5	66,980,637	43.7
1929	6*	798	13,549,231	9.0	128,212,719	85.0	8,384,891	5.5	151,006,928	19,097,681	12.6	63,327,301	41.9	66,109,058	43.7
1930	6*	808	13,744,231	9.3	126,913,785	85.8	6,513,849	4.4	148,029,152	16,100,407	10.9	65,094,325	44.0	64,377,598	43.5
1931	6*	807	13,934,231	9.4	127,984,313	86.1	5,850,791	3.9	148,613,574	14,921,624	10.0	67,622,666	45.6	63,560,931	42.8
1932	6*	813	12,984,231	8.8	128,933,593	86.8	5,519,572	3.7	148,258,478	17,581,926	11.9	64,057,942	43.1	64,097,121	43.2
1933	6*	815	12,959,231	8.0	142,409,702	88.1	5,628,327	3.5	161,825,966	21,525,641	13.3	76,802,234	47.5	60,941,640	37.7
1934	6*	817	13,024,231	8.6	131,897,421	87.0	5,653,210	3.7	151,518,670	18,621,526	12.3	69,142,874	45.6	61,119,164	40.4
1935	6*	814	13,084,231	8.6	130,355,911	86.2	5,691,191	3.8	151,091,322	19,785,775	13.1	68,007,196	45.1	59,755,743	39.6
1936	6*	814	13,144,231	8.7	130,313,900	86.7	5,820,339	3.9	150,159,441	20,516,702	13.6	68,603,747	45.7	58,405,645	38.9
1937	6*	824	13,189,231	8.7	131,781,726	86.7	5,912,025	3.9	151,905,409	19,247,815	12.7	69,483,290	45.7	60,519,989	39.9
1938	6*	816	13,244,231	9.0	127,745,011	86.5	5,954,889	4.0	147,980,621	18,788,022	12.7	64,316,702	43.5	62,322,957	42.2

* Banks in Eire.

BANK OF IRELAND†

ESTABLISHED 1783

CAPITAL				Market Value	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate %	Reserves, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	£	£	£		£		£	£
2,769,231	2,769,231	...	...	8,667,693	1927	571,884	1.24	405,865	17½	150,789	83,349
					1928	564,667	1.31	411,923	17½	150,000	86,094
					1929	542,088	1.28	411,923	17½	130,000	86,259
					1930	537,145	1.28	411,923	17½	130,000	81,481
					1931	512,172	1.23	402,897	17½	130,000	88,896
					1932	436,762	0.85	308,683	14½	100,000	91,996
					1933	404,254	0.80	301,154	14½	100,000	89,911
					1934	406,598	0.92	308,683	14½	100,000	86,775
					1935	386,594	0.87	289,731	13½	75,000	100,971
					1936	378,927	0.84	289,731	13½	75,000	126,988
					1937	390,749	0.88	289,731	13½	75,000	

Stock is fully paid. By Bank of Ireland Act, 1935, the liability of the Stock Holders is declared to be limited except as regards Note Issues.

Price September 30, 1938, £313.

Authorised Note Issue:

Irish Free State, £1,760,000

Northern Ireland, £410,000

Year ended Dec. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Balance of Profit and Loss	Per Cent.	Notes	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.
1927	91	5,839,231	12.7	292,080	0.6	5,973,013	13.0	33,979,103	73.7	46,083,427	3,554,298	7.7	2,658,236	5.8
1928	94	5,989,231	13.8	297,940	0.7	4,264,358	9.9	32,670,425	75.6	43,221,954	1,759,906	4.1	2,682,099	6.2
1929	100	6,119,231	14.5	298,105	0.7	2,799,396	6.6	33,124,680	78.2	42,341,424	2,037,952	4.8	1,836,924	4.3
1930	100	6,249,231	14.8	293,327	0.7	2,321,802	5.8	33,325,089	79.0	42,189,449	1,967,920	4.7	1,863,967	3.9
1931	100	5,949,231	14.9	293,576	0.7	1,804,397	4.8	31,701,218	79.6	39,848,422	1,839,172	4.9	3,120,020	7.9
1932	100	5,949,231	11.6	259,203	0.5	1,868,413	3.7	43,368,001	84.9	51,444,848	2,039,561	4.0	4,473,636	8.7
1933	104	5,949,231	13.2	258,150	0.6	1,857,639	4.1	37,041,955	82.1	45,106,975	2,064,495	4.6	3,114,287	6.9
1934	104	5,949,231	13.4	260,219	0.6	1,870,433	4.2	36,399,126	81.8	44,479,009	2,118,694	4.7	3,136,027	7.1
1935	104	5,949,231	13.3	247,739	0.6	1,949,608	4.4	36,459,217	81.7	44,605,792	2,586,918	5.8	2,837,133	6.4
1936	104	5,949,231	13.2	261,932	0.6	1,965,762	4.3	36,983,843	81.9	45,160,768	2,531,949	5.6	2,879,540	6.4
1937	104	5,949,231	13.4	267,950	0.6	2,039,782	4.6	36,018,481	81.4	44,295,444	3,004,147	6.8	2,559,633	5.8

* Includes acceptances.

† No London office.

THE HIBERNIAN BANK, LIMITED

ESTABLISHED 1825

CAPITAL				Year Ended June 30	Net Profits	Per Cent. of Resources	Dividends Amount	Rate %	Reserves, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	£	£		£		£	£
2,000,000	500,000	500,000	1,000,000	1928	104,546	0.81	62,500	12½	35,000	34,579
				1929	97,944	0.73	67,500	13½	35,000	30,023
				1930	98,609	0.74	67,500	13½	30,000	32,132
				1931	108,114	0.82	67,500	13½	22,500	41,246
				1932	82,977	0.82	63,750	11½	30,000	30,478
				1933	88,187	0.68	57,500	11½	30,000	30,510
				1934	86,850	0.68	57,500	11½	30,000	25,689
				1935	82,878	0.68	57,500	11½	25,000	25,917
				1936	81,465	0.65	60,000	12	17,500	29,882
				1937	80,072	0.67	60,000	12	22,500	27,484

* Free of income tax.

Continued on page 22

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MACMILLAN

THE HIBERNIAN BANK, LIMITED—Continued from page 20

Year ended June 30	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes in Circulation	Per Cent.	Rebate	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Discounts, Loans and Advances	Per Cent.	Buildings and Sundries	Per Cent.
1928	61	1,140,000	8.7	73,329	0.6	...	...	10,027	0.1	11,754,098	90.6	12,977,454	398,803	3.3	5,244,703	40.3	7,103,016	54.6
1929	62	1,160,000	8.7	68,773	0.6	324,617	2.4	8,713	...	11,767,056	88.4	13,329,159	642,509	4.8	5,504,805	41.3	6,944,542	52.1
1930	62	1,180,000	8.9	68,382	0.5	388,527	2.9	8,423	...	11,669,407	87.7	13,314,739	525,192	4.0	5,980,581	44.9	6,588,829	49.4
1931	62	1,200,000	9.0	79,997	0.6	391,057	2.9	8,188	...	11,672,040	87.5	13,351,282	467,682	3.5	6,231,332	46.6	6,431,923	48.2
1932	62	1,220,000	9.1	62,973	0.5	480,880	3.6	7,473	...	11,550,057	86.8	13,321,383	366,239	2.7	6,514,176	49.0	6,226,738	46.7
1933	62	1,140,000	8.5	63,660	0.5	506,471	3.8	6,621	...	11,829,564	87.2	13,546,315	1,197,157	9.0	6,233,283	45.9	5,910,672	43.6
1934	62	1,160,000	9.1	62,811	0.5	507,469	4.0	5,858	...	11,073,651	86.4	12,809,789	987,177	7.6	5,535,868	43.3	6,087,708	47.5
1935	62	1,180,000	9.4	58,189	0.5	509,412	4.0	5,212	...	10,873,322	86.1	12,626,135	1,219,456	9.6	5,270,889	41.7	5,942,207	47.2
1936	62	1,200,000	9.6	53,417	0.4	506,602	4.0	5,119	...	10,747,835	86.0	12,512,973	989,284	7.9	5,302,136	42.4	6,038,715	48.3
1937	62	1,210,000	9.6	59,882	0.5	498,925	4.0	5,101	...	10,800,344	85.9	12,574,252	881,914	7.0	5,309,484	42.2	6,206,484	49.4
1938	62	1,230,000	10.3	57,455	0.5	501,868	4.2	4,792	...	10,147,430	85.0	11,941,545	1,054,510	8.8	4,574,383	38.3	6,140,694	51.5

MUNSTER AND LEINSTER BANK, LIMITED

1885—Assets of Munster Bank, Limited, acquired

Year ended June 30	Number of Branches	CAPITAL				Market Value	Year ended June 30	Net Profits	PROFITS AND DIVIDENDS			Reserves, Etc.	Carried Forward
		Subscribed	Paid-up	Callible	Reserved				Per Cent.	Amount	Rate		
1928	197	1,750,000	6.7	98,151	0.3	24,340,688	1928	180,785	0.69	100,000	19	80,000	48,151
1929	198	1,750,000	6.4	95,630	0.3	25,558,817	1929	179,979	0.65	105,000	14	80,000	43,130
1930	198	1,750,000	6.4	96,515	0.4	25,312,519	1930	180,884	0.66	105,000	14	75,000	44,015
1931	198	1,750,000	6.4	96,403	0.4	25,492,540	1931	186,888	0.62	105,000	14	80,000	45,903
1932	198	1,750,000	6.2	90,627	0.3	26,485,563	1932	172,224	0.61	97,500	13	75,000	45,627
1933	205	1,750,000	6.1	88,652	0.3	26,841,578	1933	155,525	0.54	90,000	12	67,500	43,652
1934	205	1,750,000	6.5	89,703	0.3	25,367,075	1934	136,532	0.50	90,000	12	47,500	42,703
1935	206	1,750,000	6.5	88,494	0.3	24,967,059	1935	138,291	0.52	90,000	12	47,500	43,494
1936	207	1,750,000	6.5	88,357	0.3	24,867,712	1936	137,263	0.51	90,000	12	47,500	43,257
1937	215	1,750,000	6.5	88,655	0.3	25,075,971	1937	137,898	0.51	90,000	12	47,500	43,655
1938	214	1,750,000	6.8	90,218	0.3	23,947,143	1938	139,063	0.54	90,000	12	47,500	45,218

* Includes Treasury Bills.

† Includes note circulation.

THE NATIONAL BANK LIMITED

ESTABLISHED 1835

Year ended June 30	Number of Branches	CAPITAL				Market Value	Year ended June 30	Net Profits	PROFITS AND DIVIDENDS			Reserves, Etc.	Carried Forward
		Subscribed	Paid-up	Callible	Reserved				Per Cent.	Amount	Rate		
1928	197	1,750,000	6.7	98,151	0.3	24,340,688	1928	311,161	0.72	168,000	14	145,000	25,825
1929	198	1,750,000	6.4	95,630	0.3	25,558,817	1929	312,465	0.73	210,000	14	120,000	29,290
1930	198	1,750,000	6.4	96,515	0.4	25,312,519	1930	261,803	0.64	210,000	14	50,000	31,092
1931	198	1,750,000	6.4	96,403	0.4	25,492,540	1931	270,034	0.65	210,000	14	60,000	31,126
1932	198	1,750,000	6.2	90,627	0.3	26,485,563	1932	235,018	0.58	195,000	13	50,000	31,144
1933	205	1,750,000	6.1	88,652	0.3	26,841,578	1933	220,194	0.51	180,000	12	40,000	31,338
1934	205	1,750,000	6.5	89,703	0.3	25,367,075	1934	224,016	0.53	180,000	12	40,000	35,355
1935	206	1,750,000	6.5	88,494	0.3	24,967,059	1935	220,402	0.53	180,000	12	40,000	35,757
1936	207	1,750,000	6.5	88,357	0.3	24,867,712	1936	221,327	0.53	180,000	12	40,000	37,084
1937	215	1,750,000	6.5	88,655	0.3	25,075,971	1937	222,044	0.52	180,000	12	40,000	39,127
1938	214	1,750,000	6.8	90,218	0.3	23,947,143	1938	221,482	0.53	180,000	12	40,000	40,909

Authorised note issue:

Irish Free State, £1,318,000

Northern Ireland, £120,000

* Less Income Tax.

Year ended June 30	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.	Un-divided Profits	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.
1928	258	2,910,000	6.8	2,979,777	6.9	66,298	0.2	184,825	0.4	43,030,444	3,768,829	8.7	15,193,335	12.1	15,349,789	35.7	17,877,844	41.5
1929	266	2,940,000	6.9	1,700,386	4.0	49,437	0.1	174,290	0.4	42,817,648	3,787,043	8.9	14,447,585	10.4	15,130,782	35.5	15,425,088	43.2
1930	266	2,955,000	7.2	1,338,247	3.2	30,627	0.1	166,092	0.4	41,092,053	3,338,375	8.1	13,483,753	8.5	15,281,517	37.1	18,207,282	44.3
1931	266	2,975,000	7.2	1,285,363	3.1	31,343	0.1	166,126	0.4	41,505,400	3,047,440	7.3	13,338,731	8.0	16,109,388	38.9	18,195,902	43.8
1932	275	2,515,000	5.9	1,250,979	3.0	39,950	0.1	146,144	0.4	43,322,794	3,296,493	7.8	14,751,728	11.3	15,777,127	37.4	17,637,530	41.7
1933	275	2,540,000	5.9	1,297,151	3.0	52,819	0.1	141,338	0.3	43,038,078	3,052,384	7.1	13,153,683	7.3	16,439,543	42.9	16,437,299	38.2
1934	273	2,580,000	6.0	1,297,922	3.1	126,582	0.3	145,355	0.3	43,351,912	3,139,977	7.3	13,444,381	8.2	16,114,501	38.4	16,902,383	40.4
1935	272	2,580,000	6.2	1,318,030	3.1	72,808	0.2	145,757	0.3	43,820,256	3,192,851	7.4	13,444,381	8.2	16,114,501	38.4	16,902,383	40.4
1936	272	2,600,000	6.2	1,318,533	3.1	84,745	0.2	147,083	0.3	43,716,060	3,186,861	7.4	13,444,381	8.2	16,114,501	38.4	16,902,383	40.4
1937	274	2,620,000	6.2	1,342,039	3.2	323,844	0.8	149,127	0.3	43,054,015	3,189,589	7.4	13,444,381	8.2	16,114,501	38.4	16,902,383	40.4
1938	274	2,640,000	6.3	1,333,410	3.2	275,411	0.7	150,809	0.3	43,370,228	3,189,589	7.4	13,444,381	8.2	16,114,501	38.4	16,902,383	40.4

† Includes Treasury Bills.

PROVINCIAL BANK OF IRELAND, LIMITED

ESTABLISHED 1st August, 1825. Registered under Limited Liability Acts, 10th July, 1882

Year ended June 30	Number of Branches	CAPITAL				Market Value	Year ended June 30	Net Profits	PROFITS AND DIVIDENDS			Reserves, Etc.	Carried Forward
		Subscribed	Paid-up	Callible	Reserved				Per Cent.	Amount	Rate		
Old	4,000,000	500,000	1,500,000	2,000,000	...	...	1928	125,258	0.73	62,840	14	62,000	36,431
New	80,000	40,000	Nil	40,000	...	...	1929	112,988	0.74	62,840	14	60,000	36,780
Old	£8	£1	£3	£4	...	...	1930	103,758	0.62	61,661	14	40,000	38,877
New	£2	£1	Nil	£1	...	...	1931	110,513	0.62	60,882	14	50,000	38,706
					...	...	1932	88,421	0.52	54,676	13	36,000	36,452
					...	...	1933	73,732	0.42	50,625	12	26,000	33,559
					...	...	1934	69,457	0.42	51,468	12	18,000	33,547
					...	...	1935	68,807	0.40	52,312	12	16,500	33,542
					...	...	1936	71,595	0.42	51,890	12	20,000	33,246
					...	...	1937	74,272	0.43	51,047	12	20,000	36,472
					...	...	1938	75,480	0.45	49,781	12	22,000	40,171

Continued on page 23

PROVINCIAL BANK OF IRELAND, LIMITED—Continued from page 22

Year ended June 30	Number of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances including Treasury Bills	Per Cent.	Pre-mises	Per Cent.
1928	135	1,150,000	6.6	67,751	0.4	1,514,695	8.7	14,692,928	84.3	17,424,954	1,159,249	6.6	310,000	1.5	6,839,879	39.2	8,905,637	51.2	120,169	1.2
1929	136	1,170,000	6.9	68,101	0.4	970,530	5.7	14,739,230	87.0	16,947,861	1,812,542	4.8	605,000	1.8	7,082,220	41.7	8,262,179	48.7	206,310	1.2
1930	138	1,190,000	7.1	69,219	0.4	889,523	5.2	14,577,801	87.2	16,726,543	1,917,222	5.5	680,000	3.6	7,739,890	46.5	7,140,083	42.7	199,348	1.2
1931	135	1,210,000	7.2	69,048	0.4	871,980	5.3	14,680,118	87.2	16,831,141	738,104	4.7	700,000	4.1	8,360,431	49.7	6,776,680	40.2	200,826	1.2
1932	135	990,000	5.8	61,765	0.4	873,572	5.2	13,631,158	88.7	15,663,383	566,383	3.5	415,000	4.2	8,168,524	48.7	7,672,894	45.1	205,862	1.2
1933	135	1,010,000	5.7	58,872	0.4	913,885	5.6	15,391,588	88.7	17,613,913	792,197	4.5	1,140,000	6.5	8,279,975	47.0	7,191,102	40.8	211,339	1.2
1934	135	1,015,000	5.7	58,872	0.4	934,974	5.6	14,603,556	87.8	16,623,234	532,875	3.2	914,000	5.5	8,089,134	48.7	6,872,579	41.3	214,646	1.3
1935	130	1,025,000	6.2	59,704	0.4	924,410	5.5	15,197,728	88.2	17,155,834	522,856	3.0	1,200,000	7.0	8,427,862	49.1	6,782,271	39.6	222,845	1.3
1936	128	1,035,000	6.0	59,698	0.3	994,431	5.5	15,098,968	87.7	17,196,578	604,448	3.5	1,290,000	7.5	8,658,897	50.4	6,441,501	37.1	201,732	1.2
1937	128	1,055,000	6.0	61,734	0.4	1,037,107	5.9	15,310,324	87.7	17,464,415	716,446	4.1	1,050,000	6.0	8,460,644	48.5	7,043,549	40.3	193,776	1.1
1938	121	1,065,000	6.3	64,639	0.4	1,016,299	6.0	14,700,633	87.3	16,846,741	931,129	5.5	1,000,000	5.9	7,467,753	44.3	7,256,766	43.1	198,093	1.2

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)—Continued from page 23

Year ended Sept. 30	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS						Per Cent.
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.		Cash in hand, at Bankers, &c., and Money at Call	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Premises and Sundries
1929	462	£ 6,525,500	8.9	965,017	1.3	4,561,854	6.2	61,043,263	83.6	73,098,634	15,967,546	21.8	9,200,777	12.6	41,255,019
1930	486	6,825,500	8.9	918,520	1.2	3,974,620	5.4	62,690,265	84.5	74,208,905	16,005,466	21.6	12,970,040	17.5	39,171,970
1931	493	6,825,500	8.3	781,343	1.0	3,558,843	4.5	68,462,423	86.2	79,428,109	16,780,317	21.1	14,509,263	18.3	42,364,369
1932	477	6,825,500	8.0	744,210	0.9	3,544,206	4.3	71,621,924	86.8	82,535,888	17,683,670	21.4	18,314,991	22.2	40,571,424
1933	479	6,825,500	7.7	735,992	0.8	3,342,453	4.2	74,521,924	87.3	85,225,869	19,493,066	23.0	27,170,192	31.8	32,737,951
1934	479	7,725,500	7.1	770,978	0.8	4,311,672	4.5	82,865,855	87.6	94,674,005	21,548,461	22.8	25,778,119	27.2	40,504,801
1935	488	6,825,500	6.8	850,648	0.8	3,982,657	4.0	87,781,143	88.4	99,439,849	27,807,217	28.0	23,445,438	23.5	41,672,987
1936	484	6,900,500	6.3	930,389	0.8	4,946,849	4.5	96,992,504	88.4	109,770,242	29,147,299	26.5	27,843,485	25.4	45,307,337
1937	498	7,000,500	6.4	1,083,980	0.9	5,712,599	5.2	96,209,544	87.5	110,006,923	26,404,144	24.0	28,334,085	25.7	47,026,013

NETHERLANDS BANK OF SOUTH AFRICA

REGISTERED 1888

With which was amalgamated Transvaal Commercial Bank in May, 1925

CAPITAL				Year	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
Fl. 5,622,500	Fl. 5,622,500	Nil	Nil	1927	56,951	6%	26,341	1,080
(S.A. £632,986 4 2)	(S.A. £632,986 4 2)			1928	60,145	7	27,391	1,036
				1929	60,078	7	28,070	246
				1930	51,517	6	22,515	1,135
				1931	51,468	6	23,805	686
				1932	76,350*	Nil	77,760†	2,342
				1933	67,415	5	34,788	351
Shares	Per Share	Per Share	Per Share	1934	61,311	4	26,641	3,872
1,625	Fl. 720 (S.A. £81 1 2)	Nil	Nil	1935	88,837	6	44,094	1,847
8,905	Fl. 500 (S.A. £56 5 9)	Nil	Nil	1936	104,191	6	66,178	1,818
				1937	118,054	6	63,410	1,611

* Loss. † From reserve, etc.

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS						Per Cent.
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances, Bills for Collection, etc.	Per Cent.		Cash in Hand, with Bankers, and Money at Call	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Accept- ances
1927	18	£ 635,208	19.8	47,003	1.5	667,858	20.9	1,845,832	57.8	3,195,701	344,998	10.8	99,601	3.1	2,037,540
1928	18	635,208	19.6	50,429	1.5	686,604	21.2	1,876,520	57.7	3,248,782	391,272	12.0	100,388	3.1	2,033,495
1929	18	645,209	20.4	45,472	1.4	710,016	22.5	1,780,806	55.7	3,161,503	345,903	10.9	99,114	3.1	1,995,496
1930	18	645,209	22.3	37,337	1.3	313,374	10.8	1,898,809	65.6	2,894,729	407,402	14.1	224,334	7.8	1,889,540
1931	18	645,209	27.8	37,218	1.6	87,954	3.8	1,847,066	66.8	2,317,447	483,578	20.8	153,699	6.6	1,516,561
1932	18	827,714	29.1	2,342	0.1	272,345	9.6	1,737,246	61.2	2,839,647	787,975	27.8	271,330	9.6	1,474,394
1933	18	874,923	27.0	38,880	1.1	500,642	13.8	2,099,391	58.1	3,613,838	711,249	19.7	518,788	14.3	1,741,999
1934	19	1,105,756	31.4	37,839	1.1	475,384	13.5	1,895,763	54.0	3,514,742	766,594	21.8	365,741	10.4	1,782,886
1935	19	1,120,403	22.3	61,065	1.2	1,180,783	23.5	2,661,747	53.0	5,023,998	1,318,243	26.3	113,954	2.3	2,283,489
1936	20	929,629	19.7	967,496	1.1	967,496	20.5	2,769,291	58.7	4,716,745	1,343,434	28.5	310,292	6.6	2,100,591
1937	20	948,213	19.5	75,436	1.5	757,837	15.6	3,088,126	63.4	4,869,612	1,041,529	21.4	90,849	1.9	2,847,208

All the above amounts are expressed in South African currency (viz. S.A. £).

a Nine months ended Sept. 30, 1934.

b Year ended Sept. 30.

STANDARD BANK OF SOUTH AFRICA LIMITED

ESTABLISHED 1862

1920—Absorbed African Banking Corporation

CAPITAL				Market Value Sept. 30, 1938	Year ended March 31	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved						
£ 10,000,000	£ 2,500,000	£ 7,500,000	Nil	£ 7,750,000	1928	596,596	16%	225,000	132,099
					1929	621,466	17	225,000	122,524
					1930	652,478	17	225,000	125,002
					1931	567,620	15	175,000	142,622
					1932	457,442	11	175,000	150,084
					1933	429,336	10	175,000	154,400
					1934	433,179	10	175,000	152,580
					1935	502,580	12*	200,000	165,169
					1936	477,535	12*	200,000	142,705
					1937	656,887	14†	200,000	149,292
					1938	621,623	15‡	255,000	170,925

* Includes bonus of 2s. per share.

† Includes bonus of 4s. per share.

‡ Includes bonus of 8s. per share.

Year ended March 31	No. of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS						Per Cent.
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Drafts Out- standing and Accept- ances	Per Cent.		Cash in Hand, at Bank, and in Transit including Bullion	Per Cent.	Cash and Loans at Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills for Collection, Property, Buildings and Sundries
1928	356	£ 5,122,500	7.6	605,370	0.9	2,235,573	3.3	8,128,278	13.6	48,765,283	73.9	87,856,854	7,610,784	11.3	3,025,000
1929	364	5,664,170	7.9	603,642	0.8	2,885,559	4.0	10,279,107	14.3	51,830,149	72.3	71,793,151	7,798,278	10.8	3,250,000
1930	378	5,664,170	8.3	584,861	0.8	2,027,797	3.0	10,108,468	14.8	49,565,891	72.4	68,451,189	7,845,765	11.5	3,225,000
1931	384	5,664,170	8.1	525,569	0.7	1,600,440	2.3	10,241,212	14.6	51,984,061	73.8	70,409,068	7,012,143	9.9	3,225,000
1932	376	5,664,170	8.2	437,149	0.6	990,688	1.4	9,512,475	13.8	52,151,393	75.4	69,130,918	8,181,962	11.8	3,550,000
1933	376	5,000,000	7.2	473,493	0.7	1,092,371	1.8	7,381,203	11.0	52,980,875	79.1	66,996,985	13,485,469	20.0	3,600,000
1934	377	5,000,000	7.1	529,086	0.7	1,107,550	1.8	8,336,083	11.0	55,162,977	76.8	69,998,755	15,881,717	24.8	2,800,000
1935	375	5,000,000	6.8	608,156	0.8	1,413,493	1.9	8,384,403	11.4	57,880,798	78.6	73,709,555	14,074,672	19.8	1,870,920
1936	375	5,000,000	6.5	786,134	0.9	1,908,728	2.3	9,682,082	11.5	65,971,588	78.6	84,277,804	15,891,764	16.5	1,812,341
1937	380	5,000,000	6.5	874,721	1.0	1,788,829	2.2	11,117,738	13.0	65,149,985	76.5	85,001,878	11,248,574	13.2	2,175,000

LLOYDS BANK LIMITED



Chairman:

THE RT. HON. LORD WARDINGTON

Deputy Chairman:

SIR AUSTIN E. HARRIS, K.B.E.

Vice-Chairman:

FRANCIS A. BRANE

Chief General Manager:

G. F. ABELL

Joint General Managers:

W. G. JOHNS, D.S.O., R. A. WILSON, SYDNEY PARKES, S. P. CHERRINGTON

Offices throughout England and Wales and in India and Burma, Associated Banks with Branches in Scotland, France, Belgium, Switzerland, Spain, Portugal, South and Central America, New Zealand and West Africa, and Agents and Correspondents throughout the World.

Every kind of Banking business transacted

Head Office: 71 LOMBARD STREET, LONDON, E.C. 3

THE
STANDARD BANK OF SOUTH AFRICA
LIMITED

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

CAPITAL AUTHORISED & SUBSCRIBED - £10,000,000
CAPITAL PAID-UP - - - - - £2,500,000
RESERVE FUND - - - - - £3,000,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET,
and 77, KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL BRANCH: 63, London Wall, E.C.2

WEST END BRANCH: 9, Northumberland Ave., W.C.2

New York Agency: 67, Wall Street

Hamburg Agency: 49, Schauenburgerstrasse

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

The Bank has over 380 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

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

RALPH GIBSON, London Manager

(3) AUSTRALASIAN BANKS

AUSTRALASIAN BANKS WITH LONDON OFFICES

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand and Money at Call and Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	19	1,538	£24,424,100	13.2	£4,821,800	2.6	£138,065,900	74.7	£184,931,200	£26,919,000	14.6	£6,808,100	3.7	£145,535,900	78.9
1900	16	1,338	£30,307,100	19.1	£4,348,700	2.8	£107,408,600	68.4	£157,299,500	£33,165,500	21.1	£12,831,900	8.2	£102,820,200	65.7
1910	17	1,965	£33,612,300	16.3	£5,198,100	2.4	£152,885,400	71.9	£212,015,200	£54,575,000	25.8	£17,105,000	8.1	£132,956,900	62.3
1920	16	2,393	£51,248,171	13.4	£8,511,692	2.2	£281,477,007	73.4	£383,470,259	£88,133,890	23.2	£68,431,168	17.8	£214,736,390	66.0
1928	12	3,199	£83,274,577	17.5	£6,940,801	1.5	£341,310,252	71.8	£474,657,248	£82,573,158	17.4	£55,565,857	11.7	£330,126,109	69.6
1929	12	3,292	£86,623,990	17.5	£7,543,645	1.5	£358,172,387	72.5	£494,326,268	£78,048,713	15.8	£63,589,822	12.8	£339,648,856	68.7
1930	12	3,372	£88,074,940	18.2	£7,792,206	1.4	£350,095,968	72.2	£484,659,471	£71,442,573	14.8	£44,948,658	9.3	£351,619,883	73.0
1931	12	3,358	£89,436,041	19.5	£6,346,137	1.4	£331,378,067	72.1	£458,147,765	£71,023,589	15.6	£45,317,529	9.4	£326,111,993	73.2
1932	11	3,226	£86,221,161	19.2	£6,549,485	1.5	£329,815,863	73.4	£448,372,051	£76,407,310	17.0	£46,143,476	10.3	£311,114,477	69.3
1933	11	3,218	£87,454,588	18.6	£7,009,864	1.5	£348,046,761	74.0	£470,574,941	£70,630,369	15.0	£56,805,909	12.1	£327,461,479	69.5
1934	11	3,161	£87,308,970	17.8	£7,125,090	1.5	£365,005,434	74.6	£489,423,221	£71,561,185	14.6	£66,647,578	13.6	£335,111,951	68.5
1935	10	2,741	£77,215,480	17.8	£1,428,022	0.3	£323,414,288	74.8	£431,862,822	£66,590,043	15.4	£62,827,898	14.5	£287,738,053	66.5
1936	10	3,378	£86,205,345	17.6	£727,654	0.1	£371,467,131	75.8	£490,041,323	£64,868,722	13.2	£76,661,024	15.6	£334,800,739	68.4
1937	10	3,684	£86,220,345	17.1	£167,442	...	£384,547,415	76.5	£503,997,196	£75,306,732	15.0	£72,276,505	14.3	£339,171,924	67.4
1938	10	3,829	£86,212,688	16.4	£167,332	...	£401,634,845	76.2	£526,777,542	£84,465,954	16.0	£67,210,124	12.8	£356,604,787	67.7

COMMONWEALTH BANK OF AUSTRALIA

(ESTABLISHED 1912 BY SPECIAL ACT OF THE COMMONWEALTH PARLIAMENT)

Owned and guaranteed by the Government of the Commonwealth, which is responsible for all the Bank's obligations. Authorised capital, £20,000,000. Authorised subscription by Commonwealth Government, £6,000,000. Authorised debenture issue, £10,000,000

Year ended June 30	LIABILITIES										Total Liabilities or Assets	ASSETS										
	No. of Branches	De- posits	Per Cent.	Savings Bank De- posits	Per Cent.	Bills payable, Letters of Credit, etc.	Per Cent.	Reserve and Re- demption Funds	Per Cent.	Cash and Common- wealth Notes		Per Cent.	Cash at Short Call in London and Aust.	Per Cent.	Invest- ments	Per Cent.	Fixed Deposits of Other Banks	Per Cent.	Discounts, Advances, and Re- mit- tances	Per Cent.	Building Sundries	Per Cent.
				£						£				£				£				
1928	89	42,488,082	81.0	...	...	4,440,415	8.9	5,292,228	10.1	52,420,705	5,796,681	11.0	13,305,329	25.4	16,378,295	31.3	...	...	15,855,068	30.2	1,095,322	2.1
1929	89	43,873,958	79.8	...	...	5,452,072	9.9	5,796,749	10.5	55,122,779	6,584,581	11.9	13,489,283	24.5	16,949,189	30.7	...	...	17,107,289	31.1	992,438	1.8
1930	92	42,813,732	81.8	...	...	3,206,555	6.1	3,333,938	12.1	52,354,225	7,548,310	14.4	6,995,005	13.4	22,310,239	42.6	...	...	14,434,590	27.6	1,068,087	2.0
1931	92	57,679,083	84.8	...	...	3,471,592	5.7	3,880,683	10.1	68,031,360	4,993,480	7.3	25,491,469	37.5	18,887,805	27.5	100,000	0.1	17,635,205	25.9	1,123,401	1.7
1932	260	63,586,653	84.9	...	...	4,193,273	6.6	4,561,630	10.1	73,561,630	7,269,516	8.4	25,854,207	35.1	28,200,802	41.9	...	...	13,892,412	18.4	1,501,131	2.0
1933	260	74,313,909	85.9	...	...	4,334,741	5.8	4,748,111	9.8	86,496,791	7,888,642	8.2	31,355,674	36.6	37,389,616	43.9	...	...	9,871,240	11.4	1,799,529	2.1
1934	261	83,572,653	87.0	...	...	4,437,435	5.3	4,890,096	8.4	96,099,694	6,595,124	6.8	22,182,541	28.9	36,674,981	45.9	...	...	13,983,339	14.5	1,672,851	1.7
1935	264	87,624,653	84.1	...	...	4,385,990	5.0	4,824,462	10.4	90,235,105	6,955,124	8.2	23,182,541	28.9	36,674,981	45.9	...	...	12,168,211	15.1	1,634,248	2.0
1936	263	74,670,879	83.3	...	...	4,465,218	7.2	4,839,391	9.5	89,875,488	6,589,509	7.3	33,434,328	37.3	36,777,145	40.9	...	...	11,509,671	12.8	1,564,635	1.7
1937	268	88,520,117	85.4	...	...	5,392,664	6.2	5,737,157	8.4	103,849,939	5,510,151	5.3	44,926,757	43.3	36,379,461	35.1	...	...	15,163,778	14.7	1,669,791	1.6
1938	273	85,057,295	84.0	...	...	7,324,194	7.2	7,891,544	8.8	101,297,133	4,821,354	4.7	27,076,734	26.8	49,038,902	48.4	...	...	18,736,325	18.5	1,623,818	1.6

† Capital £4,000,000.

BANK OF ADELAIDE

INCORPORATED DECEMBER 5, 1865

CAPITAL				Year Ended March 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
£	£	£	£	1929	£128,637	10	20,000	33,464
1,250,000	1,250,000	Nil	1,250,000	1930	145,411	10	15,000	38,875
				1931	138,107	9	15,000	49,482
				1932	91,813	7	...	53,795
				1933	66,776	4	30,000	40,571
				1934	53,727	4	...	44,298
				1935	54,497	4	25,000	48,796
				1936	55,201	4	...	28,997
				1937	57,973	4	...	36,970
				1938	61,337	4	...	42,057
				1939	65,788	5	...	45,345

Year ended Mar. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS									
		Capital and Re-serves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.		Cash and Notes in Hand and at Bankers	Per Cent.	Money at Short Call and Remit-tances in Transit	Per Cent.	Invest-ments	Per Cent.	Bills Re-ceiveable and Advances	Per Cent.	Prem-ises and Furni-ture	Per Cent.
1928...	118	£2,200,000	24.1	£115,964	1.3	£7,755,011	7.9	£9,134,807	£1,516,846	16.6	£897,991	9.8	£716,710	7.8	£5,655,750	62.0	£347,510	3.8
1929...	128	£2,220,000	24.2	£116,375	1.3	£6,713,011	7.0	£9,153,755	£1,091,384	11.9	£948,633	10.4	£517,194	8.9	£5,949,107	65.0	£347,433	3.8
1930...	131	£2,235,000	24.8	£114,482	1.3	£6,700,011	6.0	£9,996,597	£1,010,590	11.2	£757,081	8.4	£649,934	7.2	£6,230,987	69.2	£348,023	4.0
1931...	120	£2,250,000	26.6	£91,295	1.1	£6,861,011	4.1	£8,453,705	£1,278,700	15.1	£596,574	7.0	£778,521	9.2	£5,454,843	64.6	£345,067	4.1
1932...	114	£2,250,000	25.4	£65,571	0.7	£6,803,011	5.1	£8,968,418	£1,127,722	12.7	£1,656,601	18.7	£632,968	7.1	£5,108,010	57.6	£343,117	3.9
1933...	111	£2,250,000	24.0	£69,288	0.7	£6,599,011	3.9	£8,968,418	£1,179,470	12.6	£2,085,936	22.2	£659,186	7.0	£5,115,381	54.5	£345,361	3.7
1934...	112	£2,250,000	25.4	£75,795	0.8	£6,592,011	2.7	£8,968,418	£1,204,167	13.5	£1,327,795	17.2	£708,810	8.0	£5,075,518	57.4	£349,344	3.9
1935...	112	£2,250,000	25.2	£59,967	0.6	£6,592,011	2.7	£8,968,418	£1,145,489	12.8	£1,202,094	18.5	£972,699	10.9	£5,252,802	58.9	£352,837	3.9
1936...	111	£2,250,000	23.5	£61,870	0.7	£6,576,011	1.7	£8,968,418	£732,555	7.5	£2,286,256	23.8	£701,764	7.2	£5,690,001	61.8	£353,511	3.8
1937...	112	£2,250,000	23.2	£73,307	0.8	£6,574,011	1.7	£8,968,418	£732,555	7.5	£2,286,256	23.8	£701,764	7.2	£5,690,001	61.8	£353,511	3.8
1938...	117	£2,250,000	23.3	£76,595	0.8	£6,574,011	1.7	£8,968,418	£732,555	7.5	£2,286,256	23.8	£701,764	7.2	£5,690,001	61.8	£353,511	3.8

BANK OF AUSTRALASIA

INCORPORATED 1835

CAPITAL				Year Ended October	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
£	£	£	£	1927	£654,080	14*	40,000	£136,587
4,500,000	4,500,000	Nil	4,500,000	1928	£758,192	14*	80,000	£139,780
				1929	£777,168	14*	25,000	£161,943
				1930	£815,084	13*	...	£192,027
				1931	£302,536†	9	...	£151,088
				1932	£254,970	7	...	£196,788
				1933	£258,508	7†	...	£175,166
				1934	£265,087	7†	...	£178,690
				1935	£273,857	7†	...	£182,266
				1936	£300,962	8	...	£193,329
				1937	£309,501	8	...	£205,830

* Tax free. † Including £65,000 transferred from exchange adjustment provision.

Continued on page 28

The BRITISH OVERSEAS BANK

LIMITED

Incorporating FREDK. HUTH & Co.

THROUGH its world-wide connections and agencies the Bank is able to offer to its clients at home and abroad exceptional facilities in foreign exchange and in the financing of foreign trade, and also to provide up-to-date credit reports and information as to international business conditions. Correspondence invited.

33 GRACECHURCH STREET, Lombard Court, LONDON, E.C.3

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TELEPHONE NO. MANSION HOUSE 7842

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BANK OF AUSTRALASIA—Continued from page 26

Year ended Oct.	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS										
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Bills Payable, etc.	Per Cent.	Deposits and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises and Acceptances	Per Cent.	
1927...	224	7,850,000	17.6	418,568	1.0	427,542	1.0	4,418,994	9.9	31,478,756	70.5	44,594,860	6.4	5,234,149	11.5	110,000	0.2	3,664,449	8.2	34,045,385	76.4	128,792	0.3
1928...	237	8,950,000	18.8	454,760	1.0	428,622	1.0	3,909,217	8.2	33,876,329	71.0	47,618,928	7.3	5,082,083	10.7	7,344,871	15.8	73.2	158,176	0.3			
1929...	238	8,975,000	18.2	476,943	0.9	434,328	0.9	5,022,528	10.2	34,414,798	69.8	49,323,597	7.1	50,000	0.1	3,681,894	7.5	38,130,363	77.3	278,373	0.6		
1930...	238	8,975,000	18.7	462,027	1.0	401,137	0.8	3,965,638	8.2	34,232,584	71.3	48,036,386	6.1	1,127	12.7	495,000	1.0	4,896,383	10.2	35,963,357	74.9	570,519	1.2
1931...	235	8,975,000	17.7	320,188	0.6	333,079	0.7	3,414,078	6.7	37,678,574	74.3	50,720,919	8.1	80,221	16.1	50,000	0.1	6,741,594	13.3	35,171,332	69.4	577,772	1.1
1932...	229	8,975,000	17.3	304,783	0.6	334,031	0.7	4,098,119	7.9	38,120,630	73.5	51,832,563	7.9	1,815	15.3	60,000	0.1	10,053,510	19.4	33,136,934	63.8	650,304	1.3
1933...	227	8,975,000	17.2	310,166	0.6	353,520	0.7	4,772,167	9.1	37,833,351	72.4	52,244,204	8.1	1,279	15.6	50,000	0.1	9,160,558	17.5	34,238,455	65.5	687,300	1.3
1934...	227	8,975,000	16.6	318,190	0.6	119,384	0.2	4,879,418	9.1	38,601,807	73.5	53,893,799	9.3	356	17.4	25,000	0.1	10,306,128	19.1	33,471,976	62.2	734,193	1.8
1935...	235	8,975,000	17.6	330,485	0.6	26,138	...	4,847,643	9.4	37,058,103	72.4	51,237,369	5,035,420	9.8	...	...	10,566,078	20.6	34,867,758	68.1	768,113	1.3	
1936...	236	8,975,000	17.6	363,134	0.7	2,795	...	4,619,908	9.0	37,165,581	72.7	51,126,418	4,899,823	9.6	...	...	9,478,927	18.6	35,899,409	70.2	848,259	1.5	
1937...	243	8,975,000	16.1	372,893	0.7	2,773	...	5,720,809	10.2	40,775,484	73.0	55,846,939	100,580,517	17.9	...	...	8,402,412	15.1	36,777,944	65.2	1,010,778	1.8	

* Includes centenary bonus 2 per cent. and bonus to staff.

BANK OF NEW SOUTH WALES

ESTABLISHED 1817, AND INCORPORATED IN 1850

1927.—Absorbed Western Australian Bank

1931.—Absorbed the Australian Bank of Commerce, Limited

CAPITAL			Sept. 30, 1938	Year Ended Sept. 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward						
Subscribed	Paid-up	Reserved Liability of Proprietors	Market Value	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
8,780,000	8,780,000	8,780,000	9,877,500	1,226,247	1,184,943	994,825	734,699	565,235	462,967	439,617	439,739	442,660	470,454	543,242
				12 1/2	12 1/2	10	9 1/2	5 1/2	5	5	5	5 1/2	6	
				340,760	250,000	250,000	186,928	112,963	114,980	115,596	116,335	119,066	129,500	145,942
Per Share £20	Per Share £20	Per Share £20	Per Share £22 1/2											

† Branches and agencies.

BANK OF NEW ZEALAND

INCORPORATED WITH LIMITED LIABILITY IN NEW ZEALAND IN 1861

	CAPITAL				Year Ended March 31	Net Profit	Dividend	To Reserve Etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved	%				
Ordinary Shares	£3,750,000	£3,750,000	Nil	Nil	1928	91½	989	134,175	582,325
Per Share	£1	£1	Nil	Nil	1929	1,124,959	131*	275,000	617,591
Preference Shares.....	£1,875,000	£1,875,000	Nil	Nil	1930	948,534	131*	125,000	623,157
Long Term Mortgage Shares	£703,125	£703,125	Nil	Nil	1931	845,814	131*	25,000	626,002
					1932	587,023	144 { Int. Stg. Final N.Z. }		395,056
					1933	594,270	11½ N.Z.		344,795
					1934	573,032	10 "		343,609
					1935	578,748	10 "		348,138
					1936	565,181	10 "		339,100
					1937	600,008	10 "		364,890
					1938	583,209	10 "		373,880
Ordinary				Price, Sept. 30, 1938 £1½					

† Including £102,550 long term mortgage debentures. † Including £907,050 long term mortgage debentures.

* Includes money at call, and since 1936 remittances in transit from Branches, which were in previous years included under Discounts and Advances.

COMMERCIAL BANK OF AUSTRALIA, LIMITED

ESTABLISHED 1856

1918.—National Bank of Tasmania purchased, March 1, 1918

CAPITAL				Year Ended June 30	Net Profit	Ordinary Dividend %	To Reserve, etc. £	Carried Forward £
	Subscribed	Paid-up	Reserved					
Ordinary Shares	£2,000,000	£2,000,000	Nil	1928	355,020	15	75,662	90,486
			Nil	1929	391,624	15	79,788	94,190
			Nil	1930	389,841	15	42,851	85,549
			Nil	1931	308,449	11½	35,399	65,336
			Nil	1932	199,670		19,000	70,312
Per Share	10s.	10s.	Nil	1933	213,634	5	20,000	79,252
Registered Preferred Capital, £3,000,000			Nil	1934	209,155	5	20,000	83,712
			Nil	1935	228,458	5½	20,000	90,810
			Nil	1936	234,481	5½	25,000	98,930
Preference Shares	£2,117,350	£2,117,350	Nil	1937	247,435	6½	25,000	103,338
Per Share	£10	£10	Nil	1938	262,384	7½	30,000	109,361

NATIONAL BANK OF AUSTRALASIA, LIMITED—Continued from page 29

Year ended March 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills in Circu- lation, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Invest- ments	Per Cent.	Bills and Remit- tances in Transit	Per Cent.	Discounts and Advances	Per Cent.	Real Estate and Pre- mises	Per Cent.
1928	328	8,000,000	17.5	398,495	0.9	47,956	0.1	1,655,526	3.6	35,520,079	77.9	45,622,056	6,676,110	14.6	6,462,548	14.2	2,965,286	6.5	28,222,494	61.9	1,295,618	2.7
1929	334	8,100,000	17.1	407,773	0.9	47,900	0.1	1,534,686	3.2	37,341,463	78.7	47,431,824	5,327,009	11.2	5,823,371	12.3	2,807,583	5.9	32,127,196	67.8	1,346,665	2.8
1930	343	8,200,000	18.0	412,907	0.9	47,852	0.1	1,432,135	3.1	35,559,314	77.9	45,652,208	6,074,364	13.3	2,778,551	6.1	1,884,901	4.1	33,514,797	73.4	1,399,595	2.8
1931	334	8,300,000	19.3	349,113	0.8	47,827	0.1	1,024,820	2.4	33,306,077	77.4	43,027,837	6,641,892	15.4	1,773,859	4.1	1,480,720	3.4	31,671,405	73.7	1,459,961	3.1
1932	326	8,300,000	18.7	275,951	0.6	47,708	0.1	1,024,467	2.3	34,619,063	78.3	44,267,189	6,616,196	14.9	1,141,867	2.6	2,054,839	4.6	33,048,762	74.7	1,405,725	3.4
1933	326	8,300,000	18.1	272,895	0.6	47,613	0.1	1,063,949	2.5	33,662,199	77.6	43,346,656	4,314,470	9.9	1,478,855	3.5	1,887,546	4.3	34,310,678	79.2	1,355,107	3.1
1934	327	8,300,000	17.7	276,919	0.6	47,599	0.1	1,088,227	2.4	36,212,881	78.8	45,925,626	4,421,271	9.6	2,942,877	6.4	3,709,586	8.1	33,508,114	73.0	1,345,778	2.9
1935	327	8,300,000	17.7	282,510	0.6	47,590	0.1	1,345,773	2.9	37,049,415	78.7	47,025,288	5,620,802	12.0	3,095,561	6.4	2,564,671	5.5	34,407,973	73.3	1,336,281	2.8
1936	328	8,300,000	17.5	296,913	0.6	47,579	0.1	1,082,565	2.3	37,769,620	79.5	47,496,677	5,567,068	11.7	4,331,791	9.1	3,575,415	7.5	32,446,662	68.4	1,575,741	3.3
1937	327	8,300,000	16.1	307,540	0.6	47,564	0.1	623,881	1.4	22,220,269	82.0	51,499,254	5,961,565	11.6	6,387,774	12.4	4,506,811	8.8	33,060,786	64.1	1,582,318	3.1
1938	337	8,300,000	15.5	304,941	0.6	47,556	0.1	1,678,789	3.1	43,054,982	80.7	53,386,268	5,979,379	11.2	6,787,998	12.7	4,130,723	7.7	34,836,414	65.3	1,651,754	3.1

NATIONAL BANK OF NEW ZEALAND, LIMITED

REGISTERED 1872.

CAPITAL					Market Value	Year Ended March 31	Net Profit	Dividend %	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved	Per Share						
£	£	£	£	£	£	£	£	£	£	£
6,000,000	2,000,000	4,000,000	6,000,000	1,600,000	1928	289,903	14*	20,000	165,572	
					1929	290,582	14*	21,000	155,154	
					1930	282,917	12*	23,900	174,171	
					1931	208,286	10*	14,000	168,457	
					1932	177,836	7*	64,000	142,294	
					1933	116,449	4*	64,000	114,742	
					1934	135,674	4*	64,000	106,416	
					1935	132,949	4*	44,000	115,366	
					1936	102,594	4*	24,000	113,659	
					1937	102,838	4*	24,000	112,797	
					1938	105,727	4½†	24,000	113,690	

* Free of tax.
† Of which 2% paid free of tax.

Year ended Mar. 31	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills Payable, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bankers, and at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills Dis- counted	Per Cent.	Bills and Remit- tances in Transit and Ad- vances	Per Cent.	Landed Property, Premises and Furniture	Per Cent.
1928	56	4,000,000	21.3	335,572	1.7	1,173,482	6.2	1,384,647	7.3	12,088,015	63.5	18,981,716	2,078,387	10.9	2,128,749	11.2	975,792	5.1	13,225,636	69.8	572,152	3.0
1929	58	4,000,000	21.3	326,154	1.7	1,297,385	6.9	2,618,890	13.9	10,567,019	56.2	18,809,388	1,648,009	8.8	2,228,749	11.9	1,260,622	6.7	13,085,098	69.4	605,909	3.2
1930	59	4,000,000	20.8	284,171	1.5	1,115,974	5.8	1,638,735	8.6	12,165,675	63.3	19,214,575	1,634,157	8.5	2,450,253	12.7	1,054,118	5.5	13,425,135	69.9	650,912	3.4
1931	59	4,000,000	22.3	248,457	1.4	940,476	5.2	1,062,541	5.9	11,657,303	65.0	17,908,777	1,873,102	10.5	2,532,641	14.1	568,056	3.2	12,281,763	68.5	653,215	3.7
1932	57	4,000,000	21.5	202,294	1.1	961,152	5.2	1,080,808	5.4	12,314,328	66.4	18,558,582	2,270,044	12.2	2,612,247	14.1	403,328	2.2	12,631,930	68.1	641,033	3.4
1933	56	4,000,000	19.8	154,742	0.8	1,019,477	5.0	1,287,043	6.4	13,767,817	68.0	20,229,079	2,621,056	13.0	2,339,980	11.5	373,928	1.8	14,262,317	70.6	631,788	3.1
1934	56	4,000,000	18.0	146,416	0.7	1,111,225	5.0	1,313,405	5.9	15,595,886	70.4	22,166,932	1,426,034	6.4	2,505,648	11.3	323,302	1.5	17,281,820	78.0	630,128	2.8
1935	56	3,500,000	18.7	155,366	0.8	1,51,763	5.0	1,368,853	7.3	13,554,859	72.4	18,730,841	2,669,327	14.3	4,194,477	22.3	427,580	2.3	10,810,333	57.7	629,124	3.4
1936	57	3,500,000	18.5	153,959	0.8	99,821	0.5	1,559,812	8.2	13,655,182	72.0	18,968,774	3,307,418	17.2	4,697,211	24.2	340,220	1.8	11,999,035	63.3	624,890	3.4
1937	58	3,500,000	18.5	152,797	0.8	...	...	1,488,645	7.9	13,751,541	72.8	18,892,883	2,365,944	12.5	3,336,851	17.7	454,483	2.4	12,114,188	64.1	621,507	3.3
1938	60	3,500,000	18.5	154,524	0.8	...	...	1,334,170	7.1	13,908,667	73.6	18,997,361	2,137,719	11.3	2,228,728	11.8	414,437	2.2	13,479,964	71.3	635,513	3.4

† Includes New Zealand Government Treasury Bills.

QUEENSLAND NATIONAL BANK, LIMITED

INCORPORATED 1872

CAPITAL					Market Value Sept. 30, 1938	Year Ended June 30	Net Profit	Dividend %	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved	Per Share						
£	£	£	£	£	£	£	£	£	£	£
1,750,000	1,750,000	Nil	Nil	1,400,000	1928	201,959	10*	35,000	8,672	
					1929	202,885	10*	30,000	8,059	
					1930	194,956	9*	25,000	16,515	
					1931	132,292	6½*	20,000	17,057	
					1932	71,588	4*	...	16,645	
					1933	73,040	4*	...	21,694	
					1934	67,411	4*	...	19,065	
					1935	69,692	4*	...	18,788	
					1936	71,148	4*	...	19,936	
					1937	74,820	4½*	...	20,381	
					1938	79,171	4½†	...	20,802	

* Free of Queensland Income Tax and no deduction will be made in respect of Federal Income Tax payable by the Bank.
† Free of Queensland Income Tax and Unemployment Relief Tax.

Year ended June 30	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Miscel- laneous Credits, Rebate, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bankers	Per Cent.		Cash at Call and Short Notice in London	Per Cent.	Invest- ments	Per Cent.	Discounts, Advances, and Bills in Transit	Per Cent.	Premises and Sundries	Per Cent.		
1928...	102	5,626,627	37.2	52,421	0.3	431,621	2.9	9,026,995	59.6	15,137,664	1,516,096	10.0	170,000	1.1	1,989,914	13.1	10,933,435	72.3	528,279	3.5		
1929...	102	5,656,669	36.5	49,809	0.3	407,561	2.6	8,404,099	60.6	15,518,158	1,598,249	10.3	135,000	0.9	2,017,008	13.0	11,243,061	72.4	524,849	3.4		
1930...	102	5,681,669	38.5	53,515	0.4	348,219	2.4	8,557,228	58.7	14,740,631	1,738,632	11.8	120,000	0.8	1,310,942	8.9	11,043,864	74.9	527,173	3.6		
1931...	102	5,701,669	39.3	43,307	0.3	437,459	3.0	8,332,164	57.4	14,514,599	1,993,391	13.7	80,000	0.6	1,650,330	11.4	10,265,955	70.7	524,923	3.6		
1932...	101	5,701,669	40.2	53,645	0.4	282,529	2.1	8,135,265	57.3	14,183,128	1,788,827	12.6	60,000	0.4	2,800,319	18.3	9,181,611	64.8	551,371	3.9		
1933...	96	5,625,096	40.6	56,884	0.4	302,531	2.2	7,672,214	56.8	13,856,525	1,613,937	11.6	25,000	0.2	2,502,665	18.1	9,185,450	68.1	549,253	4.0		
1934...	99	5,464,478	39.8	54,096	0.4	289,042	2.1	7,941,295	57.7	13,748,911	1,865,889	13.1	15,000	0.1	2,578,561	16.7	9,268,534	67.4	546,983	4.0		
1935...	99	5,424,389	38.1	53,798	0.4	349,941	2.4	8,446,021	60.0	14,235,174	1,866,177	11.2	15,000	0.1	2,295,409	15.9	10,146,652	70.8	547,273	3.8		
1936...	101	5,360,842	37.2	54,936	0.4	349,941	2.4	8,446,021	60.0	14,235,174	1,866,177	11.2	15,000	0.1	2,295,409	15.9	10,146,652	70.8	547,273	3.8		
1937...	101	5,360,842	36.0	59,756	0.4	356,844	2.4	8,616,021	60.0	14,410,840	1,866,177	11.2	15,000	0.1	2,295,409	15.9	10,146,652	70.8	547,273	3.8		
1938...	103	5,337,583	36.2	60,177	0.4	370,616	2.5	8,992,762	60.9	14,761,140	1,772,027	12.0	...	...	2,229,893	15.1	10,200,671	69.1	558,549	3.7		

THE UNION BANK OF AUSTRALIA, LIMITED

ESTABLISHED 1837

CAPITAL		Market Value		Year Ended Feb. 28	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved					
£	£	£	£	1927	827,428	15 (a)	100,000	97,939
12,000,000	4,000,000	Nil	8,000,000	1928	838,968	15 (a)	75,000	99,404
				1929	611,832	15 (a)	25,000	86,336
				1930	525,856	12½ (a)	25,000	86,992
				1931	283,019	7 (a)	...	80,010
				1932	160,954	4 (a)	...	90,984
				1933	209,559	5 (a)	...	100,523
				1934	203,509	5 (a)	...	104,032
				1934*	106,999	5 (a)	...	111,031
				1935†	214,985	5 (a)	...	126,016
				1936†	240,848	5½ (a)	...	146,864
				1937†	254,384	7 (a)	...	145,914

(a) Free of tax.

LIABILITIES		ASSETS	
Year ended February 28	Number of Branches	Year ended February 28	Number of Branches
Capital and Reserves	Per Cent.	Cash in Hand and at Bankers, and in Transit	Per Cent.
Un-divided Profits	Per Cent.	Money at Call and Short Notice in London	Per Cent.
Notes	Per Cent.	Investments	Per Cent.
Bills Payable, etc.	Per Cent.	Remittances and Drafts in Transit, Discounts and Advances	Per Cent.
Deposit and Current Accounts	Per Cent.	Premises	Per Cent.
Total Liabilities or Assets	Per Cent.	Total Liabilities or Assets	Per Cent.
1927	196	1927	196
1928	207	1928	207
1929	216	1929	216
1930	216	1930	216
1931	220	1931	220
1932	210	1932	210
1933	212	1933	212
1934	212	1934	212
1934*	212	1934*	212
1935†	225	1935†	225
1936†	225	1936†	225
1937†	232	1937†	232

* Six months ended August 31, 1934.

† Year ended August 31.

THE COMMERCIAL BANKING COMPANY OF SYDNEY, LIMITED

ESTABLISHED 1834

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

1927. Absorbed Bank of Victoria Limited

CAPITAL		Market Value		Year ended June 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved					
£	£	£	£	1928	653,243	10	175,000	65,215
4,478,025	4,739,012	Nil	4,739,012	1929	655,195	10	175,000	71,508
				1930	637,819	10	150,000	85,228
				1931	441,816	8½	...	124,228
				1932	253,886	5½	...	117,446
				1933	259,077	5	20,000	118,573
				1934	256,731	5	20,000	119,353
				1935	283,937	5	25,000	121,340
				1936	298,227	6	25,000	110,228
				1937	342,041	6½	25,000	119,232
				1938	365,975	7	35,000	118,476

LIABILITIES		ASSETS	
Year ended June 30	Number of Branches	Year ended June 30	Number of Branches
Capital and Reserves	Per Cent.	Cash in Hand, at Bankers and Australian Notes	Per Cent.
Un-divided Profits	Per Cent.	Cash at Short Call in London	Per Cent.
Notes	Per Cent.	Investments	Per Cent.
Bills in Circulation	Per Cent.	Discounts, Advances, and Bills & Remittances in Transit	Per Cent.
Deposit and Current Accounts	Per Cent.	Buildings and Sundries	Per Cent.
Total Liabilities or Assets	Per Cent.	Total Liabilities or Assets	Per Cent.
1928...	456	1928...	456
1929...	465	1929...	465
1930...	464	1930...	464
1931...	435	1931...	435
1932...	437	1932...	437
1933...	436	1933...	436
1934...	434	1934...	434
1935...	431	1935...	431
1936...	429	1936...	429
1937...	435	1937...	435
1938...	446	1938...	446

(4) CANADIAN BANKS

CANADIAN BANKS WITH OFFICES IN LONDON

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1900	4	95	6,679,100	21.8	2,448,500	8.0	17,584,600	52.6	30,544,200	4,567,900	14.9	2,099,600	6.9	23,488,000	77.0
1905	4	254	9,541,500	16.2	4,221,500	7.2	40,706,900	69.2	58,981,200	18,677,200	31.8	4,814,500	8.2	34,721,100	58.8
1910	5	590	13,122,300	12.1	6,670,700	6.7	83,600,500	72.4	107,995,700	42,605,600	39.5	9,799,100	9.1	54,269,400	50.3
1915	7	1,473	23,730,164	12.3	12,034,445	6.3	145,911,275	75.8	192,384,515	64,458,514	33.5	14,516,943	7.5	103,977,449	52.4
1920	8	2,653	36,524,247	7.5	35,302,963	7.2	386,047,299	79.1	487,330,996	149,427,464	30.5	78,768,170	15.2	242,618,337	49.8
1925	5	2,505	41,185,858	7.4	26,385,035	4.7	450,992,247	81.2	554,038,963	185,633,263	33.5	86,622,130	15.6	251,172,326	45.3
1928	5	2,583	46,648,894	7.7	28,655,249	4.7	479,968,383	78.5	610,518,741	207,758,213	33.9	88,159,967	14.4	280,876,805	45.9
1930	5	2,855	50,244,170	8.5	27,176,974	4.6	460,794,286	77.9	591,477,354	185,319,528	31.4	70,001,712	11.8	299,788,584	50.4
1931	5	2,800	51,528,768	9.4	23,334,906	4.2	434,987,223	79.0	550,282,378	155,264,111	28.4	101,219,272	18.4	281,641,613	47.5
1932	5	2,751	51,528,768	10.1	22,196,438	4.3	411,644,587	80.3	512,415,243	126,421,723	24.7	111,403,912	21.8	248,318,486	48.5
1933	5	2,674	51,200,000	10.4	20,529,278	4.2	399,146,897	80.1	493,426,026	122,917,642	24.9	127,887,292	25.8	216,533,823	43.7
1934	5	2,594	45,800,000	9.4	20,820,657	4.3	399,016,758	81.6	489,169,559	120,468,149	24.6	143,971,125	29.4	198,829,782	40.7
1935	5	2,397	45,800,000	9.2	21,957,769	4.4	445,530,611	80.3	497,582,610	119,708,935	24.0	158,885,316	31.9	193,359,929	38.8
1936	5	2,301	45,800,000	8.6	20,711,811	3.9	467,434,773	84.6	530,011,972	116,596,693	22.0	203,334,521	38.3	183,451,837	34.6
1937	5	2,270	46,000,000	8.3	19,352,454	3.5	476,244,218	85.3	558,801,273	117,232,144	20.9	239,414,812	42.8	176,179,560	31.5
1938	5	2,221	46,000,000	8.2	17,391,289	3.1									

Dollars converted to sterling at \$5 to the £.

BANK OF MONTREAL

ESTABLISHED 1817

Acquired Exchange Bank of Yarmouth, 1903
 Acquired People's Bank of Halifax, 1905
 Acquired Ontario Bank, 1906
 Acquired People's Bank of New Brunswick, 1907

Acquired Bank of British North America, October, 1918
 Acquired Merchants' Bank of Canada, March, 1922
 Acquired Molsons Bank, January, 1925

CAPITAL		Market Value		Year Ended Oct. 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved					
£	£	£	£	1927	5,299,888	14	1,724,167	154,799
36,000,000	36,000,000	...	32,400,000	1928	5,847,327	14	1,100,000	713,789
				1929	7,070,892	14	2,335,865	735,882
				1930	6,519,032	14	1,311,439*	947,047
				1931	5,386,380	12	910,000	1,103,427
				1932	4,663,101	11	557,671	1,248,656
				1933	4,005,154	8½	608,559	1,585,451
				1934	4,105,024	8	1,000,655	1,809,821
				1935	3,005,213	8	...	1,935,033
				1936	3,181,501	8	1,200,000	1,036,535
				1937	3,408,329	8	400,000	1,164,864

* Including \$51,460 premiums on new stock, carried to reserve.

(Dollars converted to sterling at rate of \$5 to £1.)

LIABILITIES		ASSETS	
Year ended April 30	Number of Branches	Year ended April 30	Number of Branches
Capital and Reserves	Per Cent.	Cash in Hand and Due by Agencies	Per Cent.
Un-divided Profits	Per Cent.	Cash at Call and Short Notice in G.B. & U.S.A.	Per Cent.
Notes	Per Cent.	Investments	Per Cent.
Balances Due to Other Banks in Canada, etc.	Per Cent.	Discounts and Advances	Per Cent.
Deposit and Current Accounts	Per Cent.	Premises and Sundries	Per Cent.
Total Liabilities or Assets	Per Cent.	Total Liabilities or Assets	Per Cent.
1927	620	1927	620
1928	628	1928	628
1929	658	1929	658
1930	675	1930	675
1931	648	1931	648
1932	656	1932	656
1933	655	1933	655
1934	669	1934	669
1935	645	1935	645
1936	625	1936	625
1937	517	1937	517

* Six months ended October 31

† Year ended October 31

BANK OF NOVA SCOTIA

ESTABLISHED 1832

1913.—Absorbed Bank of New Brunswick

1914.—Absorbed Metropolitan Bank

1919.—Absorbed Bank of Ottawa

CAPITAL		Market Value		Year Ended Dec. 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callible	Reserved					
£	£	£	£	1927	473,084	16	189,000	95,841
12,000,000	12,000,000	Nil	12,000,000	1928	507,104	16	100,000	182,945
				1929	552,223	16	122,000	283,168
				1930	507,129	16	326,000	106,966
				1931	515,060	16	117,000	112,926
				1932	480,687	15	96,969	115,645
				1933	407,180	12½	95,400	127,425
				1934	370,066	12	79,000	136,491
				1935	366,635	12	73,000	142,328
				1936	385,337	12	79,000	160,663
				1937	396,428	12	86,000	183,091

(Dollars converted to sterling at rate of \$5 to £1.)

LIABILITIES		ASSETS	
Year ended Dec. 31	Number of Branches	Year ended Dec. 31	Number of Branches
Capital and Reserves	Per Cent.	Cash in Hand and Due by Agents	Per Cent.
Un-divided Profits	Per Cent.	Call and Short Loans	Per Cent.
Notes	Per Cent.	Investments	Per Cent.
Due to Other Banks, etc.	Per Cent.	Discounts and Advances	Per Cent.
Deposit and Current Accounts	Per Cent.	Premises, and Sundries	Per Cent.
Total Liabilities or Assets	Per Cent.	Total Liabilities or Assets	Per Cent.
1927...	309	1927...	309
1928...	320	1928...	320
1929...	327	1929...	327
1930...	335	1930...	335
1931...	324	1931...	324
1932...	322	1932...	322
1933...	317	1933...	317
1934...	310	1934...	310
1935...	308	1935...	308
1936...	308	1936...	308
1937...	302	1937...	302

THE CANADIAN BANK OF COMMERCE

INCORPORATED 1867 IN CANADA WITH LIMITED LIABILITY

Head office, Toronto, Canada.

CAPITAL				Market	Year Ended Nov. 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserves	Price		\$	%		
					1927	765,815	13	494,765	292,591
					1928	920,933*	13	596,936	62,535
				Per Share,	1929	1,041,000	13	1,302,572†	87,827
\$	\$	\$	\$		1930	1,105,155	13	337,637‡	106,100
80,000,000	30,000,000	Nil	20,000,000	Sept. 30,	1931	237,449	12 1/2	110,072	110,072
					1932	855,885	11	198,121	105,900
					1933	728,796	8 1/2	191,233	122,433
					1934	682,731	8	198,380	125,797
					1935	677,806	8	200,522	133,070
Per Share	Per Share	Per Share	Per Share	1936	581,825	8	91,801	143,103	
\$100	\$100	Nil	\$100	£34	1937	197,001	8	197,001	147,965

THE CANADIAN BANK OF COMMERCE—Continued from page 33

Year Ended November 30	No. of Branches	LIABILITIES								Total Liabilities or Assets	ASSETS											
		Capital and Reserves	Per Cent.	Undi- vided Profits	Per Cent.	Notes	Per Cent.	Due to Other Banks, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and Due by Agents	Per Cent.	Call and Short Loans	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances	Per Cent.	Real Estate, Pre- mises and Sundries	Per Cent.
1927	572	8,219,178	7.2	458,001	0.4	5,859,184	5.1	8,534,766	7.4	91,732,192	79.9	114,803,321	21,105,947	18.5	17,684,412	15.4	16,784,927	14.6	52,746,040	46.0	9,681,994	8.5
1928	588	10,201,398	6.6	248,984	0.2	4,537,374	4.9	15,937,026	10.3	119,176,194	78.0	153,016,976	26,305,338	17.2	27,971,950	18.3	19,155,792	12.5	70,591,600	46.1	8,992,296	5.9
1929	795	12,245,788	7.5	341,873	0.2	2,197,131	4.4	23,958,784	14.5	120,891,894	73.4	164,635,440	27,539,815	16.8	32,884,326	20.0	15,790,455	9.6	76,331,630	46.3	11,999,224	7.3
1930	782	12,328,768	6.7	353,543	0.2	2,594,748	4.2	13,408,881	9.5	109,102,609	77.4	141,188,549	25,915,886	18.2	36,844,806	18.7	18,278,427	12.9	60,532,443	42.9	10,069,697	7.1
1931	749	12,328,768	6.7	296,542	0.2	2,541,943	4.1	7,993,475	6.1	103,634,509	80.2	131,628,237	23,105,430	17.5	17,736,442	13.5	26,792,089	20.3	56,569,031	47.0	4,665,245	3.7
1932	735	12,000,000	10.0	255,687	0.2	2,501,472	3.7	6,314,740	5.2	96,991,126	80.9	120,063,025	20,906,336	17.4	14,211,881	11.9	27,691,520	23.1	49,936,974	41.5	37,616,146	31.3
1933	691	10,000,000	8.7	254,420	0.2	2,468,961	4.1	7,494,377	6.5	92,401,442	80.5	114,839,200	18,347,285	16.0	12,214,567	10.6	30,670,875	26.7	46,127,395	40.2	27,479,278	23.6
1934	636	10,000,000	8.7	256,700	0.2	2,194,592	4.5	3,953,314	3.4	95,658,196	83.2	115,062,802	18,510,088	16.1	11,579,562	10.1	32,699,693	28.4	44,688,560	38.8	34,589,896	30.1
1935	599	10,000,000	8.0	254,040	0.2	2,345,815	4.2	3,429,759	2.7	106,877,688	84.9	125,907,302	21,537,925	17.1	7,174,486	5.7	43,729,133	34.8	44,930,804	35.8	38,574,954	30.6
1936	593	10,000,000	7.9	264,003	0.2	2,911,950	3.9	3,809,973	3.0	108,561,654	85.0	127,547,580	23,805,970	18.7	10,428,277	8.2	44,459,026	34.9	40,167,974	31.4	38,868,336	30.6
1937	571	10,000,000	7.7	269,697	0.2	2,335,773	3.1	3,439,258	2.6	112,135,180	88.2	139,179,908	22,105,048	17.0	6,479,356	5.0	52,571,428	40.4	40,767,359	31.3	25,671,763	18.4

‡ Figures for these years are converted at rate of \$5 to £1.

THE DOMINION BANK

ESTABLISHED 1871

			Year	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
				\$	%	\$	\$
CAPITAL			1927	1,328,496	13	1,460,527	120,524
Subscribed	Paid-up	Callable	1928	1,408,088	13	476,326	272,287
\$	\$		1929	1,522,809	13	1,531,315*	374,543
7,000,000	7,000,000	Nil	1930	1,409,747	13	434,048†	444,219
			1931	1,392,287	12	314,287	465,209
			1932	1,179,931	11	314,367	310,773
			1933	1,139,202	10	314,631	435,344
Per Share	Per Share	Per Share	1934	1,151,561	10	345,762	541,143
\$100	\$100	Nil	1935	1,130,053	10	378,497	592,699
			1936	1,153,527	10	377,249	668,977
			1937	1,214,150	10	412,311	770,816
Reserve fund, \$7,000,000			* Includes \$996,030 premiums on new stock issue.				

(Dollars converted to sterling at rate of \$5 to £1)

ROYAL BANK OF CANADA

Incorporated in 1859 as Merchants' Bank of Halifax. Name changed in 1901

Absorbed Union Bank of Halifax, 1910

Absorbed Traders Bank of Canada, 1912

Absorbed Quebec Bank, October, 1916

Absorbed Northern Crown Bank, 1918

Absorbed Union Bank of Canada, 1925

Absorbed Quebec Bank, October, 1916				Year Ended Nov. 30	Net Profit £	Dividend %	To Reserve, &c. £	Carried Forward
CAPITAL				1927	1,074,029	14	197,000	361,966
Authorised	Paid-up	Callable	Reserved	1928	1,178,251	14	226,000	472,217
\$	\$	\$	\$	1929	1,429,027	14	242,000	714,830
50,000,000	35,000,000	Nil	35,000,000	1930	1,314,325	14	108,000	821,358
Per Share	Per Share	Per Share	Per Share	1931	1,089,685	12	240,000	831,021
\$100	\$100	Nil	\$100	1932	972,370	10	200,000	823,381
				1933	780,330	8½	142,000	276,721
				1934	879,644	8	295,008	301,361
				1935	868,104	8	287,554	321,911
				1936	900,644	8	279,793	382,759
				1937	931,844	8	289,568	465,035

(Dollars converted to sterling at rate of \$5 to £1)

(Dollars converted to sterling at rate of \$5 to £1)

† February 28.

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LIABILITY ASSURANCE CORPORATION

LIMITED

and Associated Companies

Hamilton House, Victoria Embankment, London, E.C.4

(5) INDIAN BANKS

INDIAN BANKS WITH OFFICES IN LONDON

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890...	5	50	£ 4,347,200	12.1	£ 1,241,000	3.4	£ 17,964,400	50.0	£ 36,003,400	£ 4,321,200	12.0	£ 2,930,500	8.1	£ 27,541,300	76.5
1900...	5	54	£ 3,186,800	10.5	£ 699,800	2.3	£ 18,084,800	58.5	£ 30,207,600	£ 4,704,900	15.5	£ 2,794,600	9.3	£ 22,147,300	72.5
1910...	4	63	£ 3,735,100	10.6	£ 639,100	1.8	£ 23,473,900	66.5	£ 35,268,500	£ 6,507,100	18.4	£ 3,119,500	8.8	£ 23,634,900	69.6
1920...	5	87	£ 6,100,000	12.9	£ 515,600	1.1	£ 34,547,000	72.9	£ 47,339,600	£ 8,312,300	17.6	£ 4,139,400	8.7	£ 32,101,200	67.8
1930...	5	91	£ 7,323,485	11.1	£ 1,085,514	1.6	£ 48,782,482	73.8	£ 66,017,462	£ 12,512,987	18.9	£ 8,002,065	12.1	£ 42,085,918	63.6
1920...	4	94	£ 14,171,476	8.9	£ 2,995,124	1.9	£ 118,352,583	74.1	£ 159,492,420	£ 28,521,284	17.9	£ 10,424,084	6.5	£ 108,740,228	68.0
1927...	4	110	£ 15,770,000	11.6	£ 2,218,870	1.8	£ 99,421,137	73.0	£ 136,121,504	£ 12,722,522	9.3	£ 36,496,821	26.8	£ 76,954,934	56.5
1928...	4	113	£ 15,875,000	11.9	£ 1,977,396	1.5	£ 97,756,492	73.4	£ 133,222,009	£ 14,267,964	10.7	£ 35,275,577	26.5	£ 75,669,243	56.8
1929...	4	113	£ 15,980,000	12.4	£ 2,351,788	1.8	£ 95,286,461	74.0	£ 128,696,924	£ 13,485,072	10.5	£ 33,001,599	25.6	£ 74,758,105	58.1
1930...	4	113	£ 16,030,000	13.3	£ 2,184,761	1.8	£ 91,250,356	75.6	£ 120,695,667	£ 14,444,621	12.0	£ 36,683,818	30.4	£ 62,450,479	51.8
1931...	4	109	£ 13,780,000	12.2	£ 2,139,984	1.9	£ 83,246,489	73.8	£ 112,789,023	£ 12,225,970	10.8	£ 35,545,820	31.5	£ 59,248,666	52.5
1932...	4	108	£ 13,825,000	11.5	£ 2,056,662	1.7	£ 92,788,140	70.1	£ 120,564,299	£ 16,499,083	13.7	£ 42,023,461	34.9	£ 55,816,505	46.4
1933...	4	106	£ 13,825,000	11.5	£ 1,460,811	1.2	£ 94,123,318	78.4	£ 120,691,066	£ 19,982,509	16.6	£ 45,400,997	37.6	£ 49,200,923	40.8
1934...	4	106	£ 13,825,000	11.2	£ 2,006,743	1.6	£ 94,676,009	76.6	£ 123,617,836	£ 14,840,777	12.0	£ 46,081,291	37.4	£ 56,670,306	45.9
1935...	4	106	£ 13,825,000	11.3	£ 1,844,564	1.5	£ 96,085,622	78.5	£ 122,536,137	£ 13,096,416	10.7	£ 49,184,472	40.1	£ 54,863,374	44.8
1936...	4	108	£ 13,825,000	10.6	£ 1,863,797	1.4	£ 100,658,797	77.1	£ 130,610,032	£ 14,984,604	11.5	£ 53,128,363	40.7	£ 56,000,860	49.5
1937...	4	108	£ 13,825,000	10.5	£ 2,015,716	1.5	£ 103,950,708	78.5	£ 132,066,422	£ 15,802,572	12.0	£ 51,553,950	39.0	£ 59,210,708	44.8

IMPERIAL BANK OF INDIA

Year ended Dec. 31	Capital and Reserves	Per Cent.	Deposits	Per Cent.	Sundries	Per Cent.	Total Liabilities or Assets	Cash	Per Cent.	Investments	Per Cent.	Loans	Per Cent.	Cash Credits	Per Cent.	Bills Discounted and Purchased	Per Cent.	Sundries	Per Cent.
1933	Rs. 10,35,00,000	11.8	Rs. 80,36,88,012	87.1	Rs. 1,88,16,596	1.0	Rs. 92,30,40,008	Rs. 18,59,75,841	20.2	Rs. 47,02,96,327	51.0	Rs. 4,18,07,999	4.5	Rs. 15,29,47,893	16.3	Rs. 2,03,08,442	2.2	Rs. 1,14,73,489	1.2
1934	Rs. 10,97,50,000	11.7	Rs. 81,00,14,616	87.2	Rs. 2,93,47,907	1.0	Rs. 92,91,12,524	Rs. 18,97,37,908	20.4	Rs. 41,55,89,581	44.7	Rs. 5,83,04,399	6.3	Rs. 15,59,39,780	16.8	Rs. 2,59,32,373	2.8	Rs. 90,38,037	1.0
1935	Rs. 11,10,00,000	12.2	Rs. 79,09,16,810	87.0	Rs. 66,89,478	0.7	Rs. 90,85,86,288	Rs. 19,42,28,012	21.4	Rs. 46,87,72,819	51.6	Rs. 3,69,82,412	4.1	Rs. 14,87,64,301	16.4	Rs. 3,00,37,513	3.3	Rs. 66,99,074	0.7
1936	Rs. 11,12,50,000	12.3	Rs. 78,79,50,117	87.0	Rs. 66,15,749	0.7	Rs. 90,58,15,868	Rs. 17,83,96,368	20.7	Rs. 52,58,57,749	51.1	Rs. 3,72,99,554	3.3	Rs. 16,24,12,972	18.1	Rs. 4,79,80,868	5.1	Rs. 1,16,68,589	1.3
1937	Rs. 11,12,50,000	12.0	Rs. 81,08,06,708	87.7	Rs. 2,72,58,980	0.8	Rs. 92,93,15,589	Rs. 10,84,27,353	11.7	Rs. 47,63,70,810	51.3	Rs. 6,50,58,416	7.0	Rs. 16,86,98,971	18.2	Rs. 5,98,32,240	6.4	Rs. 3,03,15,700	3.3
June 1938	Rs. 11,15,00,000	12.0	Rs. 81,18,01,467	87.7	Rs. 2,72,58,980	0.8	Rs. 93,05,97,087	Rs. 10,08,08,189	10.8	Rs. 39,75,31,194	42.7	Rs. 6,85,27,225	7.4	Rs. 22,60,58,313	24.3	Rs. 5,19,43,510	5.6	Rs. 6,63,08,822	7.1

CHARTERED BANK OF INDIA, AUSTRALIA, AND CHINA

INCORPORATED 1863

Year	Subscribed	Paid-up	Callable	Reserved	Market Value	Net Profit	Dividend and Bonus	To Reserve, etc.	Carried Forward
1927	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	724,039	20%	125,000	206,893
1928	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	627,263	20%	40,000	186,656
1929	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	661,598	20%	50,000	190,754
1930	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	634,343	20%	30,000	187,597
1931	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	381,787	14%	...	149,384
1932	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	454,499	14%	...	183,884
1933	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	467,467	14%	25,000	206,351
1934	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	486,044	14%	75,000	177,365
1935	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	498,433	14%	75,000	181,038
1936	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	496,892	14%	75,000	182,720
1937	£ 3,000,000	£ 3,000,000	Nil	£ 3,000,000	£ 6,300,000	491,065	14%	75,000	178,793

* Free of tax.

† Of which 7% free of tax.

Year ended Dec. 31	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Acceptances, Bills Payable, Rebate, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand, at Bankers, and in Transit	Per Cent.	Investments	Per Cent.	Bills of Exchange	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1927	£ 4,000,000	10.9	£ 799,393	1.1	£ 1,984,334	9.1	£ 8,607,195	14.9	£ 45,121,907	70.0	£ 64,442,829	£ 4,371,710	6.8	£ 13,670,279	21.2	£ 19,761,881	30.5	£ 20,670,405	32.2	£ 5,968,554	9.3
1928	£ 4,000,000	11.5	£ 824,156	1.0	£ 1,749,125	2.9	£ 7,615,178	12.9	£ 44,004,911	72.1	£ 60,981,370	£ 5,381,198	8.8	£ 13,764,637	22.6	£ 14,816,216	24.3	£ 22,947,901	37.6	£ 4,101,420	6.7
1929	£ 4,000,000	11.5	£ 838,255	1.0	£ 2,105,222	3.4	£ 6,420,718	10.5	£ 44,917,480	73.6	£ 61,081,885	£ 5,145,593	8.4	£ 13,521,919	22.2	£ 14,819,601	23.9	£ 24,182,091	39.6	£ 3,612,481	5.8
1930	£ 4,000,000	12.7	£ 815,097	1.1	£ 1,909,534	3.5	£ 4,443,965	8.5	£ 40,833,795	74.6	£ 54,902,422	£ 5,961,121	10.9	£ 13,838,039	25.2	£ 11,036,567	20.1	£ 21,027,232	38.4	£ 2,636,463	4.5
1931	£ 4,000,000	11.8	£ 859,885	1.0	£ 1,965,159	3.7	£ 6,189,242	11.1	£ 39,616,008	72.7	£ 53,129,794	£ 6,431,302	14.9	£ 17,950,839	30.6	£ 11,798,824	20.1	£ 17,738,881	30.2	£ 2,803,484	4.8
1932	£ 4,000,000	10.2	£ 883,840	1.0	£ 1,894,552	3.2	£ 6,802,640	11.6	£ 43,632,855	74.3	£ 58,724,031	£ 6,431,302	14.9	£ 17,950,839	30.6	£ 11,798,824	20.1	£ 17,738,881	30.2	£ 2,803,484	4.8
1933	£ 4,000,000	10.0	£ 441,351	0.7	£ 1,356,821	2.2	£ 5,893,731	9.8	£ 46,635,658	77.3	£ 60,287,581	£ 12,094,382	20.0	£ 19,439,209	32.2	£ 7,485,210	12.5	£ 18,575,704	30.8	£ 2,683,059	4.5
1934	£ 4,000,000	10.0	£ 441,351	0.7	£ 1,356,821	2.2	£ 5,893,731	9.8	£ 46,635,658	77.3	£ 60,287,581	£ 12,094,382	20.0	£ 19,439,209	32.2	£ 7,485,210	12.5	£ 18,575,704	30.8	£ 2,683,059	4.5
1935	£ 4,000,000	9.7	£ 462,595	0.8	£ 1,851,106	3.0	£ 7,888,806	11.0	£ 46,548,424	75.5	£ 61,650,731	£ 7,845,503	12.7	£ 19,666,110	31.9	£ 9,810,828	15.6	£ 21,646,286	35.1	£ 2,882,004	4.7
1936	£ 4,000,000	10.0	£ 466,038	0.8	£ 1,851,106	3.0	£ 7,888,806	11.0	£ 46,548,424	75.5	£ 61,650,731	£ 7,845,503	12.7	£ 19,666,110	31.9	£ 9,810,828	15.6	£ 21,646,286	35.1	£ 2,882,004	4.7
1937	£ 4,000,000	9.4	£ 467,720	0.7	£ 1,809,224	2.5	£ 8,247,075	12.8	£ 48,184,255	74.7	£ 64,508,274	£ 6,602,898	10.2	£ 25,450,080	39.5	£ 8,239,390	12.8	£ 20,599,361	31.9	£ 3,610,543	5.8
1938	£ 4,000,000	9.4	£ 463,785	0.7	£ 1,809,224	2.5	£ 8,247,075	12.8	£ 48,184,255	74.7	£ 64,508,274	£ 6,602,898	10.2	£ 25,450,080	39.5	£ 8,239,390	12.8	£ 20,599,361	31.9	£ 3,610,543	5.8

* Includes Treasury Bills.

THE EASTERN BANK, LIMITED
REGISTERED 1909

CAPITAL				Year	Net Profit £	Dividend %	To Reserve, etc. £	Carried Forward
Subscribed £	Paid-up £	Reserve Liability of Shareholders £	Market Value Sept. 30, 1938 £					
2,000,000	1,000,000	1,000,000	1,200,000	1927	121,911	9	80,000	40,351
				1928	124,119	9	80,000	44,470
				1929	123,531	9	80,000	47,991
				1930	116,694	9	25,000	49,685
				1931	119,607	6	75,000	34,292
				1932	121,944	6	55,000	41,236
				1933	125,523	6	55,000	51,761
				1934	130,006	6	40,000	51,767
				1935	125,386	6	55,000	62,153
				1936	131,866	6	50,000	74,018
				1937	127,173	7	50,000	74,018
Per Share £10	Per Share £5	Per Share £5	Per Share £6.60					

ASSETS

Returns for week ended OCTOBER 5, 1938

ISSUE DEPARTMENT		BANKING DEPARTMENT	
Notes Issued :—	£		£
In Circulation	505,784,303	Government Debt	11,015,100
In Banking Department	20,629,970	Other Government Securities	188,902,357
		Other Securities	71,798
		Silver Coin	10,745
		Amount of Fiduciary Issue	200,000,000
		Gold Coin and Bullion	326,414,273
			526,414,273
	526,414,273		
		Proprietors' Capital	14,553,000
		Rest	3,075,857
		Public Deposits*	12,054,590
		Other Deposits :—	
		Bankers	£109,702,885
		Other Accts.	£37,141,156
			146,844,041
			176,527,288
		Government Securities	121,871,164
		Other Securities :—	
		Discounts and Advances	£10,205,045
		Securities	£22,476,741
			32,681,786
		Notes	20,629,970
		Gold and Silver Coin	1,344,368
			176,527,288

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

BARCLAYS BANK LIMITED

		LIABILITIES						Total Liabilities or Assets	ASSETS											
Dec. 31	Number of Branches	Capital and Reserves	Per Cent.	Accept- ances and Endorse- ments	Per Cent.	Deposit and Current Accounts (c)	Per Cent.		Cash in Hand and Bank, Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments (b)	Per Cent.	Discounts	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
1928 ...	1979	26,108,217	6-8	24,874,317	6-5	335,081	222	386,063,756	60,914,638	15-8	23,988,400	6-2	63,906,320	16-7	38,258,569	9-9	188,620,475	43-7	30,375,354	7-9
1929 ...	2032	26,108,217	6-8	21,981,928	5-8	337,436	214	385,539,359	62,668,721	16-3	23,582,200	6-1	60,010,605	15-6	36,966,968	9-8	174,454,652	43-7	27,856,585	7-9
1930 ...	2090	26,108,217	6-7	12,710,524	3-8	349,273	283	388,092,024	63,109,418	16-8	22,316,100	5-7	63,061,611	16-3	50,901,977	13-1	169,672,248	43-7	19,030,870	4-4
1931 ...	2080	26,108,217	7-0	16,798,794	2-2	335,565	144	372,470,155	56,910,345	15-3	21,768,450	5-8	63,257,680	17-0	40,791,393	10-8	172,197,631	46-8	17,542,373	4-7
1932 ...	2070	26,108,217	6-3	6,729,470	1-5	381,946	810	414,234,287	62,344,879	15-0	24,317,550	6-0	64,048,105	17-7	66,239,257	16-0	153,158,988	37-1	13,575,838	3-6
1933 ...	2089	26,108,217	6-3	7,191,741	1-7	378,758	772	412,059,730	62,249,185	15-1	23,393,300	6-2	64,048,686	25-5	59,959,329	14-5	148,835,468	36-0	14,788,579	3-6
1934 ...	2116	26,108,217	5-9	7,857,821	1-7	380,085	756	413,407,530	58,699,862	14-4	25,837,900	5-8	63,046,389	26-7	47,572,778	11-5	153,979,234	37-7	14,655,917	3-6
1935 ...	2116	26,108,217	5-9	7,857,821	1-7	380,085	756	413,407,530	65,304,917	14-4	25,837,900	5-8	63,046,389	26-7	47,572,778	11-5	153,979,234	37-7	14,655,917	3-6
1936 ...	2106	26,108,217	5-6	9,266,151	2-0	429,538	416	464,912,784	66,630,908	14-4	26,318,800	5-8	67,136,689	25-0	59,248,252	12-7	179,655,011	38-6	16,722,917	3-6
1937 ...	2122	26,608,217	5-7	8,532,516	1-8	434,645	323	468,786,056	70,783,320	15-1	27,068,930	5-8	68,108,939	23-3	50,362,681	10-7	196,284,866	41-7	15,914,371	3-4
June 30, 1938	2129	26,608,217	5-6	13,749,482	2-9	436,030	566	476,388,265	66,890,188	14-0	28,581,390	6-0	60,10244081	21-5	54,583,467	11-5	202,668,708	42-5	21,243,898	4-5

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. (b) Includes investments in affiliations. (c) Including balances in account with subsidiary banks.

COUTTS AND COMPANY

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Buildings & Structures including Cover for Acceptance ^a	Per Cent.
1928...	2,000,000	9-9	483,613	2-3	17,715,988	87-8	20,179,991	2,398,070	14-6	1,717,000	8-5	3,774,434	18-7	10,914,484	54-0	895,615	4-2
1929...	2,000,000	9-0	400,020	1-8	19,801,165	89-2	20,201,185	3,098,242	14-0	2,103,050	9-5	3,797,454	17-0	12,440,419	56-0	772,028	3-5
1930...	2,000,000	9-1	534,018	2-4	19,487,171	88-5	2,951,185	2,951,185	13-4	3,525,920	16-0	3,768,117	17-0	10,981,075	53-8	813,518	3-9
1931...	2,000,000	10-2	497,318	2-5	17,030,426	87-3	19,527,742	2,181,565	11-2	2,213,000	8-1	3,901,798	20-0	10,091,075	51-7	876,616	4-5
1932...	2,000,000	8-8	390,262	2-6	20,084,621	88-6	22,674,883	2,951,185	12-8	1,840,900	8-1	6,082,901	26-8	10,837,664	47-9	1,002,262	4-4
1933...	2,000,000	8-6	769,189	3-0	20,512,016	88-1	23,281,205	3,288,189	14-2	1,880,400	8-1	7,334,468	31-4	9,596,999	41-2	1,181,189	5-1
1934...	2,000,000	8-5	708,483	3-0	20,741,595	88-1	23,451,488	2,780,659	11-8	2,410,300	10-3	7,870,748	33-6	9,968,289	39-6	1,121,462	4-7
1935...	2,000,000	7-8	798,456	3-1	22,755,748	88-5	25,550,204	2,991,532	11-7	2,839,700	11-1	8,998,353	33-4	9,968,353	39-1	1,210,456	4-7
1936...	2,000,000	7-6	500,745	2-8	23,984,920	90-5	26,085,665	3,180,535	12-2	1,678,500	6-4	8,525,122	33-8	11,670,844	42-0	912,745	3-4
1937...	2,000,000	7-6	744,173	2-8	23,441,396	89-6	26,185,599	3,187,199	12-2	2,244,650	8-8	8,900,917	34-0	10,696,680	40-0	1,165,173	4-4
June, 1938...	2,000,000	7-6	704,083	2-7	23,437,688	89-7	26,141,771	3,559,131	13-6	2,201,700	8-4	8,730,610	33-0	10,994,267	44-7	1,116,083	4-3

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.



PRINCIPAL LONDON OFFICE

75 Cornhill, E.C.3

FOREIGN DEPARTMENT

13 Spring Gardens, Manchester, 2
76 Cornhill, London, E.C. 3
2 Castle Street, Liverpool, 2

HEAD OFFICE:
SPRING GARDENS, MANCHESTER, 2

Member of the London Bankers' Clearing House

BRANCHES THROUGHOUT
ENGLAND AND WALES

Banking Business of Every Description

HEAD OFFICE :

15 Bishopsgate, London, E.C.2

Affiliated Banks :
Coutts & Co. Grindlay & Co., Ltd.

1563



1831

**MARTINS
BANK
LIMITED**

Every Banking Service

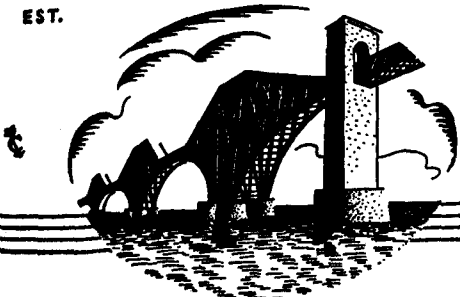
LONDON DISTRICT OFFICE: 68 LOMBARD ST., E.C.3

HEAD OFFICE:
WATER STREET, LIVERPOOL

THE STANDARD LIFE ASSURANCE COMPANY

**STRENGTH
STABILITY
SECURITY**

HEAD OFFICE . . 3 GEORGE STREET, EDINBURGH
LONDON . . 46 QUEEN VICTORIA STREET, E.C. 4
ISA PALL MALL, S.W. 1



P. 24

DISTRICT BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS											
		Capital and Res- erves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Exchange	Per Cent.	Advances	Per Cent.
1928	387	3,896,000	6-6	499,499	0-8	2,464,878	4-2	59,115,326	8,043,460	13-6	4,724,125	8-0	14,786,850	25-0	5,146,318	8-7	23,249,695	39-9	3,164,878	5-4
1929	391	4,212,000	7-1	378,825	0-6	2,400,469	4-0	59,231,747	8,063,750	13-6	3,857,140	6-5	14,827,230	25-0	5,029,778	8-5	24,327,283	41-1	3,128,568	5-8
1930	396	4,212,000	7-2	390,864	0-7	2,400,489	4-0	58,118,761	7,849,197	13-5	4,409,670	7-6	16,651,547	28-7	6,798,985	11-7	20,577,119	35-3	1,832,243	3-2
1931	400	4,212,000	7-4	391,703	0-7	2,400,489	4-0	58,722,109	7,108,669	12-5	4,274,545	7-5	18,893,206	33-3	3,887,728	6-9	19,952,329	35-2	2,606,634	4-6
1932	400	4,212,000	6-6	400,516	0-6	2,400,489	4-0	63,441,694	8,476,606	13-6	5,441,095	8-6	21,805,878	34-4	7,188,260	11-3	17,600,457	27-9	2,839,400	4-5
1933	400	4,212,000	6-6	411,445	0-6	2,399,159	8-3	63,820,497	7,708,349	12-1	4,436,950	9-9	23,565,795	38-8	4,886,484	7-7	17,001,871	26-6	6,114,948	9-6
1934	405	4,212,000	6-7	424,074	0-7	2,376,865	8-5	62,901,945	7,605,511	12-4	4,408,730	7-0	21,265,507	33-8	6,838,462	10-9	16,463,613	26-2	6,138,822	10-0
1935	583	5,952,856	7-0	445,168	0-5	5,164,213	7-2	91,903,248	10,972,877	11-9	8,728,215	9-9	29,621,700	34-3	5,113,319	9-5	24,963,760	29-9	7,759,186	9-1
1936	555	5,952,856	6-2	450,332	0-5	5,282,046	7-9	91,903,248	10,972,877	11-9	8,764,618	9-5	29,629,248	32-0	5,333,395	7-1	27,398,723	29-8	8,885,836	9-6
1937	559	5,952,856	6-2	480,365	0-5	5,934,536	9-7	96,839,736	11,693,311	12-1	8,283,450	8-5	29,621,613	30-6	5,479,737	5-7	30,834,823	31-8	10,926,802	11-3
June 30, 1938	563	5,952,856	6-5	\$	...	6,743,572	7-3	92,011,794	10,768,140	11-7	6,624,165	7-2	29,679,922	32-3	4,533,291	4-9	32,082,439	34-9	8,323,837	9-0

(a) Including balances with, and cheques in course of collection on, other banks in Great Britain and Ireland. § Included with deposits and other accounts.

MARTINS BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS													
		Capital and Reserves	Un- divided Profits	Accept- ances, Endorse- ments, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Short Loans on Stocks and Ad- vances	Per Cent.	Buildings & Sundries including Cover for Acceptances	Per Cent.		
1928	560	7,617,914	7-5	445,915	0-4	10,949,041	10-7	32,932,881	81-4	10,196,520	12,116,604	11-9	5,420,745	5-3	25,104,788	24-6	6,370,147	3-6	42,900,479	41-8	13,017,759	12-8
1929	564	7,667,914	7-8	464,935	0-4	7,184,161	7-4	82,620,494	84-7	97,953,529	13,309,171	13-6	6,278,861	6-4	17,807,898	18-2	27,232,087	7-4	43,942,731	44-8	9,382,811	9-6
1930	571	7,667,914	8-3	442,879	0-5	5,599,786	6-1	78,562,040	85-1	92,289,957	11,969,514	13-0	6,952,126	7-5	18,677,148	20-7	27,382,145	8-0	39,134,818	42-4	8,174,205	8-6
1931	578	7,680,042	8-0	422,027	0-5	4,750,674	4-5	75,927,392	86-1	88,176,777	11,866,374	12-7	7,099,914	8-0	18,947,309	21-7	31,753,968	8-0	38,098,900	40-9	7,555,412	8-6
1932	585	7,680,042	7-8	476,571	0-5	4,752,518	4-8	85,332,338	87-5	98,121,468	12,566,850	12-8	6,176,814	6-3	50,900,921	31-1	1,050,388	10-7	30,608,895	31-2	7,704,101	7-8
1933	585	7,680,042	7-8	499,108	0-5	4,744,486	5-0	81,578,545	86-8	93,952,129	12,923,824	13-1	5,291,182	5-8	31,811,908	34-6	6,939,785	7-3	29,848,038	31-6	7,577,592	8-1
1934	550	7,180,042	7-8	519,937	0-4	4,983,768	4-9	82,890,039	87-4	98,987,168	12,919,624	13-3	5,671,209	6-2	32,235,451	33-9	5,934,208	8-3	47,142,599	33-1	7,453,799	7-9
1935	550	7,180,042	7-8	519,937	0-4	4,983,768	5-8	87,237,563	86-8	100,979,770	13,778,457	13-1	4,945,000	4-9	34,905,232	34-6	6,988,980	8-3	47,784,584	36-0	8,885,677	8-5
1936	553	7,640,042	8-6	587,251	0-6	7,817,226	7-2	93,475,145	85-5	109,389,364	14,695,277	12-5	5,535,000	5-1	32,388,981	31-2	12,496,363	3-2	42,999,740	39-2	10,446,466	9-6
1937	582	7,680,042	8-7	683,411	0-6	9,836,580	8-9	95,508,182	84-1	113,991,214	16,256,656	12-8	7,275,000	6-4	31,392,280	27-6	8,850,442	3-4	44,181,796	38-9	12,465,038	11-0
June 30, 1938		7,680,042	8-6	\$		7,354,948	6-5	97,523,348	86-7	112,538,338	14,531,307	12-9	7,304,914	6-5	32,068,959	28-5	54,311,115	8-8	44,278,366	39-4	10,047,727	8-9

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom. § Included with Deposit and Current Accounts.

GLYN, MILLS AND CO.

Year Ended Dec. 31	LIABILITIES										Total Liabilities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Reduction of Pre- mises Account	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.		Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts, Loans and Other Securities	Per Cent.	Premises and Cover for Acceptances	Per Cent.		
1928	£1,590,000	4-0	£200,000	0-5	£2,081,205	5-2	£35,928,161	90-3	39,799,366	7,368,652	18-5	7,620,250	19-1	7,618,875	19-1	14,415,385	36-2	2,776,204	7-0		
1929	1,590,000	3-6	210,000	0-5	2,099,728	6-1	39,458,833	89-8	43,958,361	6,339,319	19-7	7,051,500	18-0	8,430,410	19-2	16,442,404	37-4	3,394,728	7-7		
1930	1,590,000	3-6	220,000	0-5	2,552,658	5-8	39,535,509	90-1	43,898,167	8,725,397	19-9	8,153,400	18-6	6,638,253	15-1	17,133,459	39-0	3,247,658	7-4		
1931	1,590,000	4-4	230,000	0-6	2,339,290	6-5	32,104,080	88-5	36,263,370	7,356,292	20-3	6,102,450	16-8	7,095,768	19-6	12,674,572	34-9	3,034,290	8-4		
1932	1,590,000	4-0	240,000	0-6	1,767,023	4-5	35,731,879	90-9	39,328,902	7,129,281	18-1	6,555,000	16-7	11,545,881	29-4	11,836,717	29-6	2,462,023	6-3		
1933	1,590,000	3-8	260,000	0-6	1,750,479	4-2	39,535,215	91-5	39,927,140	7,733,738	19-4	7,241,000	18-1	11,580,788	29-0	11,079,889	27-7	2,291,925	5-8		
1934	1,590,000	3-8	270,000	0-6	1,533,582	3-7	38,200,591	91-6	41,594,173	7,054,088	17-6	8,251,950	19-8	11,258,105	27-0	12,383,231	29-6	2,490,479	6-0		
1935	1,590,000	3-4	280,000	0-6	1,533,582	3-7	38,200,591	91-6	41,787,854	7,354,088	17-6	8,251,950	19-8	11,258,105	27-0	12,383,231	29-6	2,490,479	6-0		
1936	1,590,000	3-4	280,000	0-6	1,533,582	3-7	38,200,591	91-6	41,787,854	7,354,088	17-6	8,251,950	19-8	11,258,105	27-0	12,383,231	29-6	2,490,479	6-0		
1937	1,590,000	3-7	290,000	0-7	3,222,131	7-6	37,375,503	88-0	42,477,834	8,645,095	20-8	8,949,950	22-0	10,552,509	24-6	9,767,858	23-0	3,962,131	9-2		
June, 1938.	1,590,000	4-0	295,000	0-7	3,143,704	7-8	35,094,351	87-5	40,123,055	7,675,925	19-1	8,587,700	21-4	10,483,293	26-1	9,492,433	23-7	3,883,704	9-7		

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

LLOYDS BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS													
		Paid-up Capital and Reserves	Un- divided Profits	Accept- ances and Endorse- ments	Per Cent.	Current, Deposit and Other Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Cash at Call and Short Notice	Invest- ments	Bills of Ex- change	Per Cent.	Advances	Per Cent.	Buildings Sundries, including Cover for Acceptances	Per Cent.					
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£						
1928	1,813	25,810,252	5-9	1,476,980	0-3	60,341,184	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1929	1,853	25,810,252	6-0	1,495,178	0-3	62,226,283	12-1	351,650,804	81-6	431,182,519	57,002,848	13-2	31,150,461	7-2	43,866,232	10-2	39,625,277	9-2	200,351,693	46-5	59,184,008	13-7
1930	1,947	25,810,252	5-9	1,281,649	0-3	64,091,901	12-1	351,650,804	81-6	431,182,519	57,002,848	13-2	31,150,461	7-2	43,866,232	10-2	39,625,277	9-2	200,351,693	46-5	59,184,008	13-7
1931	1,963	25,810,252	5-9	1,267,652	0-3	66,343,553	12-1	351,650,804	81-6	431,182,519	57,002,848	13-2	31,150,461	7-2	43,866,232	10-2	39,625,277	9-2	200,351,693	46-5	59,184,008	13-7
1932	1,974	25,810,252	5-9	1,116,614	0-3	68,317,978	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1933	1,915	25,810,252	5-9	1,179,836	0-3	70,640,910	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1934	1,917	25,810,252	5-9	1,211,420	0-3	72,914,918	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1935	1,917	25,810,252	5-9	1,228,825	0-3	74,741,451	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1936	1,901	25,810,252	5-9	1,194,437	0-3	76,937,711	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1937	1,904	25,810,252	5-9	1,224,825	0-3	79,166,536	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1938	1,904	25,810,252	5-9	1,224,825	0-3	81,400,771	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1939	1,904	25,810,252	5-9	1,224,825	0-3	83,645,986	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1940	1,904	25,810,252	5-9	1,224,825	0-3	85,891,191	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1941	1,904	25,810,252	5-9	1,224,825	0-3	88,136,396	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1942	1,904	25,810,252	5-9	1,224,825	0-3	90,381,601	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1943	1,904	25,810,252	5-9	1,224,825	0-3	92,626,806	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1944	1,904	25,810,252	5-9	1,224,825	0-3	94,872,011	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1945	1,904	25,810,252	5-9	1,224,825	0-3	97,117,216	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1946	1,904	25,810,252	5-9	1,224,825	0-3	99,362,421	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1947	1,904	25,810,252	5-9	1,224,825	0-3	101,607,626	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1948	1,904	25,810,252	5-9	1,224,825	0-3	103,852,831	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1949	1,904	25,810,252	5-9	1,224,825	0-3	106,098,036	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1950	1,904	25,810,252	5-9	1,224,825	0-3	108,343,241	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1951	1,904	25,810,252	5-9	1,224,825	0-3	110,588,446	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1952	1,904	25,810,252	5-9	1,224,825	0-3	112,833,651	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1953	1,904	25,810,252	5-9	1,224,825	0-3	115,078,856	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1954	1,904	25,810,252	5-9	1,224,825	0-3	117,324,061	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1955	1,904	25,810,252	5-9	1,224,825	0-3	119,569,266	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1956	1,904	25,810,252	5-9	1,224,825	0-3	121,814,471	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1957	1,904	25,810,252	5-9	1,224,825	0-3	124,059,676	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1958	1,904	25,810,252	5-9	1,224,825	0-3	126,304,881	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1959	1,904	25,810,252	5-9	1,224,825	0-3	128,550,086	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1960	1,904	25,810,252	5-9	1,224,825	0-3	130,795,291	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1961	1,904	25,810,252	5-9	1,224,825	0-3	133,040,496	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1962	1,904	25,810,252	5-9	1,224,825	0-3	135,285,701	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1963	1,904	25,810,252	5-9	1,224,825	0-3	137,530,906	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1964	1,904	25,810,252	5-9	1,224,825	0-3	139,776,111	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1965	1,904	25,810,252	5-9	1,224,825	0-3	142,021,316	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1966	1,904	25,810,252	5-9	1,224,825	0-3	144,266,521	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1967	1,904	25,810,252	5-9	1,224,825	0-3	146,511,726	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1968	1,904	25,810,252	5-9	1,224,825	0-3	148,756,931	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1969	1,904	25,810,252	5-9	1,224,825	0-3	151,002,136	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1970	1,904	25,810,252	5-9	1,224,825	0-3	153,247,341	13-7	352,161,962	80-1	439,790,378	55,457,101	12-6	29,005,684	6-6	44,553,811	10-1	49,281,472	11-2	194,373,479	44-2	67,118,831	15-3
1971	1,904	25,810,252	5-9	1,224,825	0-																	

YORKSHIRE PENNY BANK, LIMITED

December 31	LIABILITIES			ASSETS					
	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and Other Accounts	Premises
1933	2,000,000	31,836,494	500,000	8,543,833	20,536,025	321,177	1,894,605	1,987,854	550,000
1934	2,000,000	31,363,019	500,000	9,167,873	21,659,087	293,103	1,629,231	2,063,725	550,000
1935	2,000,000	35,400,248	500,000	9,607,552	23,334,204	260,413	1,261,083	2,386,995	550,000
1936	2,500,000	37,036,692	500,000	9,267,022	25,562,627	195,663	...	4,051,380	550,000
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000
June 30, 1938	2,500,000	39,175,593	500,000	8,504,974	29,614,382	27,255	...	2,978,953	550,000

PRIVATE BANKS

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				ASSETS											
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.	Per Cent.
1928	500,000	13.9	3,095,254	86.1	3,595,254	1,097,214	30.5	972,632	32.5	258,748	1.8	1,164,662	32.4	100,000	2.8	
1929	500,000	14.3	2,994,121	85.7	3,494,121	1,018,670	29.1	995,521	28.5	181,001	5.2	1,198,929	34.3	100,000	2.9	
1930	500,000	15.5	2,718,857	84.5	3,218,857	720,808	22.4	850,004	26.4	186,457	5.8	1,361,588	42.3	100,000	3.1	
1931	500,000	15.9	2,629,718	84.1	3,129,718	825,480	26.4	647,550	20.7	121,778	3.9	1,434,910	45.8	100,000	3.2	
1932	500,000	16.9	2,463,636	83.1	2,963,636	858,682	28.9	588,850	19.9	162,888	5.5	1,253,418	42.3	100,000	3.4	
1933	500,000	12.2	3,592,297	87.8	4,092,297	1,179,450	28.9	894,483	21.9	271,719	6.4	1,846,645	40.2	100,000	2.4	
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,200	30.6	205,741	5.4	1,301,687	34.3	100,000	2.6	
1935	500,000	11.9	3,711,318	88.1	4,211,318	1,122,347	26.7	1,341,088	31.8	200,467	4.8	1,447,418	34.3	100,000	2.4	
1936	500,000	11.4	3,853,504	88.6	4,353,504	1,176,466	27.0	1,291,210	29.6	281,397	6.1	1,524,432	35.0	100,000	2.3	
1937	500,000	11.9	3,686,793	88.1	4,186,793	977,781	23.3	832,950	19.9	451,169	10.8	1,824,913	43.6	100,000	2.4	
1938	500,000	12.6	3,476,892	87.4	3,976,892	919,445	23.1	812,499	20.4	348,047	8.8	1,796,901	45.2	100,000	2.5	

LONDON DISCOUNT COMPANIES

GILLET BROTHERS DISCOUNT COMPANY, LIMITED

January 31	LIABILITIES			ASSETS			
	Capital and Reserves	Deposits, Loans, Rediscounts, and Sundry Accounts	Cash at Bankers and in Hand	British, Indian, and Dominion Govt. Securities *and Brit. Corp. Stock	Bills discounted including Rediscounts	Loans on Security and Sundry Accounts	
1934	325,000	12,021,123	152,264	1,341,500	10,578,041	274,318	
1935	325,000	11,339,236	211,821	2,200,000*	8,741,218	511,197	
1936	345,000	12,666,512	228,985	1,425,000	11,004,566	352,962	
1937	345,000	12,361,148	219,874	1,600,000	10,276,116	610,158	
1938	345,000	12,230,412	220,269	1,580,000	10,302,147	472,996	

FOREIGN BANKS HAVING LONDON OFFICES AND BRITISH BANKS TRADING ABROAD

ANGLO-CZECHOSLOVAK AND PRAGUE CREDIT BANK

Dec. 31	LIABILITIES						ASSETS									
	Capital and Reserves	Staff Pension Fund	Deposit Accounts	Current Accounts	Acceptances on account of Clients	Items in Transit	Cash in Hand and with Banks	Balances with Banks Abroad	Bills receivable	Investments	Participations	Advances, etc.	Items in Transit	Premises		
1933	Kc. 138,072,478	Kc. 62,329,800	Kc. 915,962,039	Kc. 1,739,781,025	Kc. 19,036,090	Kc. 23,962,059	Kc. 177,097,488	Kc. 36,891,269	Kc. 190,820,360	Kc. 395,859,546	Kc. 73,000,000	Kc. 1,903,180,462	Kc. 21,348,095	Kc. 75,091,171		
1934	Kc. 138,104,763	Kc. 62,329,800	Kc. 974,696,892	Kc. 1,722,268,461	Kc. 28,525,008	Kc. 23,248,982	Kc. 238,965,057	Kc. 49,719,832	Kc. 145,255,742	Kc. 416,321,891	Kc. 73,000,000	Kc. 1,897,969,704	Kc. 20,204,844	Kc. 73,741,686		
1935	Kc. 138,137,894	Kc. 62,329,800	Kc. 1,034,541,007	Kc. 1,757,416,620	Kc. 30,057,253	Kc. 23,149,015	Kc. 290,882,425	Kc. 94,910,648	Kc. 155,485,055	Kc. 447,524,538	Kc. 73,000,000	Kc. 1,864,794,758	Kc. 14,015,798	Kc. 75,848,295		
1936	Kc. 138,201,091	Kc. 62,329,800	Kc. 1,055,814,607	Kc. 1,916,037,360	Kc. 74,146,062	Kc. 24,082,087	Kc. 280,461,696	Kc. 94,246,174	Kc. 163,072,221	Kc. 498,887,574	Kc. 73,000,000	Kc. 1,918,926,685	Kc. 29,141,034	Kc. 77,527,288		
1937	Kc. 138,257,465	Kc. 62,329,800	Kc. 1,094,418,818	Kc. 2,059,755,674	Kc. 40,697,966	Kc. 28,209,545	Kc. 287,924,999	Kc. 139,660,002	Kc. 239,969,730	Kc. 514,317,563	Kc. 73,000,000	Kc. 1,976,832,580	Kc. 15,616,829	Kc. 75,788,202		

ANGLO-INTERNATIONAL BANK, LIMITED

The directors submit a report for the year ending December 31, 1937, which states that the net losses on the realisation of assets and sundry provisions amounted to £51,850, and expenses in connection with the liquidation of foreign branches amounted to £2,874, making a charge to profit and loss account of £54,724;

from this sum has been deducted the surplus of interest, dividends, commissions, etc., over general expenses and directors' fees, £12,954, leaving a debit balance for the year of £41,770, which, added to the balance brought forward from the previous year, £487,023, makes a total debit balance of £528,794.

Dec. 31	LIABILITIES					ASSETS									
	Capital	Current, Deposit and other Accounts	Acceptances and Guarantees for Account of Customers	Cash with Bankers and in Hand	Money at Call	Balances with Bankers Abroad	Bills Receivable	Securities and Investments	Notes and Treasury Bills, etc.	Advances, etc.	Acceptances and Guarantees on behalf of Customers	Premises Abroad			
1933	£ 1,960,008	£ 509,763	£ 1,414,266	£ 42,429	£ 225,000	£ 31,412	£ 88,315	£ 455,448	£ 191,263	£ 1,238,330	£ 1,366,531	£ 171,939			
1934	£ 1,960,008	£ 442,310	£ 1,176,116	£ 39,468	£ 225,000	£ 38,649	£ 84,079	£ 892,462	£ 128,655	£ 612,619	£ 1,160,085	£ 171,939			
1935	£ 1,960,008	£ 505,242	£ 1,084,465	£ 39,734	£ 425,000	£ 42,510	£ 81,372	£ 759,624	£ 128,939	£ 414,341	£ 1,084,465	£ 171,923			
1936	£ 1,960,008	£ 569,084	£ 907,980	£ 50,759	£ 245,000	£ 16,503	£ 75,656	£ 1,125,568	£ 128,331	£ 230,253	£ 907,980	£ 170,000			
1937	£ 1,960,008	£ 627,760	£ 436,580	£ 47,423	£ 230,000	£ 34,403	£ 52,317	£ 795,129	£ 124,003	£ 584,944	£ 477,315	£ 170,000			

The UNION BANK OF AUSTRALIA

LIMITED

Established 1837

CAPITAL AUTHORISED AND ISSUED - £12,000,000

Paid up Capital - £4,000,000
Reserve Liability of Proprietors £8,000,000
(Not capable of being called up except in the event of and for the purpose of the Bank being wound up.)

Reserve Fund - £3,250,000
Special Currency Reserve - £1,600,000

DIRECTORS:

Maj.-Gen. Sir JOHN H. DAVIDSON, K.C.M.G., C.B., D.S.O., Chairman.
COLIN S. ANDERSON, Esq. ARTHUR TERENCE MAXWELL, Esq.
HUGH D. FLOWER, Esq. ROBERT C. NESBITT, Esq.
J. W. HEY-HUTCHINSON, Esq. The Hon. EDMUND W. PARKER
The Rt. Hon. LORD HILLINGDON The Rt. Hon. The VISCOUNT STONE-
HAVEN OF URY, P.C., G.C.M.G., D.S.O.
Sir MALCOLM HOGG ALFRED W. TURNBULL, Esq.

HEAD OFFICE:

71 Cornhill, London, E.C.3

Manager: - F. H. MCINTYRE Assistant Manager: - C. E. MURCH
Secretary: - C. R. PEARSE

West End Agency: 15 CARLOS PLACE, W.1

BRANCHES THROUGHOUT AUSTRALIA AND NEW ZEALAND

Drafts upon the Branches are issued by Head Office, and may be obtained from the Bank's Agents throughout England, Scotland and Ireland.
Commercial and Circular Letters of Credit and Travellers' Cheques issued—available throughout the World.
Telegraphic Remittances are also made.
Bills on the Australian States and Dominion of New Zealand are purchased or sent for collection.
Deposits are received at Head Office at rates of interest and for periods which may be ascertained on application.

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN SWITZERLAND)

1872

BASLE, ZURICH, ST. GALL,
GENEVA, LAUSANNE,
LA CHAUX-DE-FONDS,
NEUCHÂTEL, SCHAFFHOUSE

Capital paid-up - S.Fcs. 160,000,000
Reserves - S.Fcs. 32,000,000

LONDON OFFICE - 99 GRESHAM STREET, E.C.2
WEST END BRANCH: 11 REGENT STREET (WATERLOO PLACE), S.W.1

All descriptions of Banking and
Exchange Business Transacted

Correspondents in all
Parts of the World



BANK OF NEW SOUTH WALES

ESTABLISHED 1817

The first bank in Australasia and the largest, the Bank of New South Wales offers a unique banking service to investors, traders and travellers. Over 860 branches are maintained throughout Australia, New Zealand and the Pacific Islands. At the main London Office, 29 Threadneedle Street, the Intelligence Department is fully equipped to provide information on economic and financial conditions in these countries. The branch at 47, Berkeley Square, W.1 advises travellers and makes arrangements for them.

AGGREGATE ASSETS, £123,145,000

(Incorporated in New South Wales with Limited Liability.)

ANGLO-PALESTINE BANK, LIMITED

December 31	Capital and Reserves	Bills Payable	Current, Deposit and other Accounts	Guarantees, Endorsements and other Engagements	Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments	Advances, etc.	Premises
1933.....	£ 350,850	£ 175,362	£ 4,563,544	£ 259,978	£ 740,299	£ 246,839	£ 349,450	£ 2,199,788	£ 1,479,203	£ 90,754
1934.....	380,854	300,991	6,329,448	204,976	600,108	240,070	636,559	2,645,781	2,157,950	107,416
1935.....	690,854	297,594	7,152,865	378,294	873,725	231,149	703,558	3,070,658	2,785,670	95,004
1936.....	1,079,497	209,341	7,425,525	378,950	918,639	195,936	533,995	3,935,138	2,626,658	150,856
1937.....	1,079,497	178,520	6,844,919	496,604	918,264	144,818	681,799	2,690,201	3,010,144	169,446

BANCA COMMERCIALE ITALIANA

The net profit for the year ended December 31, 1937, was 34,914,977 lire.

LIABILITIES										ASSETS				
Dec. 31	Capital and Reserves	Bills Payable	Commercial Acceptances	Deposits and Current Accounts	Guarantees	Rebate on Bills	Securities Deposited	Cash in Hand	Bills Receivable, Govt. Securities and Money at Call	Contango and Loans	Participations in Affiliated Banks	Other Govt. Securities and Bonds and Shares	Current Accounts	
1933	Lire 840,000,000	Lire 172,240,584	Lire 174,793,458	Lire 8,049,268,536	Lire 434,483,812	Lire 23,697,227	Lire 8,270,076,847	Lire 531,004,752	Lire 5,359,759,801	Lire 129,977,320	Lire 279,130,867	Lire 243,660,257	Lire 2,675,795,518	
1934	844,244,493	159,587,424	191,881,548	7,840,409,929	293,125,070	4,213,065	8,938,653,558	460,641,281	5,164,448,833	132,843,392	254,465,901	160,379,252	2,601,139,646	
1935	844,785,576	199,914,293	24,329,912	6,960,028,565	207,295,021	7,293,737	7,991,987,675	564,779,826	4,657,177,195	118,286,284	252,892,498	192,687,964	2,298,101,499	
1936	845,769,054	208,239,123	29,484,872	6,900,421,209	199,189,203	6,393,536	6,832,915,038	640,014,933	4,688,231,758	93,402,047	251,794,085	128,733,052	2,044,869,891	
1937	847,596,198	242,083,149	205,202,793	7,477,990,829	316,613,061	8,634,398	6,932,670,471	705,722,912	4,932,611,653	104,207,077	250,944,829	187,080,441	2,290,031,994	

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

The report of the directors for the year ended January 31, 1938, states that the net profits, after making provision for bad and doubtful debts and income tax, amount to £16,076, which, with the balance of £49,505 brought forward from last year, make a total of £65,581: this it is proposed to carry forward.

LIABILITIES										ASSETS				
January 31	Capital and Reserves	Current, Deposit and Other Accounts	Acceptances and Confirmed Credits	Cash at Bankers in Hand and at Call	Balances with Banks abroad	Bills discounted	Investments	Advances, etc.	Banco Nacional Ultramarino, Lisbon and Branches, Accounts					
1934.....	1,000,000	664,567	390,818	278,321	164,808	873,539	893,598	197,325	208,774					
1935.....	1,000,000	754,661	632,684	350,999	175,007	444,799	365,175	234,631	134,275					
1936.....	1,000,000	838,995	535,822	379,349	202,046	691,770	234,018	235,425	85,668					
1937.....	1,000,000	988,217	787,666	378,828	62,854	712,660	277,932	299,069	156,749					
1938.....	1,050,000	1,339,193	803,801	590,214	50,716	874,025	540,497	304,322	...					

BANKERS' TRUST COMPANY, NEW YORK

LIABILITIES										ASSETS				
December 31	Capital and Surplus Fund	Un-divided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Banks	Ex-changes for Clearing House	U.S. Govt. Securities	Demand Loans	Time Loans and Discounts	Securities and Investments	Customers' Liability on Acceptances	Premises
1933.....	\$ 75,000,000	\$ 10,030,599	\$ 15,849,892	\$ 595,278,592	\$ 16,447,172	\$ 16,172,954	\$ 111,724,952	\$ 26,901,289	\$ 242,478,351	\$ 68,367,060	\$ 205,717,183	\$ 44,207,628	\$ 14,955,865	\$ 20,682,195
1934.....	75,000,000	12,018,789	16,922,302	585,212,121	16,221,619	16,303,383	189,202,302	55,875,115	497,811,600	49,932,006	183,182,634	50,967,524	8,937,672	20,455,109
1935.....	75,000,000	18,338,035	15,966,036	690,783,720	49,592,323	4,193,581	190,298,396	92,091,688	458,595,209	50,794,859	158,125,324	55,428,410	3,785,941	20,115,982
1936.....	75,000,000	23,937,771	8,200,000	910,920,321	42,700,840	9,273,253	225,816,844	59,575,789	448,876,818	78,967,807	175,958,646	62,383,310	8,361,325	19,822,258
1937.....	75,000,000	26,932,372	5,500,000	819,473,017	33,323,324	5,873,894	282,548,353	57,568,449	343,935,274	59,246,989	165,131,887	30,473,728	5,522,563	19,522,482
June 1938.....	75,000,000	27,650,902	5,500,000	878,076,591	39,880,028	2,706,598	324,078,437	46,834,200	399,353,060	64,231,487	131,690,747	33,208,894	2,551,516	21,394,934

BANK OF AMERICA

LIABILITIES										ASSETS				
December 31	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Circulation	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.					
*1933.....	\$ 112,357,400	\$ 20,992,019	\$ 826,051,868	\$ 45,500,000	\$ 106,488,147	\$ 334,346,029	\$ 2,700,000	\$ 483,678,945	\$ 39,014,219					
*1934.....	105,977,315	17,554,907	997,695,995	45,500,000	130,845,782	485,190,617	3,994,790†	472,382,859	37,306,115					
1935.....	104,107,638	18,046,264	1,155,265,465	...	134,989,706	620,219,559	2,475,000	451,009,354	35,394,076					
1936.....	108,189,177	23,231,264	1,298,176,759	...	204,171,712	623,804,982	2,505,000	532,076,968	34,756,618					
1937.....	111,995,831	23,998,508	1,357,378,758	...	244,870,758	550,551,379	2,560,000	630,668,811	35,369,955					

* Includes figures of Bank of America State Bank.

† Includes investments in Federal Deposit Insurance Corporation.

BANCO DE BILBAO

LIABILITIES										ASSETS				
December 31	Capital and Reserves	Deposits	Bills Payable	Acceptances for account of Customers, etc.	Sundry Creditors	Securities Deposited	Cash in Hand and at Other Banks	Bills Receivable	Govt. and other Securities	Advances on Security and Sundry Debtors	Banking Correspondents, etc.	Unissued Shares	Premises	
1931.....	Pesetas 183,305,519	Pesetas 309,905,235	Pesetas 19,069,717	Pesetas 5,492,448	Pesetas 77,650,274	Pesetas 3,179,933,511	Pesetas 193,731,140	Pesetas 89,703,100	Pesetas 441,451,852	Pesetas 78,728,465	Pesetas 186,948,983	Pesetas 25,000,000	Pesetas 19,974,502	
1932.....	186,679,449	358,797,987	20,989,207	5,911,238	127,975,814	2,978,170,527	221,163,378	110,651,192	496,634,844	85,259,282	188,015,511	25,000,000	19,974,502	
1933.....	187,652,774	910,620,132	25,739,833	62,188,534	124,885,359	3,020,435,006	236,749,811	98,375,816	444,942,697	96,011,996	172,922,048	25,000,000	21,217,781	
1934.....	187,652,774	894,194,502	26,371,700	81,408,445	18,362,538	3,104,414,830	219,174,434	98,381,788	488,770,979	122,389,899	126,582,478	25,000,000	21,490,878	
1935.....	175,000,000	872,522,697	35,814,028	29,441,565	15,377,037	3,170,427,201	282,635,780	91,447,821	501,108,551	134,397,201	67,255,390	25,000,000	21,490,878	
June 30, 1936.....	175,000,000	853,470,801	37,073,113	15,691,413	15,985,011	3,132,465,580	192,992,042	90,991,880	468,196,999	144,681,164	76,519,428	25,000,000	21,490,878	

BANK OF ATHENS

The report of the directors for the year ended December 31, 1937, states that net profits, after making the necessary provisions for amortisation, general expenses, taxes, installations and repairs to premises, and the payment of Drs. 4,006,707 into the

staff pension fund, amount to Drs. 20,958,660. It was proposed to declare a dividend of Drs. 12 per share, and to carry forward the balance of Drs. 5,043,530.

LIABILITIES										ASSETS				
December 31	Capital and Reserves	Sight Deposits	Fixed Deposits	Deposits in Guarantee	Savings Bank	Current Accounts	Cheques Payable	Cash in Hand, at Bank and Treasury Bills	Due from Banks Abroad	Bills Receivable	Loans, Advances, Discounts, etc.	Current Accounts	Securities	
1933.....	Drs. 178,000,000	Drs. 857,464,756	Drs. 559,489,789	Drs. 37,336,865	Drs. 653,101,421	Drs. 304,659,734	Drs. 52,392,444	Drs. 431,743,198	Drs. 82,033,728	Drs. 325,698,998	Drs. 899,861,485	Drs. 615,013,064	Drs. 207,991,710	
1934.....	178,000,000	900,419,519	529,680,677	40,367,579	713,525,171	282,912,596	33,684,350	290,608,854	55,742,858	492,363,818	928,581,409	598,925,999	213,894,828	
1935.....	178,000,000	878,178,945	450,565,388	38,321,310	682,618,617	289,309,534	32,394,305	283,800,580	68,709,082	476,246,778	905,882,223	538,848,341	221,152,733	
1936.....	178,000,000	879,777,476	489,856,921	41,611,658	742,909,986	300,095,182	31,831,272	321,376,249	96,642,860	494,204,055	831,244,478	528,925,193	208,061,250	
1937.....	178,000,000	909,207,911	473,463,521	41,625,249	832,922,114	302,650,622	34,374,679	258,036,402	94,991,250	608,264,044	886,682,955	597,128,977	229,641,771	

BANCO DI ROMA

The net profits for the year 1937 were 10,891,790 lire.

LIABILITIES										ASSETS				
December 31	Capital and Reserves	Deposits on Current and Savings Accounts	Balances Due to Correspondents	Circular Cheques	Acceptances on behalf of Customers	Guarantees for Third Parties	Sundry Deposits	Cash in Hand and with Banks	Portfolio Treasury Bills, and Sight Funds	Balances Due by Correspondents	Secured Advances	Investments	Securities on Deposit	
1933.....	Lire 240,000,000	Lire 611,777,778	Lire 1,833,605,308	Lire 98,934,020	Lire 60,717,051	Lire 75,334,695	Lire 1,948,010,322	Lire 434,170,948	Lire 110,202,289	Lire 894,962,819	Lire 211,868,937	Lire 128,012,122	Lire 139,156,500	
1934.....	241,280,840	688,274,377	1,766,815,438	95,254,530	66,189,774	102,095,859	2,722,524,207	421,815,788	110,355,012	774,292,691	277,425,699	106,135,451	154,898,500	
1935.....	242,280,840	665,129,453	1,843,532,080	108,099,152	7,156,290	108,431,121	3,415,778,790	461,127,147	120,402,8367	708,364,073	233,488,454	107,654,456	164,938,500	
1936.....	243,280,840	982,348,883	2,245,674,372	141,801,118	6,775,693	172,003,824	2,987,658,127	535,213,984	147,052,781	101,240,0505	260,547,068	147,143,020	127,254,500	
1937.....	244,258,173	1281,327,289	2,796,285,837	195,008,714	114,436,121	143,553,439	3,477,351,308	597,638,702	187,632,547	117,712,875	499,266,759	184,783,958	112,889,000	

BANK OF LONDON AND SOUTH AMERICA, LIMITED

The profit for the year ended September 30, 1937, after deducting all expenses and charges, and after providing for bad and doubtful debts and legal reserves in South America, amounts to £462,075. To this sum has to be added £168,925 brought forward from last year, making a total of £631,000. From this unappropriated balance the directors recommend the following

distribution:—To dividend of 5 per cent., payable December 15, 1937, subject to income tax, £202,00

BANCO ESPANOL DEL RIO DE LA PLATA

LIABILITIES					ASSETS									
June 30	Capital, Reserve and Contingency Fund	Deposits	Re-discounts	Securities deposited	Cash	Discounts, Bills for Collection, Advances	Advances on Mortgages	Accounts Overdue and in Liquidation	Properties received in Payment of Advances	Securities	Argentine Government Treasury Bills	Bills for Collection for Account of Third Parties	Mortgage Loans for Account of Third Parties	Premises
1931	£ 5,899,231	£ 27,045,197	£ 6,459,728	£ 34,901,690	£ 3,397,149	£ 24,692,638	£ 2,801,534	£ 2,588,770	£ 1,532,714	£ 1,725,727	£ 2,837,301	£ 2,985,116	£ 1,070,478	£ 1,181,912
1932	£ 5,808,881	£ 23,952,661	£ 7,817,143	£ 34,988,862	£ 2,713,187	£ 22,414,855	£ 3,201,107	£ 2,620,982	£ 1,986,873	£ 2,301,725	£ 3,710,317	£ 2,221,380	£ 1,207,899	£ 1,192,868
1933	£ 5,819,738	£ 24,799,994	£ 6,791,232	£ 38,821,498	£ 3,025,599	£ 21,032,670	£ 3,711,099	£ 2,623,940	£ 2,155,689	£ 2,691,073	£ 3,710,317	£ 2,708,868	£ 1,278,027	£ 1,263,949
1934	£ 5,830,548	£ 27,218,457	£ 6,666,690	£ 43,255,870	£ 3,979,971	£ 20,982,048	£ 4,008,408	£ 2,590,836	£ 2,579,485	£ 3,112,269	£ 3,710,317	£ 3,054,798	£ 1,214,861	£ 1,384,449
1935	£ 5,839,959	£ 23,198,658	£ 7,226,342	£ 29,099,988	£ 1,365,706	£ 19,971,969	£ 4,163,675	£ 2,529,656	£ 2,661,570	£ 2,925,140	...	£ 1,930,841	£ 744,262	£ 924,715

THE BANK OF ROUMANIA, LIMITED

The report for the year 1937 states that the balance of the Bucarest profit and loss account, namely, £3,186, cannot be remitted and has therefore been passed to the provision for bad and doubtful debts in Roumania and the equivalent sum has been released from the sterling reserve for doubtful debts, contingencies, etc. After meeting all London office expenses, directors' fees, and payments on account of the Bucarest office, as well as depreciation of investments, there is a deficit of £8,278.

LIABILITIES					ASSETS						
December 31	Capital and Reserves	Current Accounts, etc.	Guarantees, etc., for Account of Customers	Subsidiary Companies' Current Accounts	Cash in Hand and at Bankers	Balances with Banks Abroad	Money at Call and Short Notice in London	British Treasury Bills	Investments	Bills Receivable, Loans, Current and Other Accounts	Property Account
1933	£ 300,000	£ 872,363	£ 77,050	£ 7,799	£ 280,282	£ 21,060	£ 30,000	£ 350,000	£ 26,888	£ 461,438	£ 4,311
1934	£ 300,000	£ 1,412,071	£ 87,122	£ 8,051	£ 791,739	£ 10,259	£ 125,000	£ 250,000	£ 31,823	£ 482,802	£ 17,258
1935	£ 300,000	£ 1,246,401	£ 32,636	£ 3,956	£ 436,806	£ 7,416	£ 25,000	£ 398,618	£ 695,141	£ 695,141	£ 17,633
1936	£ 300,000	£ 936,972	£ 97,533	£ 13,222	£ 200,303	£ 9,329	£ 245,000	£ 381,204	£ 224,917	£ 546,272	£ 12,731
1937	£ 300,000	£ 831,095	£ 47,982	£ 2,878	£ 328,339	£ 2,447	...	...	...	£ 392,432	£ 12,717

* Not shown separately.

THE BRITISH BANK FOR FOREIGN TRADE, LIMITED

The directors' report for the year ended April 30, 1937, shows a loss, after charging the sums shown to the debit of the profit and loss account, of £3,361, to which is added the debit brought forward from the previous year of £72,269. Deducting profit on sale of premises of £6,400, this makes a total of £69,230.

LIABILITIES					ASSETS						
April 30	Capital	Current Deposit and Other Accounts	Investment Depreciation Reserve	Cash in Hand, at Bankers in London and Abroad	Investments	Loans and Advances	Subsidiary Company	Profit and Loss Account	Premises		
1933	£ 351,600	£ 276,837	£ 85,433	£ 59	£ 395,319	£ 157,629	£ 70,813	£ 44,050	£ 46,000	£ 46,000	£ 46,000
1934	£ 351,600	£ 253,506	£ 85,433	£ 358	£ 392,314	£ 123,957	£ 69,665	£ 58,245	£ 46,000	£ 46,000	£ 46,000
1935	£ 351,600	£ 236,391	£ 86,049	£ 384	£ 392,195	£ 99,031	£ 68,934	£ 67,496	£ 46,000	£ 46,000	£ 46,000
1936	£ 351,600	£ 225,674	£ 19,680	£ 599	£ 391,830	£ 86,255	...	£ 72,269	£ 46,000	£ 46,000	£ 46,000
1937	£ 361,100	£ 220,313	...	£ 432	£ 377,838	£ 81,513	...	£ 69,230	...	...	...

THE BANK OF TAIWAN, LIMITED

LIABILITIES					ASSETS									
Dec.	Capital and Reserves	Notes in Circulation	Deposits, etc.	Bills Payable	Bills Re-discounted	Acceptances and Guarantees, etc.	Due to Correspondents	Cash in Hand and at Banks	Bullion	Discounts, Loans, etc.	Interest Bills, Bills Bought and Export Advances	Government Bonds, etc.	Due from Correspondents	Premises and Estate
1933	Yen 17,354,000	Yen 48,993,959	Yen 256,576,207	Yen 43,995,261	Yen 49,615,985	Yen 4,324,724	Yen 3,014,182	Yen 16,437,511	Yen 20,181,352	Yen 228,380,415	Yen 53,623,425	Yen 90,835,549	Yen 1,946,591	Yen 6,993,874
1934	Yen 18,104,000	Yen 62,653,877	Yen 264,470,796	Yen 36,050,000	Yen 33,725,308	Yen 4,326,675	Yen 2,638,177	Yen 16,262,787	Yen 19,657,496	Yen 212,951,387	Yen 71,427,871	Yen 89,055,178	Yen 2,191,499	Yen 4,782,699
1935	Yen 19,004,000	Yen 70,190,978	Yen 255,783,541	Yen 48,811,280	Yen 11,766,647	Yen 6,316,551	Yen 1,957,809	Yen 12,162,956	Yen 15,469,212	Yen 59,572,815	Yen 100,094,852	Yen 1,065,043	Yen 4,838,691	Yen 4,838,691
1936	Yen 19,504,000	Yen 63,673,700	Yen 257,690,062	Yen 57,938,643	Yen 3,800,616	Yen 3,076,606	Yen 1,713,804	Yen 12,863,140	Yen 15,557,040	Yen 203,674,503	Yen 61,833,236	Yen 103,812,626	Yen 659,541	Yen 4,887,700
1937	Yen 20,700,000	Yen 75,489,725	Yen 266,414,839	Yen 70,592,610	Yen 7,756,065	Yen 4,099,807	Yen 1,808,684	Yen 19,240,288	Yen 12,369,151	Yen 205,306,560	Yen 83,378,043	Yen 114,827,664	Yen 999,087	Yen 6,025,434

BRITISH AND CONTINENTAL BANKING COMPANY LIMITED

The report of the directors for the year ended September 30, 1937, shows a net profit of £16,126, to which must be added the balance brought forward from last year £2,642, making an available total of £18,768. The directors propose to appropriate this balance as follows: Payment of a dividend of 5 per cent., free of tax, on December 31, 1937, £5,000; to be placed to an additional reserve account, £10,000; to be carried forward, £3,768—£18,768.

LIABILITIES					ASSETS						
September 30	Capital and Reserves	Current Accounts	Deposit and Other Accounts, etc.	Acceptances and Endorsements	Cash in Hand, at Bankers and at Call	British Treasury Bills and Government Bonds	Other Bills	Investments	Deposits in London and Paris, Advances, Guarantees, etc.		
1933	£ 165,000*	£ 214,332	£ 405,343	£ 133,835	£ 130,771	£ 154,231	£ 225,514	£ 109,269	£ 164,890	£ 164,890	£ 164,890
1934	£ 175,000	£ 184,491	£ 403,135	£ 133,835	£ 156,436	£ 45,371	£ 249,755	£ 184,212	£ 106,852	£ 106,852	£ 106,852
1935	£ 185,000	£ 119,247	£ 471,139	£ 80,467	£ 180,827	£ 35,000	£ 199,899	£ 159,597	£ 200,319	£ 200,319	£ 200,319
1936	£ 192,500	£ 517,555	£ 601,305	£ 50,000	£ 511,261	£ 50,000	£ 841,616	£ 100,209	£ 308,274	£ 308,274	£ 308,274
1937	£ 200,000	£ 724,325	£ 898,566	£ 84,567	£ 568,487	£ 150,000	£ 454,805	£ 155,655	£ 483,934	£ 483,934	£ 483,934

* After cash repayment of £250,000.

NATIONAL BANK OF RUMANIA

Capital : Lei 600.000.000.—fully paid

Telegraphic Address :
BANCANAT, BUCARESTGovernor : MITITZA CONSTANTINESCO
Vice-Governor : CONST. I. TEODORESCO

Members of the Board :

C. I. BAICOIANO, N. BALANESCU, G. CESIANO,
O. KIRIACESCO, I. LAPEDATU, A. OTOIU,
M. ROMNICEANO, C. STOICESCU, E. SAVU

Branches and Agencies :

Braila	Constanta	Oradea
Braşov	Craiova	Ploesti
Cernăuţi	Galaţi	Sibiu
Chişinău	Iasi	Timişoara
Cluj		

Alba-Iulia	Făgăraş	Sf. Gheorghe
Arad	Fălticeni	Silistra
Bacău	Focşani	Sighet
Băltă	Giurgiu	Sighişoara
Bărlad	Hotin	Simleu-Silvaniei
Bazargio	Huşi	Slatina
Bistriţa	Ismail	Soroca
Botoşani	Lugoj	Suceava
Buzău	Mercurea-Ciucului	Târgu-Mureş
Călăraşi	Odorhei	Tecuci
C.-Lung-Bucovina	Oraviţa	Tighina
C. Lung-Muscel	Orhei	Tulcea
Cahul	Piatra-Neamţ	Turda
Caracal	Piteşti	Turnu-Măgurele
Cetatea-Albă	Rădăuţi	Turnu-Severin
Dej	Râmnicu-Sărat	Târgu-Jiu
Deva	Râmnicu-Vâlcea	Târgovişte
Dicioşanmartin	Roman	Vaslui
Dorohoi	Satu-Mare	Zalău

THE BANK OF INDIA LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL SUBSCRIBED ... Rs. 2,00,00,000
CAPITAL PAID UP ... " 1,00,00,000
RESERVE FUND ... " 1,08,00,000

HEAD OFFICE :—ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES :

Bullion Exchange, Shaikh Memon Street
Malabar Hill, Hughes Road
Kalbadevi, Princess Street
Colaba, Cusrow Baug
Andheri, 47 Ghodbunder Road

BRANCHES :

Ahmedabad, Ahmedabad (Station Branch), Bandra, Calcutta (Clive Street), Calcutta (Bara Bazar), Nagpur (Civil Lines) Nagpur City, Poona, Poona City, Rajkot, Surat.

LONDON AGENTS :

The Westminster Bank Ltd.

DIRECTORS :

Sir Chunilal V. Mehta, K.C.S.I. (Chairman)

Mr Ambalal Sarabhai

Sir Joseph Kay, Knight

Mr A. Geddis

Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.

Mr Dinsha K. Daji

Mr Ramnivas Ramnarain

Current Deposit Accounts.—Interest is allowed on daily balances from Rs. 300 to Rs. 1,00,000 at 4 per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given in account for interest amounting to less than Rs. 5 per half year.

Fixed Deposits.—Deposits are received fixed for one year or for shorter periods at rates of interest which can be ascertained on application.

Savings Bank.—Accounts opened on favourable terms. Rules on application.

The Bank undertakes Executor and Trustee Business.—Rules may be obtained on application.

General Banking Business transacted, rules for which can be obtained upon application.

A. G. GRAY, Manager.

1838

CENTENARY YEAR

1938

The Clydesdale Bank Limited

HEAD OFFICE : 30 ST. VINCENT PLACE, GLASGOW

ANDREW MITCHELL - GENERAL MANAGER

Foreign Exchange Branch : 91 Buchanan St., Glasgow.

Edinburgh Office : 29 George St., Edinburgh

London Offices : { City : 30 Lombard St., E.C.3
West End : 31 Regent St., S.W.1CAPITAL ISSUED £5,300,000
CAPITAL PAID UP £1,300,000RESERVE SURPLUS FUND £1,750,000
DEPOSITS [31st Dec. 1937] £37,401,402

Money received on Deposit at call and short notice at current rates of interest and for longer periods at Special Terms.

TRUSTEE AND EXECUTOR BUSINESS UNDERTAKEN

AFFILIATED TO MIDLAND BANK LIMITED WITH OVER 2,100 BRANCHES

SOCIÉTÉ GÉNÉRALE

POUR FAVORISER LE DÉVELOPPEMENT DU COMMERCE ET DE L'INDUSTRIE EN FRANCE

ESTABLISHED 1864.

(Incorporated in France with Limited Liability)

SUBSCRIBED CAPITAL - - - - - Frs. 625,000,000
PAID-UP CAPITAL - - - - - Frs. 322,556,250
RESERVE FUND & UNDIVIDED PROFITS - - - - - Frs. 410,119,436
DEPOSITS (31st December, 1937) - - - - - Frs. 9,249,287,511EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED.
Over 1,300 BRANCHES IN FRANCE AND NORTH AFRICA.

Subsidiary Banks or Correspondents in all parts of the World.

Head Office : 29, BOULEVARD HAUSMANN, PARIS.

London Office : 105, OLD BROAD STREET, E.C.2 The Société Générale is represented in the West End of London by the Société Française de Banque et de Dépôts, 11, WATERLOO PLACE, S.W.1

BANQUE COMMERCIALE DU CONGO

The report of the board of directors for the year 1936-37 announces a net profit of Frs. 2,400,233, out of which a dividend of 8 per cent., free of tax, has been paid. Frs. 250,000 have been allotted to the reserve, and Frs. 13,345 are carried forward.

Owing to a change in the presentation of the balance sheet, the figures for 1935-36 and 1936-37, below, are only approximately comparable with those of previous years.

LIABILITIES							ASSETS						
June 30	Capital and Reserves	Dividend Due	Sundry Creditors	Advances against Securities	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Government Securities	Sundry Debtors	Bills Receivable	Investments	Sundry Accounts	Debtors for Acceptances
1933	Fr. 41,000,000	Fr. 2,108,434	Fr. 247,297,554	Fr. 265,448	Fr. 1,867,729	Fr. 3,972,950	Fr. 14,477,632	Fr. 231,825,925	Fr. 33,162,484	Fr. 2,804,500	Fr. 10,803,722	Fr. 23,087	Fr. 11,912
1934	41,500,000	2,108,434	207,767,124	265,448	1,249,908	3,176,794	11,830,639	195,887,411	28,155,447	5,793,277	9,956,768	54,982	...
1935	35,000,000	2,100,347	107,369,940	381,500	1,905,369	1,698,381	26,727,663	84,806,315	25,592,006	6,326,877	...	45,937	1,233,250
1936	35,000,000	2,391,297	201,788,409	...	71,134	2,765,341	...	124,201,737	18,218,480	90,212,674	461,292	13,176	...
1937	35,250,000	2,400,233	163,160,089	...	39,353	2,258,691	6,784,819	177,956,299	14,792,177	99,891	461,292	13,887	...

BANQUE DU CONGO BELGE

The report of the directors for the year 1936-37 shows a net profit of Frs. 7,153,781. This permits the increase of the

dividend from 11 to 12 per cent.* The reserves are increased by Frs. 500,000, and Frs. 2,968,138 go to the Trésor Colonial.

LIABILITIES								ASSETS						
June 30	Capital and Reserves	Notes	Due to Colonial Treasury	Dividend Due	Creditors	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Gold and Gold Exchange	Government Securities	Bills Receivable	Sundry Debtors	Sundry Accounts	Property, Premises, Furniture, etc.
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1933	58,600,000	116,044,336	2,118,723	2,409,639	553,690,105	11,766,575	3,655,629	465,589,314	61,784,212	139,955,968	74,725,824	53,370,143	3,387,988	9,500,000
1934	59,000,000	110,944,588	2,233,192	2,409,639	500,023,312	8,047,355	2,825,247	345,885,557	61,794,212	130,604,834	82,613,822	52,002,802	3,647,593	9,000,000
1935	59,500,000	116,920,015	2,362,464	2,409,639	543,801,619	14,425,153	27,650,821	413,987,298	85,825,248	52,792,871	145,238,481	58,764,595	1,487,444	9,000,000
1936	60,000,000	257,214,806	2,661,762	2,650,802	515,213,235	16,571,169	4,356,910	294,899,245	130,802,248	118,713,691	147,477,374	161,627,251	6,608,181	8,500,000
1937	60,500,000	343,540,173	2,968,138	2,891,568	654,653,881	15,913,483	2,899,735	336,602,537	172,825,248	236,290,231	159,202,842	183,299,460	7,163,942	8,000,000

* Free of tax.

BRITISH OVERSEAS BANK, LIMITED

The directors' report states that the profit, after allowing rebate of interest and providing for all bad and doubtful debts (other than provided for out of contingencies account), for the year ended October 31, 1937, amounts to £52,454; balance available from last account, £69,147, making a total of £121,601, which has been appropriated as follows: To contingencies

account, £50,000, leaving a balance to be carried forward to next year of £71,601. The directors do not recommend payment of a dividend on the "A" ordinary shares, as they consider it prudent to conserve the resources of the bank in view of the unsettled state of world affairs.

LIABILITIES				ASSETS									
October 31	Capital and Reserves	Current Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Premises	
1933	£ 2,250,000	£ 2,599,182	£ 2,988,843	£ 216,638	£ 685,578	£ 150,442	£ 662,732	£ 396,771	£ 570,806	£ 1,840,098	£ 53,939	£ 336,624	
1934	2,250,000	2,964,622	3,121,136	229,388	945,996	145,423	498,095	379,936	515,849	2,024,740	142,023	336,781	
1935	2,250,000	2,693,403	2,968,528	247,417	869,329	208,471	553,825	370,629	587,013	1,782,860	14,715	336,961	
1936	2,250,000	3,982,509	4,078,265	255,894	1,259,843	456,753	973,462	446,345	594,389	1,958,870	33,485	837,078	
1937	2,250,000	3,840,339	3,089,195	278,043	1,146,195	196,622	138,099	446,345	703,779	3,031,211	53,593	837,398	

CITY BANK FARMERS TRUST COMPANY

LIABILITIES				ASSETS									
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds and Mortgages and Securities	Stock in Federal Reserve Bank	Bank Premises	Other Assets		
1933	\$ 20,000,000	\$ 1,749,152	\$ 176,799	\$ 47,399,612	\$ 15,129,969	\$ 21,699,349	\$ 8,079,806	\$ 16,383,178	\$	\$ 5,414,092	\$ 2,618,279		
1934	20,000,000	2,223,691	279,955	45,656,182	14,957,414	12,913,684	17,894,870	14,643,070	...	4,726,509	2,424,281		
1935	20,000,000	2,805,961	1,057,513	87,526,709	36,275,953	9,409,432	39,771,668	18,873,843	600,000	4,577,240	2,182,045		
1936	20,000,000	3,485,194	2,237,917	106,445,371	48,200,130	7,706,245	32,304,003	18,681,002	600,000	4,427,972	2,785,780		
1937	20,000,000	4,120,759	3,115,261	73,396,510	34,183,893	10,296,214	31,740,359	16,828,779	600,000	4,278,704	2,704,811		

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The directors report that there has been an increase of \$4,656,494 in the undivided profits account during the year ended December 31, 1937, as shown herewith:—Undivided profits January 1, 1937, \$26,464,247; add earnings for 1937, \$15,016,494; totalling \$41,480,741; less dividends paid during 1937, \$10,360,000; making the undivided profits at December 31, 1937, \$31,120,741.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Deposits	Certified and Cashier's Cheques	Circulating Notes	Acceptances	Liability for Acceptances and Foreign Bills	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages	Customers' Acceptance Liability	Other Assets
1933	\$ 211,303,363	\$ 1,338,699,324	\$ 25,640,128	\$ 18,120,000	\$ 99,716,312	\$ 389,045	\$ 18,730,134	\$ 304,799,578	\$ 454,572,716	\$ 795,192,027	\$ 42,672,453	\$ 94,506,175	\$ 22,204,353
1934	238,696,119	1,636,086,387	70,705,988	...	43,836,820	408,055	8,117,478	514,781,534	734,834,393	651,069,766	41,570,414	41,496,542	11,552,518
1935	241,859,177	2,076,121,091	...	...	20,518,920	7,771,008	6,279,997	855,637,783	775,522,673	638,002,317	43,047,738	2,580,788	18,674,106
1936	243,248,456	2,236,209,062	...	...	17,880,230	8,174,218	7,190,078	860,417,960	10,367,101	772,031,008	41,475,886	10,681,010	15,193,897
1937	250,182,189	2,069,989,515	...	...	23,707,614	23,637,678	8,862,414	708,036,851	846,510,578	728,522,464	42,662,486	11,736,121	23,646,601
June, 1938	252,180,927	2,152,228,097	...	...	24,070,567	14,234,041	8,573,442	801,269,851	885,641,221	654,026,783	41,946,680	11,402,169	22,644,468

* Including \$24,843,997 bullion.

THE ANGLO-PALESTINE BANK LTD.

Incorporated 1902

10/12 WALBROOK, LONDON, E.C.4

GENERAL MANAGEMENT : TEL-AVIV

BRANCHES IN PALESTINE:

TEL-AVIV JAFFA JERUSALEM HAIFA TIBERIAS
SAFAD PETAH TIKVAH HEDERA HADAR HACARMEL REHOVOTH

EVERY BANKING FACILITY FOR BUSINESS WITH PALESTINE

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835)

Head Office: 4 THREADNEEDLE STREET, LONDON, E.C.2

West End Branch: 17 NORTHUMBERLAND AVENUE, W.C.2

Paid-up Capital ... £4,500,000
Reserve Fund ... 2,475,000
Currency Reserve ... 2,000,000
Reserve Liability of Proprietors under the Charter ... 4,500,000
£13,475,000

DIRECTORS:

D. F. ANDERSON, Esq. KENNETH GOSCHEN, Esq. RIGHT HON. THE EARL OF MIDLETON, K.P., P.O.
HON. GEOFFREY C. GIBBS. CHARLES GIPPS HAMILTON, Esq. HORACE PEEL, Esq.
J. F. G. GILLIAT, Esq. FREDERICK V. C. LIVINGSTONE. SIR JOHN SANDERSON, K.B.E.
EDMUND GODWARD, Esq. LEARMONTH, Esq., D.S.O. ARTHUR WHITWORTH, Esq.

BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE

SOCIÉTÉ ANONYME

3 Montagne du Parc, BRUSSELS

FONDS SOCIAL:

Capital: frs. 500,000,000.— Reserves: frs. 100,000,000.—

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED

Branches and agencies in the Country

The London correspondent of the "BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE" is the "BANQUE BELGE POUR L'ETRANGER (OVERSEAS), LTD.," 4 Bishopsgate, London, E.C.2

BANQUE BELGE POUR L'ETRANGER (OVERSEAS), Ltd.

Affiliated to the Société Générale de Belgique

CAPITAL - £2,000,000
entirely subscribed

LONDON:
4 Bishopsgate, E.C.2

NEW YORK:
67 Wall Street

BOARD OF DIRECTORS:
A. CALLENS (Chairman), Sir THOMAS J. STRANGMAN, K.C., P. RAMLOT, E. TERROIR, A. DONNAY (Managing Director)
Manager: M. SMITS

British and Foreign Banking Business of every description transacted

LETTERS OF CREDIT - COMMERCIAL CREDITS - COLLECTION OF CLEAN AND DOCUMENTARY DRAFTS
SPOT AND FORWARD FOREIGN EXCHANGE TRANSACTIONS, ETC.
CORRESPONDENTS THROUGHOUT THE WORLD
AGENTS IN THE UNITED KINGDOM FOR THE BELGIAN POSTAL CHEQUE SERVICE

THOS. COOK AND SON (BANKERS), LIMITED

October 31	LIABILITIES					ASSETS							
	Capital and Reserve	Current Deposits and other Accounts, etc.	Balances due to Subsidiary Companies	Liability to Customers on account of Engagements, etc.	Cash in Hand and with Bankers on Account	Deposits with Bankers	Currencies in Hand	Remittances in Transit	Money at Call and Short Notice	Discounts	Investments	Advances	Premises
1933	£ 250,000	£ 2,904,761	£ 36,184	£ 14,661	£ 599,813	£ 1,207,500	£ 26,332	£ 129,651	£ 185,000	£ 341,457	£ 494,300	£ 148,076	£ 58,815
1934	250,000	3,182,993	55,201	14,394	416,258	1,798,750	25,715	134,154	160,000	163,664	571,460	160,408	57,789
1935	250,000	3,241,664	68,048	18,699	613,978	1,784,182	27,369	162,121	95,000	102,696	508,530	209,510	56,327
1936	250,000	4,016,801	40,845	24,364	707,411	1,953,124	28,268	210,740	435,000	10,134	622,829	283,272	66,870
1937	250,000	4,469,910	57,821	28,636	509,270	2,688,023	30,740	227,590	250,000	19,853	661,026	336,281	54,947

COMPTOIR NATIONAL D'ESCOMPTE DE PARIS

The report of the directors for the year ended December 31, 1937, shows that net profit, after the necessary reductions for expenses, taxes, and other charges, amounts to Frs. 45,340,635. A dividend was announced of Frs. 50 for each share, and Frs. 10.96 for each founder's share. This leaves Frs. 1,262,325, which increases the amount carried forward into the shareholders account to Frs. 7,829,082.

Dec. 31	LIABILITIES				ASSETS							
	Capital and Reserves	Current and Deposit Accounts	Fixed Deposits	Acceptances	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Branches Abroad	Investments	Credit Balances with Correspondents	Sundry Accounts
1933	Fr. 837,844,517	Fr. 7,834,497,008	Fr. 35,765,640	Fr. 47,412,213	Fr. 1,432,127,402	Fr. 4,754,723,334	Fr. 316,063,880	Fr. 1,342,204,472	Fr. 48,511,933	Fr. 13,263,918	Fr. 872,727,261	Fr. 21,714,477
1934	839,672,636	7,572,546,062	29,660,270	65,007,490	1,429,055,170	4,424,838,984	395,371,799	1,255,190,228	25,426,808	7,651,789	979,144,244	20,508,722
1935	841,698,358	6,708,728,881	25,004,920	114,590,433	1,430,756,631	3,779,441,237	346,680,341	1,192,860,774	89,483,784	13,335,103	861,277,833	18,805,960
1936	843,979,171	7,425,884,894	30,421,150	140,548,892	1,410,047,870	4,270,669,870	448,691,830	1,465,285,060	51,125,747	13,401,863	703,194,452	18,125,189
1937	845,789,330	7,620,368,513	32,307,580	185,943,343	1,782,507,634	4,286,085,310	406,617,277	1,384,055,666	33,042,484	13,466,528	733,918,570	16,081,827

COMMERCIAL BANK OF THE NEAR EAST, LIMITED

The following is a statement of the results for the year 1937: Profit for the year, after making provision for bad and doubtful debts, rebate and directors' fees, £6,223; add balance brought forward from the year ended December 31, 1936, £536—£6,759. The directors recommend the following distribution: to reserve fund, including the 5 per cent. required by the articles of association, £2,000; to contingency account, £1,000; to payment of a dividend for the year ended December 31, 1937, of 2 per cent., less income tax, £3,000; leaving to be carried forward £759.

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current, Deposits and other Accounts	Bills for Collection	Acceptances, Endorsements, etc.	Cash in Hand and at London Bankers	Money at Call	Remittances in Transit	Balances with Foreign Banks	Bills Discounted	Investments	Advances to Customers, etc.	Furniture and Fittings
	£	£	£	£	£	£	£	£	£	£	£	£
1933	200,000	308,672	111,721	22,288	14,041	15,000	2,025	27,925	76,826	111,050	193,998	1,489
1934	207,000	270,288	84,611	20,824	14,109	95,000	486	14,142	46,115	140,353	167,297	1,414
1935	207,000	323,711	135,304	34,993	44,578	...	2,555	48,080	74,512	177,176	185,528	1,260
1936	207,000	374,077	106,701	79,579	34,587	70,000	806	6,859	84,309	161,254	231,141	1,158
1937	210,000	408,162	122,065	76,688	21,640	80,000	12,654	42,320	88,701	135,908	242,497	1,201

CRÉDIT FONCIER D'ALGÉRIE ET DE TUNISIE

December 31	LIABILITIES					ASSETS							
	Capital and Reserves	Joint Account with Crédit Foncier de France*	Current and Deposit Accounts	Time Deposits	Correspondents and Creditors	Acceptances, etc.	Cash	Bills	Correspondents	Investments	Advances Against Securities	Current Accounts	Syndicates
1933	Fr. 182,331,502	Fr. 579,501,156	Fr. 1,654,649,422	Fr. 368,258,236	Fr. 131,459,227	Fr. 18,898,973	Fr. 140,942,924	Fr. 1,291,180,807	Fr. 69,676,367	Fr. 54,567,667	Fr. 292,708,567	Fr. 896,462,344	Fr. 50,648,586
1934	183,068,368	595,631,784	1,580,675,010	306,401,920	149,499,240	17,791,300	104,759,970	1,207,413,112	68,546,708	53,062,950	365,985,185	358,352,824	48,905,225
1935	183,800,828	583,270,290	1,291,188,258	315,639,922	146,057,784	17,685,814	102,473,372	885,363,691	72,350,932	53,449,364	374,068,528	382,701,259	50,554,521
1936	184,244,760	561,109,625	1,349,351,328	313,485,546	174,982,680	29,108,978	91,126,809	938,512,547	103,396,544	48,986,835	377,810,453	598,835,011	38,904,562
1937	184,727,809	550,457,807	1,581,339,472	319,089,719	220,181,214	33,624,123	150,392,985	1,090,409,020	134,696,919	49,969,834	386,458,068	421,829,390	36,516,919

* Offset by equal assets.

CREDITO ITALIANO

At the annual general meeting held on March 24, 1938, it was decided to allocate the net profit of 28,780,622 lire and the profits of 5,872,382 lire brought forward from 1936, as follows:—to ordinary reserve, 2,878,062 lire; to shareholders 4 per cent. dividend, 20,000,000 lire; to balance carried forward, 5,902,560 lire, making a total of 11,774,942 lire.

Dec. 31	LIABILITIES					ASSETS							
	Capital and Reserves	Deposits and Savings Accounts	Current Accounts	Acceptances on behalf of Customers	Cheques Outstanding	Sundry Creditors	Guarantees on Account of Customers	Cash in Hand and at Call	Bills Receivable	Loans Against Collateral	Current Accounts	Investments	Sundry Debtors
1933	Lire 600,000,000	Lire 1,501,758,150	Lire 4,390,802,673	Lire 127,323,950	Lire 174,184,457	Lire 59,467,515	Lire 228,747,147	Lire 470,708,132	Lire 4,022,483,618	Lire 232,613,241	Lire 1,128,024,849	Lire 791,913,451	Lire 109,170,550
1934	602,989,572	1,538,496,598	4,211,070,341	117,088,788	156,639,020	74,567,442	228,446,542	339,865,887	3,877,522,132	105,740,834	1,371,342,956	752,186,576	180,739,120
1935	605,890,040	1,496,886,181	4,260,164,675	8,395,220	202,811,189	108,490,493	200,846,796	359,269,580	3,880,283,243	67,754,803	1,525,338,167	714,108,677	86,544,585
1936	608,792,239	1,527,407,558	4,045,954,529	4,477,532	228,655,244	121,820,076	189,320,638	596,511,847	3,684,954,255	118,943,912	1,506,320,354	729,089,733	151,612,768
1937	611,659,733	1,573,466,076	4,223,943,090	127,229,749	259,728,424	133,825,024	191,700,980	463,661,032	3,823,505,410	133,873,725	1,841,898,463	808,625,946	85,502,319

The NATIONAL BANK OF NEW ZEALAND

Established 1872

Limited

DIRECTORS:

The Rt. Hon. Lord BALFOUR OF BURLEIGH (Chairman)
The Rt. Hon. Viscount HAMPDEN, G.C.V.O., K.C.B., C.M.G.
Sir AUSTIN E. HARRIS, K.B.E.
SYDNEY PARKES, Esq.
RICHARD DURANT TROTTER, Esq.
ARTHUR WILLIS, Esq.

Advisory Director in New Zealand:
Sir James Grose

HEAD OFFICE: 8 MOORGATE, LONDON, E.C.2
Manager: A. O. Norwood
Secretary: J. H. Lawrie

CHIEF OFFICE IN NEW ZEALAND: WELLINGTON
General Manager: P. R. M. Hanna
Assistant General Manager: G. G. Littlejohn

Subscribed Capital - - - - - £6,000,000
Paid-up Capital - - - - - £2,000,000
Reserve Fund - - - - - £1,000,000
Currency Reserve - - - - - £500,000

The Bank conducts every description of banking business connected with New Zealand.

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

ARGENTINA, URUGUAY
PARAGUAY, CHILE, COLOMBIA
ECUADOR, GUATEMALA
NICARAGUA, PERU, SALVADOR
VENEZUELA, BRAZIL, SPAIN
PORTUGAL, FRANCE

Head Office:
6, 7 and 8 TOKENHOUSE YARD
LONDON, E.C.2

Agencies in:
New York, Bradford, Manchester

THE YOKOHAMA SPECIE BANK, LIMITED.

(INCORPORATED IN JAPAN.) ESTABLISHED 1880.

Capital Subscribed & Paid up Yen 100,000,000
Reserve Fund „ 137,150,000

Head Office: YOKOHAMA

Branches at:—

ALEXANDRIA.
BANGKOK.
BATAVIA.
BERLIN.
BOMBAY.
CALCUTTA.
CANTON.
CHEE-FOO (Shantung).
DAIREN.
FENGTIEN (Mukden).
HAMBURG.
HANKOW.
HARBIN.
HONG KONG.
HONOLULU.
HSINKING.
KARACHI.
KOBE.
LONDON.
LOS ANGELES.
MANILA.

MOJI.
NAGASAKI.
NAGOYA.
NEW YORK.
OSAKA.
OTARU.
PARIS.
PEKING.
RANGOON.
RIO DE JANEIRO.
SAN FRANCISCO.
SEATTLE.
SEMARANG.
SHANGHAI.
SINGAPORE.
SOURABAYA.
SYDNEY.
TIENTSIN.
TOKYO.
TOKYO (Marunouchi).
TSINGTAO.
YINGKOW.

LONDON OFFICE:
7 BISHOPSGATE, E.C.2

H. KANO, Manager.

English, Scottish & Australian Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 395 Branches and Agencies throughout Australia.

Subscribed Capital - - - - - £5,000,000
Paid-up Capital - - - - - £3,000,000
Further Liability of Proprietors £2,000,000
Reserve Fund - - - - - £1,695,000
Special Currency Reserve - £1,585,000

Board of Directors:

S. M. WARD, Esq. Chairman.
SIR CLIVE BAILLIEU, K.B.E., C.M.G.
SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., C.B.E., M.C.
LORD HUNSDON.
E. M. JANION, Esq.
SIR FREDERICK W. YOUNG.

Manager & Secretary—A. A. SHIPSTON.
Asst. Mgr.—F. C. HOUNSFIELD Sub-Mgr.—R. J. ALLEN.
Accountant—C. N. HARRISON.

Bankers: Bank of England: Westminster Bank Limited.

Chief Office in Australia:

COLLINS STREET, MELBOURNE

Drafts issued on the Branches and Agencies of the Bank throughout Australia. Circular Letters of Credit and Travellers' Cheques issued.

Remittances made by Telegraphic Transfer.

Bills Negotiated or forwarded for Collection.

Wool and Produce Credits arranged.

Banking and Exchange Business of every description transacted with Australia.

CRÉDIT LYONNAIS

Dec. 31	LIABILITIES						ASSETS						
	Capital and Reserves	Deposits at Call	Current Accounts	Accounts Payable after Collection	Acceptances	Fixed Deposits	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Investments	Sundries	
1933 ...	Fr. 1,208,000,000	Fr. 5,387,183,715	Fr. 6,919,410,799	Fr. 189,625,291	Fr. 83,710,308	Fr. 45,040,145	Fr. 2,537,739,780	Fr. 8,139,210,178	Fr. 367,418,413	Fr. 3,037,368,301	Fr. 4,244,862	Fr. 42,417,354	
1934 ...	1,208,000,000	4,938,591,556	6,586,828,417	180,980,899	41,654,016	30,706,771	2,507,845,516	7,680,521,810	363,225,620	2,808,040,081	3,953,567	42,348,399	
1935 ...	1,200,000,000	4,519,322,913	5,858,389,320	171,484,089	92,194,875	34,463,492	1,779,468,093	6,944,576,417	315,799,036	3,052,156,099	3,749,051	41,140,043	
1936 ...	1,200,000,000	4,332,734,440	5,804,774,582	217,258,119	184,920,433	23,505,950	1,586,949,841	7,395,525,385	418,476,662	2,525,865,820	3,509,078	40,934,542	
1937 ...	1,200,000,000	4,613,074,244	6,423,122,245	240,082,691	247,685,027	745,094,015	1,916,834,118	7,730,074,107	339,746,230	2,895,448,013	3,464,781	680,584,291	

GUARANTY TRUST COMPANY OF NEW YORK

Dec. 31	LIABILITIES						ASSETS									
	Capital and Surplus Fund	Un-divided Profits	Accrued Interest, Misc. Accounts, etc.	Acceptances	Deposits	Out-standing Cheques	Cash in Hand and with Banks	U.S. Govt. Securities	Notes of R.F.C.	Other Securities	Loans and Bills Purchased	Real Estate Bonds and Mortgages	Premises	Accrued Interest and Accounts Receivable		
1933.....	\$ 260,000,000	\$ 7,985,839	\$ 5,708,549	\$ 106,189,769	\$ 994,126,731	\$ 25,455,921	\$ 202,490,022	\$ 393,785,199	\$ 29,637,838	\$ 107,121,584	\$ 541,614,193	\$ 2,393,977	\$ 14,071,405	\$ 21,882,835		
1934.....	260,000,000	7,294,720	10,287,571	94,308,218	1,237,089,329	22,975,116	333,576,289	464,507,036	20,000,000	96,053,087	579,712,918	2,579,303	13,821,891	14,779,324		
1935.....	260,000,000	7,398,412	15,076,421	71,334,599	1,485,303,641	28,927,522	620,600,528	474,466,017	...	80,807,459	592,238,794	2,990,899	13,547,352	7,920,514		
1936.....	260,000,000	9,358,562	27,583,280	47,501,324	1,709,643,127	35,166,883	680,220,283	590,105,249	...	86,092,407	689,293,384	2,322,210	13,277,131	10,214,179		
1937.....	260,000,000	11,690,064	20,442,691	45,065,771	1,424,208,361	25,599,152	478,270,301	540,506,064	...	77,918,395	823,244,877	2,048,627	12,424,192	19,594,269		
June, 1938.....	260,000,000	12,010,402	18,598,715	36,067,808	1,471,589,237	24,861,581	587,402,506	594,526,714	...	67,275,215	515,626,317	1,994,687	12,368,306	34,401,957		

HAMBROS BANK, LIMITED

The directors' report for the year ending March 31, 1938, shows that after payment of all expenses, making provision for rebate on bills discounted, bad and doubtful debts, and income tax, the accounts show a profit of £323,884. Deducting the directors' remuneration of £15,206, and adding the balance brought forward from last year of £99,001, there remains an available total of £407,678. After transferring £170,000 to contingency reserve account and allowing the sum of £60,000 for interim dividend on the £10 shares and £9,000 for interim dividend on the £1 "A" shares paid on October 28, 1937, the directors now recommend the payment of a further dividend of 10 per cent., less income tax, on the £10 shares, making a total of 18 per cent. for the year, less income tax, and a further dividend of 3 per cent., less income tax, on the £1 "A" shares, making a total of 6 per cent. for the year, less income tax, and that the balance of £87,478 be carried forward.

March 31	LIABILITIES					ASSETS					
	Capital and Reserves	Profit and Loss Account	Current, Deposit and Other Accounts	Acceptances		Cash in Hand, at Bankers and at Call	Bills of Exchange	Investments	Loans, Advances and Other Accounts	Premises	
1934.....	£ 2,400,000	£ 190,695	£ 12,863,548	£ 10,178,976		£ 3,866,824	£ 2,552,497	£ 4,555,051	£ 4,529,106	£ 458,487	
1935.....	2,400,000	192,617	13,564,998	10,940,561		4,083,332	2,272,481	4,618,411	4,732,896	453,487	
1936.....	2,800,000	189,339	14,523,037	10,031,923		4,859,083	2,976,793	4,903,012	4,776,978	...	
1937.....	2,800,000	183,001	16,114,477	13,737,385		5,937,388	2,823,995	5,143,219	5,201,780	...	
1938.....	2,800,000	87,478	17,224,190	10,804,171		4,983,144	4,625,806	5,310,554	5,281,584	...	

THE HONGKONG AND SHANGHAI BANKING CORPORATION, LIMITED

The directors report that the net profits for the year ending December 31, 1937, together with \$3,340,790 balance brought forward from last account, after paying all charges, deducting interest paid and due, and making provision for bad and doubtful accounts and contingencies, amount to \$18,773,007. They recommend writing off bank premises account the sum of \$1,000,000. After deducting \$1,000,000 the interim dividend of £2 10s. per share, paid on August 9th last, viz.: £400,000 at 1s. 2½d.—\$6,564,103, and remuneration to directors, there remains for appropriation \$11,127,542, out of which the directors recommend the payment of a final dividend of £3 per share, viz.: £480,000 which, at 1s. 2½d., the rate of the day, will absorb \$7,744,538. The balance \$3,383,004 to be carried to new profit and loss account.

Dec. 31	LIABILITIES						ASSETS						
	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Profit and Loss Account	Cash	Bullion in Hand and in Transit	British Government, Indian, Colonial and other Securities	Discounts, Loans and Credits	Bills Receivable, etc.	Premises
1933...	\$ 119,784,173	\$ 146,535,175	\$ 666,364,839	\$ 207,588,822	\$ 13,728,117	\$ 2,860,122	\$ 11,592,944	\$ 217,695,778	\$ 186,864,943	\$ 229,569,958	\$ 388,313,575	\$ 144,490,831	\$ 18,638,979
1934...	108,097,561	133,946,215	504,204,989	179,192,461	9,890,000	4,916,889	9,814,213	137,918,708	177,890,735	184,414,110	318,985,251	92,248,247	22,118,368
1935...	129,840,000	119,010,770	568,131,918	208,027,823	12,424,354	2,366,587	11,899,860	154,181,307	41,809,294	262,233,304	435,863,291	132,776,563	22,170,965
1936...	134,878,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,213	...	301,419,785	493,812,564	112,890,956	21,772,589
1937...	134,878,950	200,254,180	700,263,011	159,896,537	21,500,995	3,408,612	12,127,542	257,931,297	...	324,334,289	467,514,472	158,534,999	20,901,167

THE IMPERIAL BANK OF IRAN

The profits for the year ended March 20, 1938, after making provision for income tax, N.D.C., Exchange, and bad and doubtful debts, amount to £65,974, to which has to be added £53,034 brought forward from last account, making a total of £119,008. The assets and liabilities of the branches in Iran have been converted at the rate of exchange of Rials 80½ per £ sterling, being the rate on March 20, 1938. The rate last year was also Rials 80½. The directors now recommend payment of a final dividend of 7s. per share, and a bonus of 2s. per share, making with the interim dividend of 4s. per share a total for the year of 13s., free of income tax. This leaves a sum of £54,008 to be carried forward.

March 20	LIABILITIES					ASSETS					
	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises	
1934.....	£ 1,570,000	£ 3,128,793	£ 1,855,914	£ 278,189	£ 94,058	£ 1,053,273	£ 3,467,919	£ 1,269,583	£ 658,817	£ 5,378	
1935.....	1,580,000	3,065,478	2,009,720	620,828	94,818	1,278,923	3,552,098	1,222,163	664,194	2,670	
1936.....	1,590,000	3,897,911	1,827,376	970,286	95,804	1,102,424	3,289,738	2,082,757	664,661	1,862	
1937.....	1,750,000	3,539,235	1,643,817	891,497	98,034	899,602	3,844,780	2,447,445	838,219	1,041	
1938.....	1,750,000	3,740,552	1,905,191	627,361	99,008	898,212	3,056,518	2,720,367	550,655	1,000	

ANGLO-INTERNATIONAL BANK, LIMITED

24-28 Lombard Street, London, E.C.3

Telephones: MANSION HOUSE 6543 (9 lines).

Telegrams: "ANGLANK, LONDON."

CAPITAL:

Authorised £2,000,000

Paid Up - £1,960,008

London Clearing Agents: Bank of England. Glyn, Mills & Co. National Provincial Bank, Ltd.

BOARD OF DIRECTORS:

Sir BERTRAM HORNSBY, C.B.E. (Chairman)

JULIAN DAY, Esq., M.C.

A. G. M. DICKSON, Esq.

ZOLTAN RAJDU, Esq.

Sir GORDON NAIRNE, Bart.

Every description of Home and Foreign Banking transacted. Special facilities for business with the Continent of Europe. Current accounts opened and deposits for short periods accepted at rates which may be obtained on application.

IONIAN BANK, LIMITED

ESTABLISHED 1839

CAPITAL AUTHORISED - £1,000,000
CAPITAL PAID UP - £600,000
RESERVE FUND - £100,000
TOTAL ASSETS - £4,601,583

HEAD OFFICE: 25/31 Moorgate, LONDON, E.C. 2

EGYPT:
Central Office—ALEXANDRIA
9 Branches and Agencies

GREECE:
Central Office—ATHENS
35 Branches and Agencies

CYPRUS:
Central Office—NICOSIA
4 Branches and Agencies

EVERY FORM OF INTERNATIONAL BANKING SERVICE

THE BRITISH BANK FOR THE NEAR EAST

BANK OF ATHENS

Head Office: ATHENS

(Incorporated in Greece with Limited Liability)

Paid-up Capital and Reserves, Drs. 176,000,000

With 121 offices, in all the principal towns in Greece, Egypt and Cyprus, the Bank extends Facilities for Export and Import Trade between Great Britain and the Near East generally.

ENQUIRIES INVITED

NEW YORK: Bank of Athens Trust Company, 205 West 33rd Street

LONDON: 22 FENCHURCH STREET, E.C.3

K. A. ZILKHA

Maison de Banque

ESTABLISHED IN 1899

BAGHDAD (IRAQ) BEYROUTH (LEBANON) CAIRO (EGYPT) DAMASCUS (SYRIA)

MAIN OFFICE: BEYROUTH (LEBANON-SYRIA)

Bankers with nearly forty years of experience, equipped to ensure prompt and efficient execution of your collection and payment orders, and to carry out banking business of all descriptions on very moderate terms.

INTERNATIONAL BANKING CORPORATION

LIABILITIES									ASSETS				
December 31	Capital and Surplus	Undivided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Other Liabilities	Cash and Due from Banks and Bankers	Loans, Discounts and Advances	Bonds and Securities	Customers' Liability Account of Acceptances	Other Assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1933	5,000,000	3,166,032	7,563,124	980,937	154,112	1,476,486	4,305,554	3,456	6,688,912	3,069,323	11,423,031	1,397,254	71,181
1934	5,000,000	3,223,533	11,325,714	679,979	396,893	1,558,770	4,403,135	2,192	10,057,749	3,510,678	11,416,678	1,526,438	78,675
1935	6,000,000	2,173,144	12,044,103	453,671	213,944	3,076,316	4,06,064	2,466	9,285,434	4,792,330	7,166,085	3,067,000	58,859
1936	6,000,000	2,170,008	7,278,808	315,907	155,899	794,400	355,626	...	7,173,602	3,330,125	5,791,085	723,300	50,837
1937	6,000,000	2,228,750	5,084,560	384,698	601	1,330,780	386,001	...	5,040,896	3,406,923	5,616,021	330,000	21,551

IONIAN BANK, LIMITED

The directors' report for the year ended December 31, 1937, shows a net profit of £16,639, to which has to be added balance brought forward from last accounting year £7,823, leaving available for distribution £24,462. From this there has been paid a dividend for the year at 2s. 6d. per share, £15,000; leaving a balance to be carried forward of £9,462.

LIABILITIES					ASSETS							
August 31	Capital and Reserves	Current and Deposit Accounts, Outstanding Advances, Letters of Credit, etc.	Bills Payable	Profit and Loss	Cash in Hand, at Bankers, in Transit	Balances with Banking Correspondents	Investments	Bills receivable	Loans and Advances, Outstanding Advances, Exchange Contracts, etc.	Liability of Customers for Acceptances	Mortgaged Property in Possession	Premises
	£	£	£	£	£	£	£	£	£	£	£	£
1933	800,000	2,927,052	36,907	26,525	820,234	79,282	952,478	182,365	1,696,478	118,364	43,128	218,085
1934	800,000	3,329,365	103,078	26,567	533,556	39,132	871,048	433,998	2,125,437	204,449	42,407	217,990
1935	800,000	3,289,850	40,706	26,646	414,365	33,285	851,946	601,318	1,990,124	182,131	34,002	217,992
1936*	800,000	3,151,042	41,815	16,823	373,020	65,006	707,223	483,746	2,130,562	310,774	36,253	217,992
1937†	800,000	3,511,320	69,203	24,462	407,854	30,446	699,242	633,068	2,377,994	191,396	43,593	217,992

* 16 months to December 31st.

† December 31st.

ITALO-BELGIAN BANK

The directors' report for the year ended June 30, 1937, states that the net profit was Frs. 12,001,122, which, together with the balance of Frs. 1,616,066 makes a total of Frs. 13,617,188. They propose to pay a dividend of 10 per cent. per annum net, free of Belgian tax, Frs. 10,000,000; directors' fees, Frs. 853,369; provisions for taxes, Frs. 1,100,000; and to carry forward the balance of Frs. 1,663,819.

LIABILITIES							ASSETS					
June 30	Capital and Reserves	Current and Deposit Accounts	Bankers and Correspondents	Bills Payable	Re-discount on Bills	Depositors and Sundry Accounts	Cash in Hand and with Bankers	Bills Receivable	Investments	Bankers and Correspondents	Loans and Advances	Premises
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1933	200,000,000	700,876,198	182,381,823	83,851,796	1,109,644	2,597,424,544	203,520,741	388,999,774	25,366,016	220,728,939	329,280,207	21,000,000
1934	200,000,000	682,184,881	192,243,586	46,148,864	1,183,393	2,290,128,504	211,692,091	391,912,133	25,257,985	204,691,735	286,132,415	21,000,000
1935	200,000,000	712,870,234	88,814,177	95,664,121	568,320	2,634,684,453	196,303,690	281,631,241	25,514,656	242,403,450	350,547,358	21,000,000
1936	200,000,000	895,404,704	119,800,328	110,505,941	653,348	2,067,851,948	199,989,317	254,540,278	22,769,083	289,725,077	573,123,481	21,000,000
1937	200,000,000	435,480,796	168,566,982	141,820,244	425,131	2,222,835,164	212,860,976	286,598,615	29,086,305	281,151,867	533,963,673	21,000,000

THE LONDON AND EASTERN TRADE BANK, LIMITED

The directors' report for the fifteen months ended December 31, 1937, shows a profit of £2,405, which with the debit balance of £386,159 brought forward, leaves £368,199 to be carried forward to next year.

LIABILITIES					ASSETS					
September 30	Capital	Current, Deposit and Other Accounts	Acceptances	Guarantees, Rediscounts, etc.	Cash in Hand and at Bankers in London	Money at Call	Discounts	Securities	Loans, Overdrafts, etc.	Profit and Loss Account
1933.....	£ 600,000	£ 169,957	£ 52,191	£ 130,557	£ 46,965	£ 75,000	£ ..	£ 35,924	£ 244,241	£ - 245,327
1934.....	600,000	152,859	17,503	39,157	76,684	35,000	11,859	63,363	256,101	- 376,894
1935.....	600,000	158,785	8,488	29,598	111,688	20,000	2,246	64,530	209,376	- 339,175
1936.....	600,000	163,020	...	59,895	135,999	30,000	4,153	25,512	216,275	- 336,159
1937*.....	600,000	102,998	...	54,974	94,131	...	...	50,997	172,303	- 366,190

* For 15 months.

THE MITSUI BANK, LIMITED

December 31	LIABILITIES						ASSETS							
	Capital and Reserves	Deposits	Due to Foreign Banks	Liabilities under L/C, etc.	Interest Accrued on Deposits	Rebate on Bills not Due	Cash in Hand and at Bankers	Money at Call and Short Notice	Govt., Municipal and other Bonds	Loans and Discounts	Foreign Bills purchased	Due from Foreign Banks	Capital Uncalled	Premises
1933	Yen 153,800,000	Yen 715,288,952	Yen 17,903,730	Yen 10,418,911	Yen 7,020,534	Yen 2,369,698	Yen 55,485,933	Yen 42,640,000	Yen 281,047,837	Yen 409,395,376	Yen 67,438,154	Yen 3,962,277	Yen 40,000,000	Yen 14,219,501
1934	155,800,000	748,586,286	8,440,426	4,721,781	7,490,428	1,948,548	56,608,695	31,510,000	329,228,209	393,634,027	89,274,354	2,980,434	40,000,000	14,281,777
1935	157,800,000	796,293,049	19,098,263	9,234,652	7,596,671	2,092,741	55,985,859	29,630,000	316,997,228	451,766,280	63,540,862	3,134,919	40,000,000	17,832,131
1936	159,800,000	856,924,836	31,010,071	26,920,135	8,209,881	2,342,053	58,448,867	39,720,000	296,830,843	518,688,998	72,851,209	8,005,880	40,000,000	17,872,629
1937	161,800,000	945,796,208	13,464,616	3,624,658	8,475,160	2,530,918	67,166,629	44,480,000	281,460,825	616,500,744	46,421,291	8,137,767	40,000,000	16,718,443

THE NATIONAL BANK

LIMITED
ESTABLISHED 1835

CAPITAL SUBSCRIBED £7,500,000 | RESERVE FUND - £1,150,000
CAPITAL PAID-UP £1,500,000 | DEPOSITS (30.6.38) £37,370,000

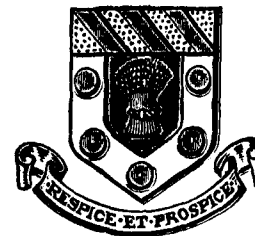
BRITISH AND FOREIGN BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED
INCOME TAX MATTERS DEALT WITH ON BEHALF OF CUSTOMERS
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and 273 Branches and Sub-Offices in Great Britain and Ireland.

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MEMBER OF THE LONDON BANKERS' CLEARING HOUSE

World-wide facilities for Banking
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EXECUTORSHIPS AND TRUSTEESHIPS UNDERTAKEN

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Yorkshire, Cheshire,
Derbyshire, Stafford-
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Principal London Offices:
20 BIRCHIN LANE, E.C.3 — 9 PALL MALL, S.W.1
Principal Manchester Offices:
MOSLEY STREET ST. ANN STREET

ASSOCIATED BANK: THE ROYAL BANK OF SCOTLAND

STOCKHOLMS ENSKILDA BANK
AKTIEBOLAG
STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLM

HEAD OFFICE:
STOCKHOLM 16

THE MITSUBISHI BANK, LIMITED

LIABILITIES					ASSETS									
December 31	Capital and Reserves	Deposits	Acceptances and Guarantees	Interest accrued on Deposits	Cash on Hand and in Banks	Money at Call and Short Notice	Government, Municipal and other Bonds	Stocks and Shares	Discounts and Loans	Foreign Bills Purchased	Due from Foreign Banks	Money in Trust	Capital Uncalled	Premises, etc.
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
1933	141,185,735	681,368,857	2,007,213	5,635,384	53,427,347	64,895,680	309,956,132	34,547,892	274,278,308	22,281,570	3,875,681	3,013,080	37,500,000	18,228,438
1934	145,785,210	722,648,160	4,892,162	5,388,816	54,938,773	44,369,302	339,075,672	34,449,142	283,344,161	33,293,288	5,011,879	3,487,915	37,500,000	15,904,056
1935	150,236,983	730,607,090	4,536,579	7,770,819	50,970,903	41,415,000	379,698,850	28,253,142	294,387,372	43,889,947	8,576,573	4,029,036	37,500,000	17,605,232
1936	154,818,825	810,406,894	6,450,978	7,255,478	63,334,394	48,185,000	367,037,382	27,997,530	370,682,459	46,777,515	5,287,416	4,478,958	37,500,000	20,128,374
1937	159,011,903	932,552,305	7,202,879	7,257,673	71,438,055	44,400,000	323,903,893	27,495,030	530,792,746	47,909,558	5,867,539	4,630,525	37,500,000	20,472,984

THE MOSCOW NARODNY BANK, LIMITED

LIABILITIES								ASSETS							
Dec. 31	Capital and Reserves	Current and Deposit Accounts	Correspondence of the Bank	Bills Rediscounted	Miscellaneous Creditors	Liabilities in respect of Guarantees	Cash at Banks on Current Accounts and in hand	Investments	Correspondents of the Bank	Bills Discounted	Advances	Miscellaneous Debtors	Bills for Collection	Premises	
1933	£ 2,083,186	£ 500,925	£ 676,273	£ 308,507	£ 67,226	£ 2,210,396	£ 1,558,541	£ 302,130	£ 143,710	£ 308,507	£ 2,266,413	£ 5,527	£ 287,874	£ 4,837	
1934	1,835,000	904,873	284,302	556,877	94,891	2,040,384	822,774	247,078	249,544	556,877	2,311,513	34,311	10,511	5,879	
1935	1,835,000	669,319	191,318	11,119	37,227	1,550,388	820,536	192,624	11,708	1,800,000	116,785	11,531	5,446	4,802	
1936	1,835,000	143,684	1,445,908	76,784	41,470	113,270	2,272,155	...	1,210,955	77,479	361,484	1,850	12,307	4,802	
1937	725,000	315,906	1,609,615	18,584	85,095	120,182	2,213,460	...	233,227	18,584	471,778	1,718	13,728	3,728	

THE NATIONAL BANK OF EGYPT

The report for the year ending December 31, 1937, shows the following statement: Gross profit for the year, after providing for depreciation on the bank's buildings and furniture, for rebate of discount, and for doubtful debts, amounts to £938,843. After deducting from this for directors' fees £17,797, and for current expenses £461,471, the remainder is divided between the statutory dividend of 4 per cent., amounting to £120,000, and an additional dividend of 11 per cent., amounting to £330,000. By adding the balance brought forward from last year, £229,870, there remains £239,445 to be carried forward.

LIABILITIES									ASSETS					
Dec. 31	Capital and Reserves	Current, Deposit and other Accounts	Egyptian Govt.	Sudan Govt.	Mixed Tribunals	Cheques and Bills Payable	Acceptances, etc.	Bankers' Accounts	Cash in Hand	Money at Call and Short Notice	Securities	Advances	Bills of Exchange	Bankers' Accounts
	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.
1933	6,000,000	18,656,956	3,487,435	871,198	1,821,116	161,069	1,406,311	682,988	2,209,045	2,065,000	19,199,622	5,493,730	2,418,151	441,140
1934	6,000,000	16,428,830	4,978,103	563,542	1,881,488	155,109	1,583,027	509,699	2,382,631	1,800,000	18,359,189	5,511,448	2,361,821	275,478
1935	6,000,000	21,855,049	6,220,582	958,364	1,810,345	229,140	1,107,923	1,103,622	2,551,852	1,955,000	23,826,189	7,150,099	2,400,018	467,060
1936	6,000,000	20,861,810	4,988,663	1,062,380	1,878,268	285,081	1,288,091	1,106,816	2,512,833	2,205,000	22,071,850	6,920,928	1,936,480	677,078
1937	6,000,000	18,696,926	6,413,153	952,033	1,817,604	222,088	1,683,621	849,311	2,441,081	1,635,000	23,059,647	6,892,907	1,043,933	686,182

THE NATIONAL CITY BANK OF NEW YORK

Dec. 31	LIABILITIES					ASSETS								
	Capital and Surplus	Undivided Profits	Reserves	Circulation	Liability as Acceptor, Endorser or Maker on Acceptances and Bills	Deposits	Cash and Due from Banks and Bankers	U.S. Govt. Obligations	State, Municipal and other Bonds and Securities	Loans, Discounts and Bankers' Acceptances	Customers' Liability Account of Acceptances	Stock in Federal Reserve Bank and Ownership of International Banking Corp.	Items in Transit	Premises
1933	\$ 157,500,000	\$ 5,087,506	\$ 8,213,694	\$ 25,000,000	\$ 73,878,590	\$ 1,117,159,221	\$ 364,531,932	\$ 228,938,154	\$ 131,195,652	\$ 497,027,471	\$ 68,838,568	\$ 14,800,000	\$ 20,000,542	\$ 56,633,629
1934	157,500,000	8,273,298	10,576,359	...	65,778,526	1,394,804,308	450,285,755	431,938,339	135,518,004	482,834,614	56,678,257	14,800,000	*3,377,340	58,162,278
1935	157,500,000	10,844,279	16,111,607	...	57,444,517	1,652,368,244	527,491,424	510,764,688	179,788,459	547,223,821	30,634,183	12,725,000	10,670,332	54,215,508
1936	120,000,000	13,462,953	13,821,556	...	49,976,612	1,713,840,229	463,258,611	526,917,831	228,001,549	588,348,846	23,662,029	11,800,000	4,729,888	52,636,958
1937	121,750,000	14,314,079	14,124,774	...	*48,350,792	1,711,552,124	516,778,467	482,958,934	207,301,765	609,441,410	13,315,994	11,652,500	4,303,780	50,543,248
June 30, '38	122,500,000	13,850,149	11,958,800	...	39,623,420	1,781,272,000	610,293,463	528,798,746	184,630,453	525,368,552	13,082,070	11,875,000	3,300,720	49,360,258

* Appears on Liability side.

OTTOMAN BANK

LIABILITIES								ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Bills Payable and Sight Drafts	Current Accounts of Sundries	Deposits for Fixed Terms	Acceptances	Profit and Loss Account	Cash in Hand and at Bankers	Money at Call and Notice	Bills receivable	Investments	Current Accounts of Sundries	Advances on Securities	Premises
1933	6,250,000	362,302	250,136	11,655,549	1,483,303	787,087	102,159	4,291,754	1,136,040	5,558,002	1,471,545	5,111,137	1,897,918	687,054
1934	6,250,000	374,391	285,263	12,395,128	1,512,748	637,755	104,542	3,801,705	1,203,307	5,674,154	1,973,087	3,304,780	2,316,722	628,908
1935	6,250,000	551,418	252,955	12,649,781	1,639,177	687,656	104,764	3,806,526	1,203,307	5,674,154	1,973,087	2,316,722	2,316,722	618,077
1936	6,250,000	820,062	250,182	14,089,812	1,387,342	412,572	108,149	4,733,630	1,203,307	5,403,823	2,419,895	5,830,009	2,968,529	698,077
1937	6,250,000	299,685	267,792	16,325,412	1,569,422	914,433	112,498	4,389,759	1,206,303	5,018,641	3,205,068	7,717,350	2,700,156	687,535

SOCIÉTÉ BELGE DE CRÉDIT INDUSTRIEL ET COMMERCIAL ET DE DÉPÔTS

LIABILITIES					ASSETS								
December 31	Capital and Reserves	Deposit and Current Accounts	Profit and Loss	Other Accounts	Cash	Due from other Banks	Bills receivable	Coupons for Collection	Current Accounts	Sundry Assets	Loans and Advances	Uncalled Capital	Premises
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1933	28,900,000	97,130,202	1,788,745	424,737	3,594,492	18,716,157	70,484,022	226,366	8,456,557	597,731	12,231,019	12,895,200	1,022,149
1934	28,900,000	74,422,863	1,722,111	140,686	1,706,310	17,685,154	44,190,350	368,474	8,606,291	685,190	23,050,909	12,978,600	1,019,682
1935	12,300,000	147,616,777	1,723,919	3,605,005	32,101,854	22,889,813	61,435,314	274,209	12,280,605	11,953,123	23,293,249	...	1,016,278
1936	12,300,000	176,039,003	2,217,499	2,650,782	20,314,928	44,621,723	87,706,907	418,411	1,282,280	13,505,888	24,380,871	...	1,016,278



NATIONAL BANK OF GREECE

Established in 1841

Capital paid-up and Reserves Drs. 1,205,000,000. —
Deposits - - - 10,471,000,000. —
Total Resources - - - 13,066,000,000. —

HEAD OFFICE IN ATHENS.

Branches and Agencies throughout Greece.

Affiliated Institution in New York: Hellenic Bank Trust Company, 139 William Street.
Correspondents in all parts of the world.

COMPLETE INTERNATIONAL BANKING SERVICE OF EVERY DESCRIPTION

THE SUMITOMO BANK, LIMITED

(INCORPORATED IN JAPAN)
Head Office: OSAKA, JAPAN

Capital Subscribed - - - Yen 70,000,000.00
Capital Paid-up - - - Yen 50,000,000.00
Reserve Fund - - - Yen 46,320,000.00

HOME OFFICES: — Fukuoka (2), Hiroshima (3), Kobe (3),
Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji,
Nagoya (2), Niihama, Okayama, Onomichi, Osaka (28),
Shimonoseki, Tokyo (19), Wakamatsu, Wakayama, Yanai and
Yokohama.
OFFICES IN PACIFIC LINERS: — M.S. "Asama Maru," M.S.
"Chichibu Maru" and M.S. "Tatsumi Maru."
FOREIGN OFFICES: — Shanghai, Dairen, London, New York,
San Francisco, and Los Angeles.
AFFILIATED BANKS: — The Sumitomo Bank of California,
Sacramento, California, U.S.A. The Sumitomo Bank of Hawaii,
Honolulu, Hawaii, U.S.A. The Sumitomo Bank of Seattle,
Seattle, Washington, U.S.A.
LONDON BANKERS: — Lloyds Bank Limited.

Correspondents in all important places at Home and Abroad

GENERAL BANKING AND EXCHANGE BUSINESS

London Office: 67 BISHOPSGATE, E.C.2

Telephone: London Wall 4955 (2 lines). Cable Address: "Sumitbank, London." M. MAYE, Manager.

HUNGARIAN GENERAL CREDITBANK

MAGYAR ÁLTALÁNOS HITELBANK

BUDAPEST, József nádor-tér 2-4

Founded in 1867

Telegrams: "Credit"

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Correspondents throughout the World

PAŃSTWOWY BANK ROLNY

(STATE LAND BANK)

Deputy-Chairman: SEWERYN LUDKIEWICZ

General Manager: WACŁAW STANISZEWSKI

Head Office: Warsaw, POLAND

BRANCHES THROUGHOUT POLAND

Capital - - - Zlotys 100,000,000

Reserve Funds as at 1st January, 1938 - - - Zlotys 19,024,039

Balance-Sheet total as at 1st January, 1938 - - - Zlotys 1,912,043,675

Telegraphic Address: "CENTROPEBROL" for Head Office.
"PEBROL" for Branches.

The State Land Bank transacts every description of Banking business.
The Bank grants long term loans to small and medium-sized rural holdings and short term advances
through the intermediary of local credit institutions.
The Bank's Mortgage Bonds and Land Improvement Debentures are guaranteed by the Polish Treasury.

SOCIÉTÉ GÉNÉRALE Pour Favoriser le Développement du Commerce et de l'Industrie en France

LIABILITIES						ASSETS									
Feb. 28	Capital and Reserves	Cheque Accounts	Deposits for Fixed Periods	Sundry Current Accounts	Acceptances	Cash in Hand and at Banks	Bills and National Defence Bonds	Coupons for Encashment and Contangoes	Advances on Security	Sundry Current Accounts	Govt. Stocks, Shares, etc., and Investments	Real Estate, etc.	Calls on Shares		
1934	Franks 1,015,000,000	Franks 3,169,382,818	Franks 264,678,800	Franks 6,360,311,378	Franks 128,285,636	Franks 1,923,118,908	Franks 5,139,788,624	Franks 157,057,541	Franks 448,999,158	Franks 2,933,347,773	Franks 62,267,468	Franks 71,397,039	Franks 303,159,750		
1935	1,015,000,000	3,151,569,247	257,045,500	6,215,399,794	73,097,007	2,175,894,472	5,025,683,238	184,967,765	434,555,987	2,548,240,651	59,568,795	71,381,788	302,955,000		
Dec 31															
1935	1,015,000,000	2,769,754,206	254,149,000	5,791,175,422	106,200,601	1,899,654,145	4,645,216,991	142,313,613	518,992,213	2,430,560,762	52,758,716	71,381,788	302,733,000		
1936	1,015,000,000	2,630,640,932	216,889,500	6,205,868,323	125,075,601	2,054,522,368	4,990,977,465	195,748,637	415,978,934	2,205,730,416	52,220,679	71,381,788	302,598,500		
1937	1,015,000,000	2,723,060,831	241,993,300	6,281,233,380	175,171,441	2,728,070,198	4,805,150,565	159,887,922	383,562,950	2,147,955,618	52,327,981	71,381,788	302,443,750		

SOCIÉTÉ GÉNÉRALE DE CRÉDIT INDUSTRIEL ET COMMERCIAL

LIABILITIES						ASSETS									
Dec. 31	Capital and Reserves	Deposit Accounts	Current Accounts	Fixed Deposits	Acceptances	Transitory and Sundry Accounts	Cash in Hand and due from Other Banks	Bills Receivable and "Bons de la Défense Nationale"	Current Accounts	Advances Guaranteed	Transitory and Sundry Accounts	Investments	Shares of Affiliated Societies	Premises	
1933	Franks 170,000,000	Franks 409,354,199	Franks 790,473,674	Franks 338,577,312	Franks 55,411,698	Franks 16,520,450	Franks 242,772,829	Franks 960,574,094	Franks 181,983,260	Franks 97,998,177	Franks 10,842,496	Franks 54,388,395	Franks 106,028,622	Franks 20,000,000	
1934	170,000,000	398,643,467	685,141,357	342,557,532	29,598,148	19,896,060	185,894,759	901,703,540	207,533,427	82,567,753	12,838,153	53,797,255	109,443,630	20,000,000	
1935	170,000,000	351,676,889	768,190,772	257,863,984	24,420,409	20,655,360	210,859,567	771,028,745	231,476,340	104,763,108	14,353,246	52,095,283	109,443,630	20,000,000	
1936	170,000,000	339,514,880	1,073,311,949	182,974,478	22,311,888	19,904,289	262,006,056	852,445,465	319,115,313	95,528,705	17,419,706	51,632,995	109,235,381	20,000,000	
1937	170,000,000	352,697,726	1,516,733,297	249,726,094	52,137,983	31,557,565	324,563,178	1,303,151,238	355,315,041	79,471,744	20,369,887	51,945,581	109,133,926	20,000,000	

THE SUMITOMO BANK, LIMITED

LIABILITIES						ASSETS									
December 31	Capital and Reserves and Pension Reserve	Deposits	Exchange Sold	Due to Other Banks	Foreign Credits, Acceptances and Guarantees	Accrued Interest, Unearned Discount, etc.	Cash in Hand	Money at Call and Short Notice	Securities	Discounts	Loans	Exchange Purchased	Bank Premises	Capital Unpaid	
1933	Yen 101,080,694	Yen 798,157,383	Yen 9,025,834	Yen 5,129,529	Yen 14,565,827	Yen 11,634,638	Yen 62,618,630	Yen 37,550,000	Yen 293,141,656	Yen 71,093,928	Yen 390,308,121	Yen 31,748,224	Yen 19,535,329	Yen 20,000,000	
1934	107,641,903	872,527,563	11,594,988	5,538,755	9,629,913	12,610,427	79,830,668	43,950,000	355,172,588	79,243,013	386,848,505	28,413,867	18,898,649	20,000,000	
1935	112,592,459	952,297,545	16,364,846	6,475,428	10,899,809	12,258,979	70,712,194	33,550,000	409,067,083	92,967,219	429,035,431	32,080,825	18,952,469	20,000,000	
1936	117,057,776	1,017,347,622	15,391,096	6,672,182	16,185,862	14,199,755	71,423,058	27,684,286	381,987,012	125,709,732	492,448,270	37,899,981	18,483,977	20,000,000	
1937	112,103,489	1,152,222,403	14,427,228	6,787,637	5,312,858	14,011,007	89,180,332	33,800,000	367,938,839	124,550,539	612,079,911	36,087,811	17,815,472	20,000,000	
June 30, 1938	113,820,565	1,307,319,912	9,020,215	6,825,931	7,698,318	14,590,600	101,600,708	53,460,000	459,764,793	120,174,668	649,184,442	27,271,399	17,831,011	20,000,000	

TO BANKS & FINANCIAL INSTITUTIONS

The newly issued Moody's Desk Service, selling at £5 p.a., provides full information, kept up to date daily, on companies whose securities are actively dealt in on the London Stock Exchange.

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THE ECONOMIST**

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It holds three months' issues and index, it has no wires, clips or metal contrivances, and each issue can be bound up in an instant in such a way that it can be read as easily as a well-bound book.

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from

THE ECONOMIST
8 BOUVERIE STREET, LONDON, E.C.4

PROVINCIAL BANK OF IRELAND LTD.

ESTABLISHED 1825

Subscribed Capital - - £4,080,000
Paid-up - - - - £540,000
Divided into 500,000 Shares of £8 each, £1 paid; and 40,000 Shares of £2 each, £1 paid
Reserve Fund - - - £525,000

DIRECTORS:

RICHARD DURANT TROTTER, Esq., *Chairman*
Hon. DAVID FRANCIS BRAND
G. BROCK, Esq., F.C.A.
JOHN CHARLES DENTON CARLISLE, Esq.
JAMES MARMION CARROLL, Esq.
JOHN WM. FREEMAN, Esq.
Hon. Sir WILLIAM HENRY GOSCHEN, K.B.E.
HENRY SAMUEL HOWARD GUINNESS, Esq.
ALEXANDER BRODRICK LESLIE-MELVILLE, Esq.

Head Office: 8 THROGMORTON AVENUE, LONDON, E.C.2.

Telephone: Metropolitan 0311 Metropolitan 0323
Secretary's Office

Secretary: GEORGE A. KENNEDY

Manager: F. W. BROWN

122 Branches and Sub-Branches throughout Ireland

Chief Officer in Ireland: PATRICK BOURKE

CORRESPONDENTS AND AGENTS. The Bank has Correspondents and Agents throughout the British Isles and in all parts of the world, and conducts Overseas business of all kinds, including Collection of Foreign Bills and Cheques.
CURRENT ACCOUNTS OPENED; DEPOSITS RECEIVED, and general Banking business transacted.
INCOME TAX. Claims for recovery and for adjustment of Income Tax undertaken.
DIVIDENDS, ANNUITIES, COUPONS, etc., collected. Duties of Executor and Trustee undertaken.

THE BRITISH LINEN BANK

Incorporated by Royal Charter 1746

LONDON OFFICES:

City Office - - - 38 Threadneedle Street, E.C.2
West End Branch - - 198 Piccadilly, W.1
where accounts may be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Over 210 Branches throughout Scotland

**THE
PIONEER LIFE**

ASSURANCE COMPANY LTD.

Chief Office:
31 Dale Street, LIVERPOOL

Established
1891

Assets Exceed:
£1,000,000
Claims Paid Exceed:
£2,000,000

THE BANK OF ADELAIDE

(Incorporated with Limited Liability in Australia)

EST. 1865

Paid-up Capital - - - £1,250,000
Reserve Fund - - - 1,000,000
Reserve Liability of Shareholders - - 1,250,000
£3,500,000

Head Office: Adelaide, South Australia

MELBOURNE OFFICE: 267 COLLINS STREET
SYDNEY OFFICE: 279 GEORGE STREET
BRISBANE OFFICE: 305 QUEEN STREET
PERTH (Western Australia) OFFICE: ST. GEORGE'S TERRACE
FREMANTLE OFFICE: 78/80 HIGH STREET

London Office:

11 LEADENHALL STREET, E.C.3

Bills on Australasia purchased or collected.
Drafts and Letters of Credit issued and Remittances cabled. Accounts opened in Australia for Overseas Banks. Every other description of Banking and Exchange business transacted.
Enquiries regarding Australian Trade invited.
A. BUTTERWORTH, Manager.

SWISS BANK CORPORATION

After deduction of expenses and taxes, and making provision for bad and doubtful debts, etc., the net profit for the year ended December 31, 1937, amounts to S.Fcs. 8,275,272, which together with the amount carried forward from last year, viz.,

S.Fcs. 1,298,913, makes a total of S.Fcs. 9,574,185. The board propose to pay a dividend of 5 per cent. on the paid-up capital, which will absorb S.Fcs. 8,000,000, and to carry forward S.Fcs. 1,574,184.

LIABILITIES

Swiss Francs (millions)

ASSETS

December 31	Capital	Reserves	Sight Deposits	Time Deposits	Fixed Deposits (obligations)	Acceptances	Profit and Loss	Cash	Banks and Bankers	Bills receivable	Advances	Govt. and other Securities	Syndicates	Bank Premises and other Property
1933	160.0	53.0	573.6	217.8	224.1	20.0	10.9	290.2	112.6	184.6	576.5	64.5	13.0	18.1
1934	160.0	39.0	476.3	246.9	243.6	24.2	8.3	244.5	181.1	213.4	576.2	51.6	10.6	18.1
1935	160.0	32.0	437.6	205.4	175.6	25.2	8.2	117.1	108.6	161.6	554.2	71.7	10.5	20.0
1936	160.0	32.0	817.4	189.8	159.2	21.3	9.3	319.3	177.5	214.6	522.7	125.2	9.7	20.0
1937	160.0	32.0	946.6	176.4	157.0	31.3	9.6	377.5	297.9	210.9	477.6	124.1	6.4	18.3

THE YOKOHAMA SPECIE BANK, LIMITED

LIABILITIES

ASSETS

Dec. 31	Capital and Reserve	Reserve for Doubtful Debts	Notes in Circulation	Deposits	Bills Payable, Discounts, Acceptances, etc.	Balance of Profit and Loss Brought Forward	Net Profit for past Half-year	Cash in Hand	Cash at Bankers	Investments	Discounts, Loans, Advances, etc.	Bills Receivable, etc.	Bullion and Foreign Money	Premises and Properties
1933	Yen 221,250,000	Yen 2,602,332	Yen 4,265,022	Yen 600,507,592	Yen 694,200,637	Yen 6,869,039	Yen 7,279,126	Yen 40,027,697	Yen 14,142,090	Yen 480,363,758	Yen 465,039,228	Yen 494,465,397	Yen 1,836,965	Yen 20,911,202
1934	224,250,000	3,639,943	4,244,909	593,463,255	703,273,282	8,256,945	7,234,380	25,850,939	45,337,978	369,163,627	494,168,773	577,982,746	11,832,988	19,043,134
1935	227,450,000	3,724,454	3,840,085	651,780,876	755,522,697	9,503,102	7,257,835	19,684,697	124,630,647	494,515,174	352,354,374	646,742,288	757,270	19,577,645
1936	230,900,000	3,653,917	1,242,326	599,001,305	685,774,360	10,446,852	7,012,268	16,010,099	50,164,472	411,281,421	385,911,980	650,727,886	3,864,015	19,341,654
1937	234,400,000	3,592,634	881,502	623,131,077	719,576,494	10,745,727	6,238,699	13,572,334	74,218,440	436,472,178	386,652,402	662,144,216	5,578,353	19,284,794
June 30, 1938	235,900,000	3,548,690	434,972	805,229,413	481,217,910	10,484,426	6,187,602	23,849,629	61,003,122	443,210,537	363,840,199	630,541,613	902,368	19,681,050

NATIONAL DISCOUNT COMPANY, LIMITED

(Incorporating the Business of REEVES WHITBURN)

35 CORNHILL, LONDON, E.C.3

Telegraphic Address: "NATDIS, STOCK, LONDON."

Telephones: Mansion House 5241 (3 lines)

SUBSCRIBED CAPITAL - £2,153,335
PAID-UP CAPITAL - £1,000,000
RESERVE FUND - £1,050,000

DIRECTORS:

Col. The Hon. Sir SIDNEY PELL, BART., C.B., D.S.O., Chairman
Lt.-Col. The Hon. GEORGE AKERS-DOUGLAS
The Hon. ARTHUR M. ASQUITH, D.S.O.
The Hon. LOVEL W. COKE

Manager—FRANCIS GOLDSMITH
Sub-Manager—R. E. de B. BATE

Asst. Sub-Manager H. R. W. BROWN
Chief Accountant & Secretary S. S. JOHNSON

Registrar—G. H. ELLABY
Auditors: PRICE, WATERHOUSE & CO.

Bankers: BANK OF ENGLAND
NATIONAL PROVINCIAL BANK, LIMITED

Treasury Bills, Bank and Mercantile Bills negotiated.

Money received on Deposit at Call and Short Notice at the Current Market Rates of Interest, and for longer periods upon specially agreed terms.

Loans granted upon approved securities.

All communications to be addressed to the Manager.

THE UNION BANK OF SCOTLAND, Ltd.

ESTABLISHED 1830

SUBSCRIBED CAPITAL - £5,200,000
PAID-UP - £1,200,000
RESERVE FUND - £1,800,000
DEPOSITS - £33,436,818

HEAD OFFICES:

GLASGOW—St. Vincent Street EDINBURGH—George Street
215 Branches throughout Scotland

LONDON OFFICES: 62 CORNHILL, E.C.3

Manager: JOHN THOMSON
Asst. Manager: JOHN A. MORRISON

HAS FOREIGN EXCHANGE DEPARTMENT

332 Oxford Street, W.1 - Robert L. Smith, Manager
1 Regent Street, S.W.1 - John Macdonald, Manager
140 Kensington High Street, W.8 - George H. Ewing, Manager

Adapted in every way to carry through all forms of Banking Business in London and Scotland.
Every description of Home and Foreign Banking transacted.

The Bank also undertakes the duties of TRUSTEE and EXECUTOR.

At London Offices Current Accounts and other business conducted on the usual terms of London Banks.

Deposits received at Interest.

BANKING FACILITIES ARE AVAILABLE AT THE BANK'S OFFICE AT THE EMPIRE EXHIBITION, GLASGOW

NORMAN L. HIRD, General Manager

ROYAL BANK OF SCOTLAND

Capital (fully paid):
£3,780,192

Reserve Fund:
£4,038,616

Deposits:
£69,674,161

Incorporated by Royal Charter, 1727

Governor:

HIS GRACE THE DUKE OF BUCCLEUCH AND QUEENSBERRY, G.C.V.O.

Deputy-Governor:

RIGHT HON. THE EARL OF STRATHMORE AND KINGHORN, K.G., K.T., G.C.V.O.

General Manager: WILLIAM WHYTE

HEAD OFFICE: EDINBURGH

250 Branches throughout Scotland.

LONDON OFFICES

CITY:
3 Bishopsgate, E.C.2
8 West Smithfield, E.C.1

WEST END:
(DRUMMONDS)
49 Charing Cross, S.W.1

WESTERN:
Burlington Gardens, W.1
(formerly Branch of Bank of England)
64 New Bond St., W.1

World Wide facilities for Banking Business of every description

ASSOCIATED BANK—WILLIAMS DEACON'S BANK, LD. (Members of the London Bankers' Clearing House)
With Offices in Manchester and London and 199 Branches elsewhere in England and Wales

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT, 1695

AUTHORISED CAPITAL - £4,500,000
CAPITAL FULLY PAID - £2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD - £2,200,084
DEPOSITS and CREDIT BALANCES as at 28th February, 1938 - £39,298,450

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
A. W. M. BEVERIDGE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 St. VINCENT PLACE. J. B. CRAWFORD, Manager.

LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2. A. BALLINGALL, Manager.

Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

263 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

THE Commercial Bank of Scotland LIMITED

Established 1810

Incorporated by Royal Charter and Act of Parliament

OVER 370 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3

KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2

PICCADILLY: 4 OLD BOND STREET, W.1

Head Office: 14 George Street, EDINBURGH

THE NATIONAL BANK OF SCOTLAND LIMITED



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

ESTABD 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

The Bank undertakes the duties of Trustee or Executor under Wills, Trustee under Marriage and other Settlements, etc.

BANK OF BRITISH WEST AFRICA LIMITED

ESTABLISHED 1894

Authorised Capital ...	£4,000,000
Subscribed Capital ...	£3,000,000
Paid-up Capital ...	£1,200,000
Reserve ...	£400,000

Bankers to the Governments of the Gambia,
Sierra Leone, Gold Coast and Nigeria

Chairman:

THE EARL OF SELBORNE, K.G., G.C.M.G.

HEAD OFFICE:

37 GRACECHURCH STREET, LONDON, E.C.3

JOINT HEAD OFFICE MANAGERS:

W. F. BECKER, O.B.E. W. J. COOK

Liverpool, Manchester, Hamburg,
West Africa, Morocco

Agents in New York:
Standard Bank of South Africa, Ltd.

PRINCIPAL SHAREHOLDERS:

Lloyds Bank Limited; National Provincial Bank
Limited; Standard Bank of South Africa, Limited;
Westminster Bank Limited

THE CENTRAL BANK OF INDIA, LTD.

ESTABLISHED 1911

Head Office: BOMBAY

Subscribed Capital	Rs. 3,36,00,000
Paid-up Capital	Rs. 1,68,00,000
Reserve and Contingency Fund	Rs. 75,00,000

UP-COUNTRY BRANCHES

Bombay Presidency AHMEDABAD JAMNAGAR SHOLAPUR SURAT	COIMBATORE ERNAKULAM MADRAS	Sind HYDERABAD KARACHI SUKKUR
Bengal & Bihar CALCUTTA BARA BAZAR BHAWANIPORE Dacca JALPAIGURI JAMSHEDPUR MUZAFFARPUR NARAYANGUNJ NEW MARKET SHAM BAZAR	H. E. H. The Nizam's Dominions AURANGABAD HYDERABAD JALNA LATUR RAICHUR SAILU SECUNDERABAD WARANGAL	Delhi & United Provs. AGRA ALIGARH BASTI BAREILLY CANNANPUR DELHI GORAKHPUR HAPUR HATHRAS LUCKNOW MUNABAD MUZAFFARNAGAR PADRAUNA SAMBHAR LAKE SITAPUR
Burma RANGOON Madras Presidency ALLEPPEY COCHIN	The Punjab AMRITSAR LAHORE LAHORE CITY LYALLPUR RAWALPINDI SARGODHA	

PAY OFFICES

Under Lahore ABOHAR ARIFWALA CHICHAWATNI CHUHARKHANA DABWALI GUJRANWALA HAFIZABAD JAGRAON JAHANIA JULLUNDUR CITY KAMOKE KHANEWAL MANDI BAHAUDDINKANWALA MANDI BUREWALA MIANCHANNU	MOGA MONTGOMERY OKARA SHEIKHUPURA SIRSA VIHARI Under Coimbatore TIRUPPUR UDUMALPET Under Lyallpur GOJRA JARANWALA KAMALIA MIANWALI NANKANA SAHIB JACOBABAD	PHULERWAN SANGLA HILL TANDLIANWALA TOBATEKSINGH Under Rawalpindi MARDAN Under Aggra FARRUKHABAD MORENA Under Cawnpore BHARTHNA Under Sholapur BARSII Under Sukkur JACOBABAD
--	---	---

London Agents: Messrs. Barclays Bank, Ltd.

Chief Foreign Branch:

168 FENCHURCH STREET, LONDON, E.C.3

DIRECTORS:

THE HON. SIR PHIROZE SETHNA, Kt., O.B.E., Chairman and
Managing Director. SIR H. P. MODY, K.B.E., THE RT. HON.
NAWAB SIR AKBAR HYDARI, Kt., P.C. A. B. DUBASH, Esq.
HARIDAS MADHIDAS, Esq. DINESHAW D. ROMER, Esq.
VITHALDAS KANIL, Esq. SIR DOSABHOY HORMUSJI
BHIWANDIWALA, Kt. NOORMAHOMED M. CHENOY, Esq.

THE DAI-ICHI GINKO, LIMITED

(FORMERLY THE FIRST NATIONAL BANK)
Established 1873

CAPITAL (Paid up)	Yen 57,500,000
RESERVE	Yen 74,500,000

A Complete Banking Service

Head Office:
TOKYO

Branches:

YOKOHAMA, NAGOYA, KYOTO, OSAKA, KOBE,
and other principal Cities at home
SEOUL, FUSAN IN KOREA. DAIREN IN MANCHURIA

Correspondents:

All important places at home and abroad

BANK GOSPODARSTWA KRAJOWEGO

(NATIONAL ECONOMIC BANK)

JEROZOLIMSKA 1, WARSAW

Telegraphic Address: KRAJOBANK, WARSAW

Paid-up Capital:	Zl. 150,000,000
Reserve Fund:	Zl. 50,628,062

Total of Balance Sheet, as on July 31st, 1938
Zl. 2,660,082,963

19 Branches
in Poland

Correspondents all
over the world

HANDLING OF BANKING
TRANSACTIONS OF EVERY
DESCRIPTION

The Hongkong and Shanghai Banking Corporation

(Incorporated in the Colony of Hongkong. The liability of members
is limited to the extent and in manner prescribed by Ordinance No. 6 of
1929 of the Colony)

AUTHORISED CAPITAL	...	...	\$50,000,000
ISSUED AND FULLY PAID UP	...	...	\$20,000,000
RESERVE FUNDS	STERLING	...	\$6,500,000
	HONGKONG CURRENCY	...	\$10,000,000
RESERVE LIABILITY OF PROPRIETORS	...	...	\$20,000,000

Head Office - HONGKONG

BOARD OF DIRECTORS:

Hon. MR. T. E. PEARCE, Chairman	
Hon. MR. J. J. PATERSON, Deputy-Chairman	
J. K. BOUSFIELD	W. H. LOCK
A. H. COMPTON	G. MISKIN
Hon. MR. S. H. DODWELL	K. S. MORRISON
Hon. MR. M. T. JOHNSON	Hon. MR. A. L. SHIELDS
CHIEF MANAGER	Sr VANDELEUR M. GRAYBURN

BRANCHES:

Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo,
Colombo, Dairen (Dalny), Foochow, Haiphong, Hamburg,
Hankow, Harbin, Hongkew (Shanghai), Ipoh, Johore, Kobe,
Kowloon, Kuala Lumpur, London, Lyons, Malacca, Manila,
Moukden, Muar, New York, Peiping (Peking), Penang, Rangoon,
Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Sungei
Patani, Swatow, Tientsin, Tokyo, Tsingtao, Yioilo, Yokohama.

COMMITTEE IN LONDON:

Lord Ashburton	C. A. Campbell
A. H. Barlow	Sr George Macdonogh,
D. G. M. Bernard	G.B.E., K.C.B., K.C.M.G.
O. J. Barnes	E. J. Davies
Sub-Manager: G. M. Dalgety	Accountant: A. M. Knight

9 GRACECHURCH ST., LONDON, E.C.3

THE Commercial Banking Company of Sydney, LIMITED

(with which is amalgamated the BANK OF VICTORIA, LTD.)

ESTABLISHED 1834

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

Authorised Capital	£12,000,000 0 0
Capital Paid up	£4,739,012 10 0
Reserve Fund	£4,300,000 0 0
Reserve Capital	£4,739,012 10 0
	£13,778,025 0 0

Total Assets
30th June, 1938 ... £65,345,263 0 0

Head Office: Sydney—343 George Street
General Manager: C. Darvall

446 Offices and Branches in New South Wales,
Queensland, Victoria, South Australia and Federal
Capital Territory. Agencies throughout Australia
and New Zealand, and all other parts of the world.
Drafts payable on demand and Letters of Credit
are issued by the London Office on the Head
Office, Branches and Agencies of the Bank.
Bills on Australasia negotiated and collected.
Remittances cabled and mailed.

LONDON OFFICE:

18 BIRCHIN LANE, LOMBARD STREET, E.C.3

G. M. AINSWORTH, Manager

HUNGARIAN COMMERCIAL BANK OF PEST

(Pesti Magyar Kereskedelmi Bank)

Established by Royal Charter: 1841

Capital: P. 25,000,000
Surplus: P. 39,100,000

BUDAPEST

V., Gróf Tisza István utca 2

Telegrams: Commerz
Telephone: 1-848-88

EVERY KIND OF BANKING BUSINESS TRANSACTED

Correspondents all over the World 43 Affiliations and Branches in Hungary

Our Information Service

The Intelligence Branch of *The Economist* has been
enlarged to meet the growing demand for economic and
statistical information. The Department has been able to
secure the services of a number of experts, and is prepared
to supply information and reports on any branch of
industry and finance as well as on international relations
at a fee proportionate to the work involved.

A special feature of the Department is the preparation of
regular or occasional reports, on request, for business men and
industrialists anxious to keep abreast of all developments
which may affect their branch of activity.

Enquiries should be addressed to the
Intelligence Branch, THE ECONOMIST
8 Bouverie Street, London, E.C.4

National Central Savings Bank of Hungary

UNGARISCHE LANDES CENTRAL SPARKASSA

Budapest IV
Deák Ferenc-utca 7

Cable Address: MOKTAR

Foreign Department:
Phone: 182-518

ESTABLISHED 1872

Every description of Banking Business transacted. Pay-
ment of Travellers' Cheques and of Letters of Credit.

NATIONAL BANK OF INDIA, LIMITED

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

Established in Calcutta 29th September, 1863

Bankers to the Government in KENYA (B. E. Africa) and UGANDA

Subscribed Capital -	-	-	-	-	£4,000,000
Paid-up Capital -	-	-	-	-	£2,000,000
Reserve Fund -	-	-	-	-	£2,200,000

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES

CALCUTTA
BOMBAY
MADRAS
KARACHI
CHITTAGONG
AMRITSAR
CAWNPORE
DELHI
LAHORE

TUTICORIN
COCHIN
RANGOON
MANDALAY
COLOMBO
KANDY
NUWARA ELIYA
ADEN
STEAMER POINT, ADEN
ZANZIBAR

MOMBASA
NAIROBI
NAKURA
KISUMU
ENTEBBE
KAMPALA
JINJA
TANGA
DAR-ES-SALAAM
MWANZA

Kenya
Colony

Uganda

Tanganyika
Territory

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business.

Current Accounts are opened and Deposits are received for fixed periods, not exceeding one year, at rates to be obtained on application.

Circular Letters of Credit and Travellers' Cheques available throughout the World are issued to Constituents by the Head Office and Branches.

Trusteeships and Executorships undertaken.

ALEXANDERS DISCOUNT CO. LIMITED

24 Lombard Street, E.C.3

Capital Authorised -	-	£1,800,000
Subscribed -	-	1,800,000
Paid-up Preference Shares -	200,000	
Paid-up Ordinary Shares -	800,000	
Reserve Fund -	-	1,000,000

DIRECTORS

COLIN FREDERICK CAMPBELL, *Chairman*
GEORGE CLEVERLY ALEXANDER
ROBERT ALEXANDER
SIR AUSTIN EDWARD HARRIS, K.B.E.
ERIC GORE BROWNE, D.S.O.
FRANK NEWCOMB
MARK DINELEY

Manager—F. NEWCOMB

Sub-Manager—B. F. CREWDSON, C.B.E.

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SUBSCRIBED CAPITAL	£632,986.4.2
£ 5,622,500 at 8.88½ =	
PAID-UP CAPITAL	£632,986.4.2
£ 5,622,500 at 8.88½ =	
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THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, OCTOBER 29, 1938

No. 22

The Trend of Business

DESPITE the serious international crisis in September, which brought Europe to the brink of war, business activity—as distinct from the flow of new orders to industry—in this country showed no decline in that month. Indeed, *The Economist* index of business activity, shown graphically on this page, rose from 102 (1935=100) in July to 102½ in August and 103½ in September. Among the component series of the index, those relating to employment, merchandise on railways, building activity, iron and steel, and cotton consumption, the volume of raw material imports and shipping movements showed a slight decline. These declines were offset by rises in the indices of coal and electricity consumption, commercial motors in use, postal receipts and bank clearings. The rise of one point in the complete index is due almost entirely to the advance in the index of the volume of exports of British manufactures, whose movements are somewhat erratic. The rise of our index in September, therefore, cannot be taken as conclusive evidence of an upward turn in the trade cycle.

The course of business activity in October cannot yet be appraised by reference to statistics. It is clear, however, that some of the forces at work are still pulling back business activity while others are pushing it on. In the circumstances, any business forecast depends, in a large measure, on the relative importance attached to the main tendencies shaping the course of activity.

The downward movement in industrial activity between September, 1937, and May, 1938, was considerably intensified by the desire of industry to work off the excessive stocks of raw materials, semi-finished and finished goods accumulated during the period of advancing prices last year. While there are no data of movements in the stocks of semi-finished and finished goods, there is some evidence that this de-stocking movement has now almost exhausted itself. In no branch of activity has de-stocking been more marked this year than in the iron and steel industry. In order to keep pace with the slump in the demand for steel, caused largely by de-stocking, domestic production and imports had to be drastically reduced. This movement is reflected in the fall in our index of apparent iron and steel consumption (domestic output adjusted for imports and exports) from 173½ (1935=100) in December, 1937, to 93 in June this year. The downward movement has since lost momentum, and between August and September the index fell only slightly, from 90 to 89½. The experience of many other industries has been similar, and many of them are now in a position where an improvement in the consumption of their products could no longer be met from stocks but would involve an increase in output. An expectation that prices are likely to rise rather than to fall further might, consequently, set in motion a widespread re-stocking movement.

The vigorous recovery in the United States, which has

lifted the Federal Reserve Board's index of industrial production by no less than 18½ per cent. between May and September, is already exercising a powerful influence on prices. Indeed, the prices of industrial raw materials are again rising, and the improvement in freight rates suggests that the fall in international trade has been arrested. If the trend of prices remains upwards—and this will depend, in no small measure, on the course of business in the United States—the flow of orders to British industries should increase during the remainder of this year.

During the second half of September business transactions were seriously held up by the risk of war, except in those industries which are engaged mainly on armament work and in the supply of materials for A.R.P. Thus, the value of building plans passed by 144 local authorities in September was

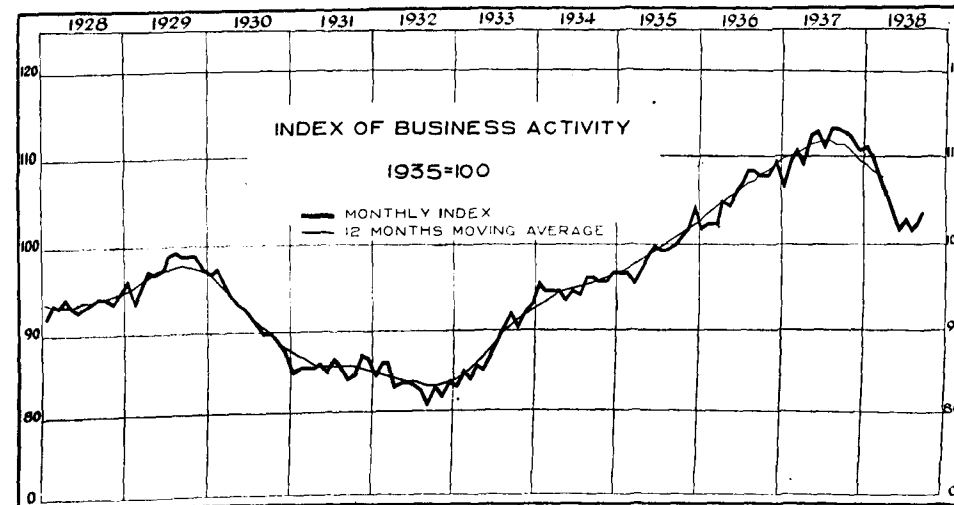
25.1 per cent. smaller than in the corresponding month last year. Again, the September index of turnover in textiles, calculated by the Wholesale Textile Association in collaboration with the Bank of England, was substantially below the figure for September, 1937. During the past few weeks, however, the volume of

business transactions has shown a definite increase in many industries, even in the depressed cotton trade. It should be emphasised, however, that the increase in buying has not yet become general. For example, the volume of transactions in iron and steel remains small, partly as a result of the expectation of a reduction in prices at the turn of the year.

But if there has been some increase in the flow of new orders to industry, there are a number of trades—in which the time-lag between the placing of orders and their completion is considerable—whose activity is bound to show some further reduction. These include such important trades as building, shipbuilding and engineering. But while the downward movement in activity is likely to be comparatively small in building and engineering, commercial shipbuilding is expected to suffer a severe slump next year as a result of the paucity of new orders. Even if expenditure on armaments is to be increased substantially, this is unlikely to be reflected in the activity of the industries concerned until early next year.

An early and sustained expansion of domestic business activity is, therefore, unlikely. Rather is business likely to mark time, with the bias probably in favour of a gradual improvement.

Abroad, the feverish activity in Germany stands in striking contrast to the persistent depression in France. Apart from Germany, the majority of European countries have suffered a setback, but the recession has not yet gone very far, especially in Scandinavia. The news from the principal primary producing countries is quite encouraging; while their activity is not as high as a year ago, the renewed upward movement of prices, though not yet general, is tending to check deterioration.



British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of October. In the remainder they relate to the month of September.

COAL

There was a seasonal increase in the demand for coal in September, reflected in an increase in the output from 17.0 million tons in August to 18.5 million tons in September. The decline in production compared with the corresponding month last year, however, was greater in September (-9½ per cent.) than in August (-6½ per cent.). Exports continued to run below last year's level; shipments last month amounted to 3,012,000 tons against 3,657,000 tons in September, 1937. Similarly the quantity of coal shipped for the use of steamers fell from 1,021,000 tons in September, 1937, to 870,000 tons in the past month. The seasonal improvement in demand continued in October, and the difference between this year's and last year's output, as revealed by the weekly figures, has tended to become slightly smaller. The recession in the industry since the beginning of this year, although comparatively slight, has led to an appreciable fall in prices. For example, the Board of Trade's index of wholesale prices for coal fell by 8 per cent. between September, 1937, and the past month. The Central Council has therefore decided to exercise the compulsory powers of price co-ordination delegated to it under the amended legislation of 1936 in order to stem the decline in prices.

IRON AND STEEL

There are indications that the efforts made by the iron and steel industry since the beginning of this year to adjust new supplies to the lower level of demand by the drastic curtailment of domestic production and imports are beginning to bear fruit. The output of pig iron fell from 443,000 tons in August to 429,800 tons in September, but the production of crude steel was stepped up from 658,900 tons to 754,700 tons. Between August and September, 1937, the output of pig iron rose by 1.8 per cent., against a fall of 3 per cent. this year. Moreover, the 14.5 per cent. increase in the production of crude steel in September was due mainly to seasonal influences, for during the corresponding period last year output rose by 17.8 per cent. Nevertheless, the figures suggest that the adjustment of new supplies to the fall in demand is nearing completion, for stocks of pig iron and semi-finished materials are understood to have been substantially reduced. Although the volume of new purchases remains comparatively small, the industry is now expecting a revival in demand which may permit an early increase in output without adding to stocks. A reduction in prices at the beginning of next year would probably help to stimulate demand.

GENERAL ENGINEERING

The engineering industry is in the midst of a gradual recession in activity, due to the downward trend of the volume of new commercial—as distinct from armament—orders. Unemployment showed a slight increase between August and September; compared with September, 1937, the proportion of insured persons unemployed in general engineering showed an increase of 4 per cent. Notwithstanding the slight setback, activity remains at a high level, though the downward trend is expected to continue for some months, despite the prospective increase in armament expenditure. This is due to the long time-lag between the formulation of new armament plans and their translation into orders for machinery. Exports and imports are also tending to decline. In September imports of machinery amounted to 9,080 tons, compared with 12,233 tons in the corresponding month a year ago. The volume of exports declined from 36,866 tons in September, 1937, to 34,700 tons in the past month, but their value rose from £4,253,000 to £4,472,000. The negotiations between the trade unions and the employers concerning the speeding-up of defence work have not yet been concluded. There is no doubt that the volume of armament work could be increased very substantially if some of the regulations concerning labour relations were relaxed.

ELECTRICAL EQUIPMENT

The recession has been less marked in the electrical equipment industry than in general engineering. There was no increase in unemployment in the electrical engineering section between August and September, and there was actually a slight decrease in the electric cable and apparatus section. That the industry is still operating near capacity is revealed by the fact that the proportion of insured persons unemployed last month was only 5.4 per cent. in electrical engineering and 6.5 per cent. in the electric cable and apparatus section. Exports of electrical machinery continue above last year's level; shipments rose from 1,536 tons (valued at £268,132) in September, 1937, to 17,531 tons (valued at £323,815) last month. Exports of electrical goods and apparatus, on the other hand, showed a slight decline during this period, from £1,098,155 to £1,030,708.

AUTOMOBILES

Compared with the corresponding month of 1937, the output of private cars in August fell by 10.2 per cent. and that of commercial vehicles by 5.8 per cent. These declines are considerably less than those of previous months, and it is also worth noting that the seasonal fall in production between July and August this year has been less marked than in 1937. While attendances at the Motor Show did not quite reach last year's total, the volume of

orders placed is reported to have been encouraging, and production at some of the motor works is to be speeded up. The export of private cars increased from 1,950 units in August to 2,922 units in September, which compares with 3,793 cars exported in September, 1937; exports of commercial vehicles were slightly larger in September than in either the preceding month or in the corresponding month of 1937.

BUILDING

Despite a slight recession in recent months, activity in the building and contracting trades remains at a high level. Compared with September, 1937, the proportion of insured persons unemployed last month showed an increase of only 3.0 per cent. in building and 3.1 per cent. in public works contracting. The returns of the value of building plans passed in September by 144 local authorities are disappointing, for they show a decline of no less than 25.1 per cent. from the figures for September, 1937. There was a fall in all categories of building, with the exception of shops and other business premises. The September returns, however, must be read in conjunction with the political crisis, as a result of which many projects may have been postponed. It is quite possible, therefore, that the October figures will make a better showing. In any case, there are no signs of an early and abrupt fall in constructional activity. Moreover, if re-armament is to be intensified, the constructional trades will be among the first to benefit from the need for additional aerodromes, barracks, depots and factories.

CHEMICALS

Although all sections of the chemical market were disturbed by the international crisis, in general a fair amount of business has been transacted during the past month. Demand for industrial chemicals has been quite active, and business in pharmaceutical and other fine chemicals is generally satisfactory. Reports from the wood-distillation industry indicate that trade has been quiet but steady. Stocks of most products are decreasing, although little improvement has been shown in the acetates market. There has been no sign of a revival in the coal tar products' market. Overseas trade in chemicals, drugs, dyes and colours showed a further decline in September, exports decreasing in value by £319,906 and imports by £64,895 compared with 1937. Of the decrease in exports, coal tar products accounted for more than £130,000.

POTTERY

Trade improved during the early half of September compared with the low level of August; the percentage unemployed among insured workpeople was 17.2 on September 13th, compared with 26.5 on August 15th, when employment in some districts was affected by local holidays. The September exports of earthenware, at 41,035 cwt., showed a slight increase over the August figures, but exports of sanitary ware continued to decline.

FOOTWEAR

Employment in all districts improved between August and September; the percentage unemployed fell from 13.5 on August 15th to 11.2 on September 13th, which compares with 9.1 in September, 1937. Short-time working was common in most districts, except at Norwich. Exports, while still below the level of those in September, 1937, were higher than in August and amounted to 32,926 dozen pairs. During the whole of the current year, imports of leather boots and shoes have been larger than in 1937; total imports for the first nine months of the current year were 231,668 dozen pairs, of which slightly more than half came from Czechoslovakia.

COTTON

During the European political crisis, shipping difficulties increased and the sharp advance in war insurance rates had a serious effect upon trade negotiations. During the last few weeks, however, demand for yarn and piece-goods has broadened; most spinners and manufacturers have booked more orders and a slight improvement has occurred in industrial activity. This is reflected in the increase in spinning production to 55 per cent. of capacity, compared with 50 per cent. a month ago and 92 per cent. a year ago. The latest employment statistics, which refer to September 12th, showed a total of 131,987 cotton operatives unemployed, against 123,752 a month ago and 57,333 at the same time last year. After an advancing tendency in raw cotton prices, there was a slight reaction later in the month. The third American Government crop estimate of 12,212,000 bales, against the previous estimate of 11,825,000 bales, was larger than expected, and the carry-over of American cotton at the end of this season will probably be 14,500,000 bales. On the other hand, the Egyptian cotton crop for this season is expected to be about 30 per cent. smaller than that of last year. The cloth demand for India has increased, and some leading shippers have placed orders on a freer scale than for some time. Increased activity has also been experienced for South America, the Continent, the Dominions and the home trade, and occasionally makers have secured fairly substantial government orders. This improvement, while welcome, is still small; exports of cloth so far this year are 29 per cent. smaller than in the same period of 1937, and exports of yarn have fallen by 27 per cent. in the same period. In the spinning section, the breakdown of the price agreement for medium American ring yarns led immediately to a severe cutting of prices, with keen competition for orders. Big quantities have been sold by a leading combine at over 2d.

lb. below the old list rates, but since the increase in orders prices have been advanced. There has been a price reduction of ½d. per lb. under the agreements for medium and fine American welfts. Increased business has been done in Egyptian yarns.

JUTE

Unemployment, though still high, continues to decline slowly; on September 13th 25.1 per cent. of insured persons were out of work, compared with 27.8 per cent. on August 15th. The export trade remains disappointing, but there has been a revival in home trade due mainly to defence demands. Spinners are very busy and are pressed to give delivery of yarns on order.

LINEN

Flax prices are rigidly maintained; Russian flax is held off the market and there are no sales from the Baltic Monopolies. Courtrai fibre is dearer. The quality of the new Irish crop is rather disappointing. Spinners generally are reserved and disinclined to sell ahead. There is more cloth inquiry from home and overseas markets, but pending the conclusion of the Anglo-American trade agreement, business with the U.S.A. is being confined to nearest requirements. Exports of cloth in September continued at the low level prevailing in August, but there was at least no further decline.

RAYON

The international situation has continued to retard progress in all branches of the rayon industry, but it is becoming increasingly obvious that stocks are low and there is every reason to believe that a forward movement is more than due. Production of yarn and staple fibre remains at the reduced level established in the spring. Prices show little change.

WOOL

Raw wool prices continue to be well maintained, particularly for merinos. More business has recently been done in crossbreds, whose prices have also tended to rise. A number of small orders have been booked in the yarn market and prices generally are steady. Greater confidence has also been shown in the past fortnight in the piece-goods trade, although the volume of new orders for spring delivery remains disappointing. The woollen section of the industry has benefited most from the slight improvement in trade; employment in the worsted section remains slack, and considerable short-time is being worked. The September trade returns show that exports

of cloth continued at a lower level than in 1937, but that the divergence from the figures of a year ago was less in September than in August, and less in August than in July.

AGRICULTURE

The yields of wheat and barley are estimated by the Ministry of Agriculture to exceed the average for the last ten years. Autumn cultivations are now well in hand in most districts, and the recent spell of dry weather has favoured operations. There is a good supply of autumn grass and milk yields are up to the average. Sheep prices remain low, but the seasonal decline in fat cattle prices is about average.

SHIPPING

Freight rates improved slightly between August and September, *The Economist* index (1913 = 100) rising from 95.7 to 97.2. The prospect of a general war disorganised the freight markets and the revision in the rates for war risk insurance also hampered business. Later, when the tension subsided, freights on most routes were quoted at about the rates prevailing early in September. The shipment of grain continues to be the centre of interest, but, with ample tonnage available, lower rates are not unlikely. Meanwhile, the volume of shipping tonnage laid up at ports of Great Britain and Ireland increased from 332,004 net tons on July 1st to 455,667 net tons on October 1st, compared with 99,496 net tons a year ago.

RETAIL TRADE

The average daily value of retail sales in September, as revealed by the returns published in this week's *Board of Trade Journal*, was 0.9 per cent. higher than in the corresponding month last year. That there was no widespread hoarding of food and perishable goods is shown by the fact that sales of these articles were only 4.5 per cent. higher than a year ago. Nor was there any disastrous decline in non-food sales, which were only 3.5 per cent. below the level of September, 1937. The value of total sales was higher than a year ago in all districts, with the exception of Central and West End London. Indeed, Central and West End London is the only district which witnessed a substantial increase in purchases of food, accompanied by a sharp drop in purchases of other commodities; here the value of sales of groceries and provisions last month showed an increase of no less than 27 per cent. compared with September, 1937, and sales of articles other than food fell by 13 per cent.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935 = 100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motor in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve-Month Average
Number of Weights.....	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929	98	108	88	127	76	85	80	111	98	137	108	91	108	98	108	108
1930	94	108	88	115	80	85	85	111	98	137	108	91	108	98	108	108
1931	91	98	78	88	88	85	85	111	98	137	108	91	108	98	108	108
1932	90	90	71	86	86	84	87	101	92	121	112	108	105	101	112	112
1933	89	90	78	88	88	84	87	101	92	121	112	108	105	101	112	112
1934	97	97	88	100	95	97	88	93	98	100	100	100	100	100	100	100
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1936	105	104	112	108	105	104	107	125	108	110	102	108	108	108	108	108
1937	111	109	126	118	111	106	98	142	116	121	112	108	105	101	112	112
1938—September	101	100	89	98	100	101	102	105	98	104	103	101	102	95	101	100
October	101	108	102	101	101	99	103	102	98	102	102	98	99	96	101	101
November	101	104	102	103	101	100	105	102	107	106	99	101	99	96	102	101
December	101	105	108	102	102	104	108	113	99	117	99	103	108	112	104	102
1936—January	101	107	104	104	103	101	106	117	106	97	92	98	98	91	102	102
February	102	100	108	102	104	101	107	115	100	98	102	100	98	95	102	102
March	103	98	105	105	104	102	107	112	101	99	99	99	100	94	102	104
April	103	103	111	106	104	102	106	126	110	107	99	99	101	97	105	104
May	104	102	107	105	105	102	107	116	112	106	99	100	103	98	104	105
June	105	108	107	104	105	101	109	121	119	117	98	102	104	104	106	105
July	106	104	109	108	105	103	109	123	120	117	105	101	104	97	107	106
August	107	104	111	108	106	106	108	139	120	117	101	107	105	103	108	106
September	107	102	112	106	106	106	108	132	107	123	105	100	106	113	108	107
October	107	104	113	107	107	104	107	127	102	117	107	103	106	114	108	108
November	107	104	117	108	108	107	105	125	100	119	100	106	109	111	108	108
December	107	107	117	113	108	108	103	134	109	108	108	103	107	122	109	109
1937—January	109	97	116	110	109	107	102	124	111	109	104	101	108	105	107	109
February	109	108	116	107	109	110	103	118	110	102	111	107	108	115	109	110
March	109	110	125	106	110	107	99	118	123	119	120	114	108	107	111	110
April	110	112	122	115	110	110	102	117	116	103	108	102	103	103	108	110
May	110	113	123	118	111	106	100	130	143	116	117	114	107	98	112	111
June	111	115	122	113	111	107	99	133	111	125	122	106	106	106	113	111
July	112	108	123	114	111	105	98	140	131	122	113	109	102	100	111	111
August	112	107	125	119	111	108	95	160	115	130	113	113	108	99	113	111
September	112	110	124	117	111	108	95	157	108	133	113	108	106	99	113	111
October	112	105	124	112	112	108	96	158	107	146	112	110	104	99	113	111
November	111	107	128	110	113	109	85	167	107	145	104	108	104	100	112	110
December	109	105	131	114	113	111	98	173	97	110	108	108	101	98	111	109
1938—January	110	108	128	116	114	110	89	169	107	110	104	105	105	99	111	109
February	110	108	128	112	114	110	89	155	101	117	101	106	103	93	110	109
March	109	102	120	109	114	110	92	143	102	109	99	102	99	88	107	107
April	109	99	123	101	113	107	90	123	82	114	100	105	100	88	104	104
May	109	104	131	91	113	108	90	104	81	103	93	103	99	85	105	105
June	109	105	125	89	113	107	90	83	81	111	101	103	98	85	102	102
July	109	102	129	86	113	106	90	91	84	113	93	103	98	85	102	102
August	110	102	130	90	114	108	90	91	85	111	90	103	98	85	102	102
September	109	106	132	88	114	109	89	89	87	105	103	104	102	85	103	103

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. Revised. Provisional. Annual indices represent average of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—The long spell of dry weather during September and early October has at last been broken and wheat prospects have improved correspondingly. Imports remain at a high level, while the value of exports continues to decline. The trade balance for the two months July and August was unfavourable to the extent of £3.1 millions, against £0.8 million in the corresponding months of last year. Retail trade and manufacturing show slightly more than the normal seasonal recession, according to a cable from the National Bank of Australasia, but general business activity remains at a prosperous level. The demand for cars has slackened, but the latest statistics of building permits reveal no recession in constructional activity. A large programme of defence and other public works is projected for the current year.

CANADA.—Business activity in Canada shows little material change. Grain prices, after a temporary spurt caused by the fear of a European war, continue to sag slowly, but Canadian hard grains have been least affected by the fall. With a fixed price of 80 cents per bushel throughout the season, farmers are selling freely, and it is likely that an unusually large proportion of this year's heavy crop will be exported before Christmas. Building permits and the value of contracts awarded showed a less than normal decline between July and August. There was an expansion in the output of newsprint and wood pulp, but the exports of planks and boards fell sharply in August compared with July. Mineral production showed a slight fall in August, except for nickel and lead.

SOUTH AFRICA.—A certain amount of short-time working is reported from clothing and shoe factories, but business activity generally is well maintained, particularly in the towns. There was a sharp increase between July and August in the value of building plans passed in Johannesburg; the building trades in Cape Town continue well employed. Wool prices showed a rising tendency during the recent sales, owing largely to improved German buying as the result of the renewed payments agreement. The market for hides and skins has been firm.

INDIA.—Imports in September, at 10,81 lakhs, were a little smaller than in August, while exports, amounting to 15,67 lakhs, were a little larger. Compared with September, 1937, however, imports fell by 285 lakhs and exports by 143 lakhs. The final forecast of the jute crop gave a total of 6.7 million bales, and it is expected that stocks will be heavily drawn upon before the end of the season. Wholesale prices at Calcutta remain stable.

EUROPE

FRANCE.—Business was seriously disorganised during the crisis, when a large number of men were called to the colours. But even before the crisis there were few signs of recovery in France. The volume of new investment has remained consistently at a very low level, partly owing to the rigidity of the new labour regulations, which have not yet been modified to any marked extent. Owing to the lack of statistical evidence, it is difficult to be precise. The latest month for which the official index of production is available is April. As far as can be judged from reports, however, production has tended downwards rather than upwards in August and September. The number of unemployed in receipt of benefit was 338,409 at the end of September, compared with 305,449 a year earlier. Wholesale prices have tended to rise during the past four weeks, and the price of industrial securities recovered slightly after the Munich Agreement.

GERMANY.—As a result of the continuous transference of resources from commercial to armament work, the volume of industrial production in Germany has continued to rise. The Institute of Business Research's index of industrial production (including Austria) has risen without interruption since the beginning of the year. In August the index stood at 130.5 (1928 = 100), compared with 128.7 in July and 126.9 in June. The weekly index of business activity registered a decline in September, due probably to the withdrawal of labour resources from industry for the purposes of mobilisation. There is practically no unemployment in Germany; the number registered in September was only 156,000, compared with 179,000 at the end of August and 469,000 at the end of September, 1937. Despite the fact that there is now full employment in Germany, the official index of prices has shown no increase in recent weeks. Moreover, the crisis was scarcely reflected in the prices of Government and industrial securities, the latter having shown a gradual upturn since the beginning of September.

SWEDEN.—Export business was seriously affected by the European crisis, but more normal conditions have now been established. Turnover on the wood pulp market remains small, but consumers' stocks are falling and a re-stocking movement may occur before long. The increase in timber prices early in September was followed by an expansion in inquiries, and the outlook in this market is more hopeful. The latest figures for foreign trade relate only to August; in that month imports amounted to 173 million krona, and exports to 150 million krona, compared with 171 and 187 million krona respectively in August, 1937. Business activity was well maintained in August, but the statistics for September will probably show the effect of the recent crisis.

FINLAND.—The export trades were badly hit by the slump in timber and paper prices, and output has been restricted in consequence; more favourable conditions may be expected now that the European political situation has eased. Industries working for the home market continue well occupied. Compared with last year, exports in 1938 have fallen considerably, but the returns relating to August show a slight improvement; the same applies to imports, whose value, compared with 1937, has fallen rather less than that of exports.

GREECE.—While the yield of winter sowings was on the whole very satisfactory, spring sowings were unfavourably affected by the unsettled weather that prevailed during the summer. The new crops of currants and tobacco are also lower than last year. Industrial and trade activity was brisk during September, though the international crisis checked further business expansion in the latter part of the month. Business on the Athens Stock Exchange was equally affected by the crisis, but with the conclusion of the Munich Agreement prices improved considerably on the last day of the month. The foreign exchange reserves of the Bank of Greece registered a slight increase in September.

UNITED STATES OF AMERICA

The rate of expansion of business activity tended to slow down in September, partly, no doubt, owing to the political crisis in Europe. Thus, the Federal Reserve Board's index of industrial production rose by 7.8 per cent. in July, 6 per cent. in August and only 2.2 per cent. in September. Nevertheless, recovery has been very rapid, for the index for September showed an increase of no less than 18.5 per cent. over that for May. Moreover, there are indications that recovery has again gained momentum in recent weeks; the weekly index of business activity calculated by *The New York Times* rose from 84.3 for the week ended October 1st to 87.6 for the week ended October 15th. As in previous recovery movements, the expansion has so far been most marked in the case of consumption goods, but there are also signs of revival in the capital goods industries. For example, the proportion of crude steel productive capacity employed has risen from 44 per cent. in the first week of September to 53.7 per cent. in the current week. Activity in the building industry is tending to expand, and there are now prospects of a substantial increase in the expenditure of the public utilities. One of the unfavourable factors is the downward trend of the prices of cereals, which is diminishing the income of the farming community. The prospects of recovery in the United States are discussed in detail in a leading article in this week's *Economist*.

LATIN AMERICA

ARGENTINA.—With the alleviation of the European political crisis, grain prices in Buenos Aires have relapsed. The outlook for the coming cereal crops continues excellent, although some losses may have been sustained by frosts at end-September. Despite the continued adverse trade balance, the foreign exchange and monetary markets continue steady under the scheme of managed economy. Retail trade is quiet, reflecting the reduced purchasing power of the public, but if the crops turn out well, both the import and retail markets should recover later in the year. Both the wool and hides markets show improvement.

BRAZIL.—The trade balance for the six months ended June was adverse, although a favourable balance emerged in that month alone. Statistics show that Brazil is increasing her deliveries of coffee to world markets, although these larger shipments are offset by low prices. Distribution of foreign exchange in payment of imports was suspended on September 23rd, but resumed on October 4th. The Bank of Brazil has suspended the purchase of German Askis marks against exports of coffee, cotton and cocoa.

CHILE.—Trade has been marking time pending the result of the Presidential election. The country should benefit by the removal of restrictions on copper output. Meanwhile, conditions in the exchange market for sterling and dollars continue stringent.

PERU.—Trade conditions remain dependent on the changes in the world market for cotton. The currency continues to depreciate slightly and the favourable balance of trade at end-July showed a large reduction on that twelve months earlier.

THE FAR EAST

The values of Japanese exports and imports in September were both lower than in August, but the favourable balance declined from 53 million yen to 36 million yen. For the nine months of the current year the excess of imports amounted to only 97 million yen, a fall of 87 per cent. compared with the corresponding period of 1937. Export business and the turnover on the Stock Exchange were adversely affected by the European crisis, but conditions improved after the Munich Agreement. Business in trades not connected with the supply of war materials continues to be hampered by the stringent control over raw material imports. China's imports in September showed a slight fall to 75.1 million dollars, while exports were little changed at 79.8 million dollars. The fall of Canton, the last of China's major ports, must necessarily have a drastic effect on China's foreign trade.

UNITED KINGDOM

(Population, mid 1936, 47,098,000; Area 95,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)		Unit of Measurement	Monthly Average										1937		1938				
			1929	1930	1931	1932	1933	1934	1935	1936	1937	Aug.	Sept.	Apr.	May	June	July	Aug.	Sept.
PRODUCTION																			
1930 = 100			108.6	100.0	91.0	90.5	95.5	106.1	113.9	124.6	133.1	130.4	130.4	122.1	122.1	16.8	17.0	...	
1. Industr. Prod. B. of Trade (a) (d)		Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.1	18.2	20.4	17.8	19.1	17.1	16.8	17.0	
2. Coal, G.B.		Mill. tons	588	610	851	1,020	1,130	1,288	1,464	1,685	1,908	1,529	1,732	1,849	1,654	1,612	1,656	1,679	
3. Electricity, public supply, G.B.		Thous. tons	803	610	434	436	585	788	822	975	1,082	988	1,163	939	957	776	508	443	
4. Pig iron		Thous. £'s	3,688	3,897	3,374	3,907	5,192	5,789	6,536	8,255	9,537	3,624	3,612	5,337	6,182	5,779	5,536	4,071	
5. Steel ingots and castings		Thous. £'s	2,408	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,579	2,223	3,516	3,022	3,023	3,081	4,060	2,375	
6. Building plans passed (f) Dwellings		1929 = 100	100	125	77	112	67	160	148	250	232 (i)	220	218	...	...	...	...	...	
7. 146 towns, G.B. (g) (h) (i) (j) (k) (l) (m) (n) (o) (p) (q) (r) (s) (t) (u) (v) (w) (x) (y) (z)		1929 = 100	100	67	50	31	44	60	62	96	109 (i)	107	97	...	...	...	...	...	
8. Home		1929 = 100	100	93	58	59	56	107	104	167	168 (i)	161	151	...	...	...	...	...	
9. Foreign		1929 = 100	100	93	58	59	56	107	104	167	168 (i)	161	151	...	...	...	...	...	
10. Total		Thous. gross tons	137	79	17	6	20	43	57	91	88	73	73	52	52	52	29	29	
11. Shipbuilding: commenced (f)		Thous. gross tons	127	123	42	16	11	38	42	71	76	89	89	96	96	96	103	103	
12. " " launched (f)		Thous. gross tons	1,560	909	401	225	332	597	743	964	1,125	1,185	1,185	...	...	...	...	...	
13. " " on hand, end yr.		Thous. gross tons	1,560	909	401	225	332	597	743	964	1,125	1,185	1,185	...	...	...	...	...	
14. Automobiles: priv. cars (b) (c)		Numbers	15,196	14,139	13,250	14,270	19,232	21,406	25,962	29,487	32,469	20,888	25,846	32,053	31,446	28,267	25,426	18,748	
15. Comm. vehicles (b) (c)		Numbers	4,705	5,372	5,609	5,123	5,459	7,138	7,681	8,967	9,843	7,508	9,290	8,414	8,621	8,313	8,306	7,071	
16. Cotton delivered to mills, G.B.		Mill. lbs. daily av.	4,742	4,064	4,548	6,043	7,002	7,758	10,341	12,110	12,901	10,800	14,400	10,570	13,390	11,710	11,640	9,310	
17. Rayon: Output		Thous. lbs.	4,710	3,992	4,591	5,955	7,086	7,715	9,887	11,785	13,082	11,065	14,699	11,556	9,361	10,821	11,640	9,310	
18. " Quantity excised		Thous. st. barrels	1,620	1,568	1,365	1,102	1,193	1,293	1,355	1,395	1,488	1,636	1,539	1,537	1,587	1,701	1,721	1,721	
19. Beer production		Thous. proof galls.	914	840	786	721	733	719	720	760	785	418	418	418	418	418	418	418	
20. Distilling: Drink (f)		Thous. proof galls.	1,205	1,393	1,438	1,534	2,484	2,816	3,172	3,595	4,369	4,410	4,410	4,264	4,264	4,264	4,264	4,264	
21. " Industrial alcohol (f)		Thous. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	142.4	142.7	150.1	151.6	152.4	152.4	152.4	
22. " Stocks, end year...		Thous. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	142.4	142.7	150.1	151.6	152.4	152.4	152.4	
TRADE AND TRANSPORT																			
23. Rly. traf.: Merc. & trav. G.B.		Thous. tons	9,780	8,890	7,802	6,605	6,875	7,660	7,961	8,188	8,690	8,871	9,149	7,931	7,015	6,992	...	...	
24. Coal and coke, G.B.		Thous. tons	15,933	14,888	13,360	12,681	12,727	13,384	13,447	13,539	14,384	13,672	14,409	12,933	11,838	12,088	...	...	
25. Automobile: priv. cars in use, G.B.		Thous.	893.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.5	1,498.8	1,648.2	1,762.1	1,769.6	1,830.4	1,836.8	1,849.6	1,921.5	1,916.2	
26. Comm. vehicles in use, G.B.		Thous.	314.7	333.6	346.0	356.2	370.0	389.5	413.5	437.0	459.8	460.3	462.5	470.5	471.9	473.3	471.2	473.8	
27. Postal traffic receipts, daily		Thous. £'s	138	135	134	132	130	133	140	147	154	141	152	149.5	147.1	144.9	146.0	141.5	
28. Retail trade, Gt. Brit.: Food		Avg. daily sales in 1938 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
29. " " " " " "		1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
30. Advtg. expndre. on brand, gds.		1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Foreign Trade																			
31. Retained imports, value: Food		Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,829	29,618	30,921	34,099	33,867	35,020	31,153	33,948	37,567	34,150	36,735	
32. " " " " " "		Thous. £'s	23,774	17,674	12,277	12,897	15,153	15,207	17,934	23,203	23,730	24,883	18,608	17,026	17,004	17,284	17,234	16,096	
33. " " " " " "		Thous. £'s	25,462	22,622	20,367	12,168	11,654	13,995	14,362	20,878	21,877	22,178	18,332	16,837	16,663	16,106	17,054	17,543	
34. " " " " " "		Thous. £'s	92,589	79,762	68,449	54,221	52,161	56,881	58,473	65,710	79,492	79,972	82,603	68,669	66,217	71,515	69,384	70,963	
35. " " " " " "		Avg. of 1935	98.9	99.6	106.5	102.5	100.7	101.1	100	102.8	103.4	97.6	100.0	100.0	100.0	100.0	100.0	100.0	
36. " " " " " "		1935 = 100	101.5	90.9	82.9	84.6	92.7	99.6	100	111.1	120.9	157.1	104.9	104.9	104.9	104.9	104.9	104.9	
37. " " " " " "		1935 = 100	133.6	133.9	123.9	79.5	87.8	95.0	100	111.6	127.1	157.1	113.3	113.3	113.3	113.3	113.3	113.3	
38. " " " " " "		1935 = 100	108.9	106.3	105.0	92.2	93.7	99.0	100	107.2	113.9	110.6	110.6	110.6	110.6	110.6	110.6	110.6	
39. Domestic exports, value: Food		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
40. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
41. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
42. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
43. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
44. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
45. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
46. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
47. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
48. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
49. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
50. " " " " " "		Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,836	2,966	3,232	3,034	3,415	2,968	2,827	2,659	2,904	2,952	
51. Freight rates, Economist index		1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.8	132.5	143.6	149.8	101.0	91.1	99.3	98.4	98.8	
52. Cable and wireless traffic index		Corresponding month 1929 = 100	100	87.8	82.2	77.9	75.1	76.4	76.8	87.8	132.5	143.6	149.8	101.0	91.1	99.3	98.4	98.8	
EMPLOYMENT AND WAGES																			
53. Insured pers. employed G.B.		Thousands	10,232	9,797	9,421	8,948	9,681	10,198	10,877	10,912	11,496	11,672	11,706	11,390	11,375	11,333	11,371	11,402	
54. Insured pers. unemployed		Thousands	1,210	1,915	2,690	2,681	2,681	2,107	1,958	1,684	1,413	1,294	1,271	1,748	1,779	1,803	1,773	1,759	
55. Per cent. unemployed		%	10.8	19.8	21.1	21.9	19.9	16.6	15.8	13.0	10.6	9.9	9.7	12.5	12.7	13.0	12.9	12.7	
Wholesale: "Economist" Indices																			
56. Cereals and meat		1929 = 100	100	83.6	70.9	70.4	68.4	71.3	72.2	79.4	83.5	91.1	95.3	88.3	91.1	92.0	85.6	79.2	
57. Other foods		1929 = 100	100	90.0	76.1	72.8	68.4	68.8	70.6	71.2	78.6	77.7	78.9	70.2	68.7	66.2	67.0	67.0	
58. Textiles		1929 = 100	100	89.9	54.2	53.4	55.2	58.7	61.0	63.7	73.7	74.5	69.7	58.5	56.5	57.2	58.0	57.8	
59. Minerals		1929 = 100	100	87.5	76.5	76.3	80.5	81.5	83.5	88.5	108.4	113.0	105.5	99.2	91.7	97.7	96.4	96.0	
60. Total, incl. miscell.		1929 = 100	100	84.0	70.2	67.8	68.3	71.1	74.3	78.8	89.0	90.2	93.8	79.4	78.2	77.9	77.6	76.2	
74. Primary products		Sept. 13, 1931 = 100	...	154.5	114.5	118.1	118.0	123.0	126.9	140.2	163.1	164.4	159.7	137.8	132.2	135.7	138.0	133.5	
75. Cost of Living: Min. of Labour		1929 = 100	100	94.2	85.1	81.8	77.9	79.2	81.2	83.6	90.7	90.9	92.9	90.2	89.6	94.8	91.6	90.9	
76. " " Food		1929 = 100	100	96.3	90.0	87.8	85.4	86.0	87.2	89.7	94.5	94.5	96.3	95.1	94.6	96.9	95.1	95.1	
77. " " Total		1929 = 100	100	96.3	90.0	87.8	85.4	86.0	87.2	89.7	94.5	94.5	96.3	95.1	94.6	96.9	95.1	95.1	
78. Industrial securities, Fin. News		July 1, 1935 = 100	102.0	84.6	65.8	64.0	79.8	84.1	97.0	115.7	110.2	112.6	106.7	90.7	84.0	86.9	85.8	82.2	
79. Fixed interest		1928 = 100	96.8	99.9	99.2	113.6	126.1	138.6	137.1	137.7	128.6	126.6	126.7	128.8	128.5				

UNITED STATES, FRANCE AND GERMANY

	Unit of Measurement	Monthly Average										1937		1938						
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Aug.	Sept.	Apr.	May	June	July	Aug.	Sept.		
UNITED STATES (Population 1934: 126,450,000; Area: 7,839,432 sq. kms.)																				
PRODUCTION																				
1. Industrial production, F.R.B. (a)	1929=100	100	80.7	68.1	53.8	63.9	66.4	75.6	88.1	92.2	98.3	93.3	64.7	63.9	64.7	69.7	73.9	75.6		
2. Investment goods, F.R.B. (a)	"	100	72.6	48.2	27.6	41.2	46.5	68.2	82.4	88.6	104.1	94.4	43.5	41.8	41.5	48.2	52.6	...		
3. Consumption goods, F.R.B. (a)	"	100	86.8	85.2	75.9	84.2	81.4	87.6	94.5	94.5	94.5	91.8	78.1	79.7	81.8	87.3	92.1	...		
4. Coal	Million m. tons	46.0	40.6	33.4	27.2	29.0	31.4	31.6	36.5	37.0	33.2	38.6	23.0	23.8	24.7	23.6	28.2	32.1		
5. Electricity generated	Million kw. hrs.	8,113	7,995	7,644	6,842	7,111	7,590	8,283	9,461	10,083	10,634	10,227	9,924	9,088	9,196	9,514	10,000	2,700		
6. Steel	Thous. m. tons	4,599	3,326	2,133	1,128	1,131	2,139	2,830	3,373	3,727	4,956	4,358	1,556	1,836	1,665	2,015	2,588	...		
7. Index of machine tool orders	1929=100	100	46.0	26.0	12.6	17.4	29.7	55.5	87.7	120.0	115.5	135.1	57.9	42.6	45.1	57.5	...	...		
8. Building contracts awarded	"	100	46.0	26.0	12.6	17.4	29.7	55.5	87.7	120.0	115.5	135.1	57.9	42.6	45.1	57.5	...	...		
9. Residential	Million \$	159.6	91.8	67.6	23.3	20.8	20.7	39.9	66.8	75.5	73.4	65.6	74.6	83.2	85.7	88.0	...	...		
10. Other	"	319.6	285.1	190.1	89.3	83.8	107.9	114.1	156.1	184.4	207.8	141.5	147.4	200.0	185.2	151.8	...	...		
11. Private cars	Thousands	382	232	164	88	131	181	271	306	326	311	119	176	155	137	107	...	...		
12. Commercial vehicles	"	64	43	35	20	29	48	58	65	72	83	53	64	67.0	75.7	84.3	95.7	...		
13. Activity in textile industry	1929=100	100	79.1	81.7	72.2	84.3	73.9	90.4	97.4	96.5	100.0	93.9	84.3	67.0	75.7	84.3	95.7	...		
14. Stocks of raw materials	"	100	108.0	118.7	120.7	122.1	120.7	94.0	86.2	88.6	75.2	98.0	111.4	102.6	...	...	...	...		
15. Stocks of manufactures	"	100	102.5	105.0	107.7	108.7	105.0	86.2	88.6	91.5	90.0	91.7	101.7	102.5	...	...	...	...		
TRADE AND TRANSPORT																				
16. Index of Rly. car loadings (a)	"	100	86.8	70.7	52.8	54.7	58.5	59.4	67.9	74.7	74.5	73.6	53.8	54.7	54.7	57.6	...	...		
17. Index of Dept. Store sales (a)	"	100	91.9	82.9	62.2	60.3	67.6	71.2	79.2	83.6	82.9	82.4	74.8	70.2	73.9	90.1	...	...		
18. Retained imports	Million \$	362	260	174	110	119	136	170	202	251	248.7	232.0	155.5	147.2	147.9	147.8	171.1	...		
19. Domestic exports	"	430	315	198	131	137	175	187	202	275	273.5	293.4	271.5	253.6	229.5	225.1	228.1	...		
EMPLOYMENT AND WAGES																				
20. Factory employment, F.R.B. (a)	1929=100	100	87.2	73.8	62.6	68.8	78.8	82.1	87.8	95.0	97.8	96.2	75.6	73.9	72.6	74.1	...	...		
21. Pay rolls, F.R.B. (a)	"	100	81.1	61.8	42.6	45.3	57.7	65.4	75.5	89.8	95.2	91.8	64.6	63.4	61.4	61.9	...	...		
22. Hourly earnings, N.I.C.B. (a)	"	100	100	96	84	83	89	102	105	120	122.9	124.0	123.2	123.2	124.0	122.9	122.5	...		
23. Av. hours of work, N.I.C.B. (a)	Number	48.3	43.9	40.4	34.8	36.4	34.7	37.2	39.7	39.3	38.9	38.3	32.9	32.7	33.1	33.8	35.1	...		
24. Number unemployed, A.F.L.	Thousands	1,864	4,770	8,738	13,182	13,723	12,364	12,208	...	...	...	...	...	...	...	...	...	...		
PRICES																				
25. Cost of living, N.I.C.B. (a)	1929=100	100	96.2	87.2	77.9	74.9	79.4	82.6	84.8	88.4	88.9	89.3	86.7	86.4	86.6	86.4	85.8	...		
26. Wholesale prices, D. of Lab. (a)	"	100	90.7	78.6	66.0	69.3	78.7	83.9	84.8	86.8	88.1	91.7	82.6	82.0	82.2	82.7	82.0	...		
27. " raw materials (a)	"	100	88.5	67.3	56.5	57.9	70.4	79.1	82.0	86.9	87.0	86.8	73.2	72.5	73.2	74.3	...	...		
28. " semi-manufactures (a)	"	100	87.2	73.5	63.2	61.4	77.6	78.0	80.8	86.9	87.0	86.8	80.2	80.3	79.9	79.1	...	...		
29. " Finished goods (a)	"	100	93.1	81.5	74.4	74.6	82.8	87.0	86.8	92.2	94.2	94.3	87.5	86.9	87.0	94.3	...	...		
30. " Farm products (a)	"	100	84.1	61.8	45.9	49.0	62.3	75.1	77.2	82.4	82.4	81.9	65.4	64.3	65.4	66.2	...	...		
31. 351 Index, securit's, Stand. Stat.	"	100	74.2	45.9	24.4	35.0	42.9	48.0	67.3	69.0	75.8	65.7	44.1	46.1	47.3	56.0	56.7	54.2		
FINANCE																				
32. Total Res. Bank credit	Million \$	1,739	1,888	1,853	2,171	2,674	2,470	2,486	2,500	2,612	2,577	2,579	2,594	2,582	2,598	2,589	2,585	...		
33. Gold stock	"	3,900	4,225	4,051	4,045	4,128	3,268	3,125	3,283	3,283	3,283	3,283	3,283	3,283	3,283	3,283	3,283	...		
34. Money in circulation	"	4,578	4,603	5,360	5,388	5,519	5,536	5,882	6,543	6,551	6,524	6,542	6,397	6,467	6,461	6,452	6,504	6,622		
35. Member Bank Res. Balances	"	2,355	2,471	1,961	2,509	2,728	2,729	4,098	5,587	6,006	6,751	7,014	7,623	7,665	8,024	8,164	8,179	...		
36. Excess Reserves	"	-73	96	-33	678	859	1,814	2,844	1,984	1,212	773	1,038	2,548	2,568	2,875	3,022	2,941	...		
37. Member Banks in 101 towns:	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
38. loans and investments	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
39. deposits: Demand	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
40. " Time	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
41. Bank debits outside N.Y. City	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
42. Call money	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
43. Yield on Govt. bonds	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"		
44. Capital issues, C.F. Chronicle	Million \$	595	848	280	99	59	115	123	166	193	259	267	243	230	231	234	232	...		
FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)																				
PRODUCTION																				
45. Industrial production S.G.F. (b)	1929=100	100	100.7	89.2	69.1	77.0	71.2	67.6	70.5	72.7	71.1	69.8	65.5	...	...	...	...	...		
46. Coal	Thous. met. tons	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	2,587	3,673	4,043	3,734	3,890	3,730	2,776	...		
47. Electricity	Thous. met. tons	100	99.2	93.8	83.2	96.7	98.3	101.7	104.2	114.3	111.7	113.6	121.8	120.2	125.2	129.2	108.0	...		
48. Steel	Thous. met. tons	808	787	652	470	544	512	522	559	655	559	672	500	502	480	438	425	...		
49. Building activity S.G.F. (a)	1929=100	100	111.4	101.6	81.3	74.0	66.7	55.3	62.0	48.1	43.2	43.2	44.4	44.4	44.0	46.6	46.6	...		
TRADE AND TRANSPORT																				
50. Rly. car loadings, daily	Thous. cars.	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	41.6	36.9	41.4	39.8	41.2	40.6	38.5	35.5	...		
51. Imports	Mill. frs.	4,852	4,376	3,517	2,484	2,369	1,925	1,745	2,118	3,528	3,179	3,486	3,877	3,878	3,811	3,501	3,709	3,534		
52. Exports	"	4,178	3,570	2,586	1,642	1,539	1,487	1,289	1,288	1,995	1,859	2,074	2,324	2,324	2,281	2,286	2,486	2,653		
EMPLOYMENT AND WAGES																				
53. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	276.0	345.0	426.9	432.1	350.5	311.3	305.3	393.1	380.8	362.9	344.5	338.4	338.4		
54. Wage rates, Paris region	1929=100	100	106	105	100	102	102	102	101	116	...	...	...	...	...	...	...	...		
PRICES																				
55. Wholesale, index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.0	54.0	55.5	62.7	96.2	100.5	102.6	104.3	105.3	104.0	103.5	104.0		
56. Cost of living, Paris, " (a)	"	100	104.5	102.3	94.6	93.5	92.8	86.9	91.1	111.3	113.3	113.3	124.5	124.5	124.5	...	...	...		
57. Industrial securities " (a)	"	100	84.6	58.1	47.0	44.8	35.4	36.3	33.4	43.8	41.6	40.1	43.1	43.2	42.8	40.9	40.2	38.6		
FINANCE																				
58. Govt. revenue: Impôts Indirects	Mill. frs.	35,498	38,912	33,048	28,980	28,560	27,420	26,244	26,870	30,640	19,585	21,955	12,180	14,920	17,774	21,929	24,589	...		
59. Impôts sur les revenus	"	10,992	10,716	10,048	7,428	6,348	5,904	5,904	5,705	6,815	2,888	3,951	840	1,311	1,739	2,555	3,706	...		
60. Bank of France: Gold	"	41,688	53,578	58,883	83,017	77,098	82,128	66,296	60,359	58,933	55,718	55,805	55,807	55,808	55,808	55,808	55,808	55,808		
61. " Notes in circulation	"	68,571	76,436	85,725	85,029	82,813	83,412	81,150	89,342	93,837	88,255	91,970	98,519	98,923	102,807	101,117	99,065	124,223		
62. Commercial bank deposits	"	94,063	96,681	98,243	87,759	92,893	90,943	75,253	84,248	90,348	28,987	29,838	30,454	34,394	32,484	33,934	33,078	...		
63. Bank clearings, Paris	"	42,705	46,333	38,377	27,700	31,545	27,012	28,275	24,244	28,508	34,860	25,119	30,780	34,860	25,119	28,923	33,078	...		
64. Interest rates: Bank rate	%	3.50	2.71	2.12	2.50	2.50	2.50	4.00	4.00	4.00	4.00	3.50	3.00	3.00	2.50	2.50	2.50	3.00		
65. " Market discount	%	3.50	2.28	1.55	1.28	1.90	2.09	3.48	4.00	3.97	5.14	3.67	3.38	3.38	2.50	2.50	2.58	2.79		
66. " 3% Rentes	%	3.98	3.42	3.46	3.82	4.35	4.12	3.78	3.87	3.90	3.59	3.75	4.13	4.08	4.08	3.96	4.00	3.98		
67. Capital issues	Mill. frs.	1,569	2,233	1,899	1,214	868	806	615	326	776	468	29	...	...	...	...	...	...		
GERMANY (Population 1934: 66,882,000; Area: 470,714 sq. kms.)																				
PRODUCTION																				
68. Industrial production, I.K. (a)	1929=100	100	85.9	67.6	53.9	60.7	79.8	94.0	106.8	117.2	119.4	123.2	123.9	127.0	125.1	127.4	...	...		
69. Investment goods " (a)	"	100	81.2	52.6	31.4	42.5	72.6	99.4	113.2	124.4	129.8	132.5	131.1	140.8	140.8	143.6	...	...		
70. Consumption goods " (a)	"	100	94.0	89.2	76.3	82.6	88.2	96.7	104.6	108.2	105.5	112.0	108.4	106.3	101.2	104.6	...	...		

FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)

PRODUCTION																		
45. Industrial production S.G.F. (b)	1929=100	100	100.7	89.2	69.1	77.0	71.2	67.6	70.6	72.7	71.1	69.8	65.8	65.8	65.8	65.8	65.8	...
46. Coal	Thous. met. tons	4,482	4,490	4,612	3,856	3,907	3,969	3,879	3,769	3,693	2,587	3,673	4,043	3,734	3,830	3,730	2,776	...
47. Electricity S.G.F. (a)	1929=100	100	99.2	93.3	88.2	96.7	98.3	101.7	104.2	114.3	111.7	113.6	121.8	120.2	125.2	109.2	...	...
48. Steel	Thous. met. tons	808	787	652	470	544	512	522	559	655	559	672	500	502	480	438	425	...
49. Building activity S.G.F. (a)	1929=100	100	111.4	101.6	81.3	74.0	66.7	55.3	52.0	48.1	43.2	43.2	44.4	44.4	44.0	46.6	46.6	...
TRADE AND TRANSPORT																		
50. Rly. car loadings, daily	Thous. cars	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	41.6	36.9	41.4	39.8	41.2	40.6	38.5	35.5	...
51. Imports	Mill. frs.	4,852	4,376	3,517	2,484	2,369	1,925	1,745	2,118	3,529	3,179	3,386	3,877	3,878	3,811	3,501	3,709	3,534
52. Exports	"	4,178	3,570	2,586	1,642	1,539	1,487	1,289	1,895	1,859	2,074	2,324	2,324	2,291	2,236	2,486	2,653	...
EMPLOYMENT AND WAGES																		
53. Unemployed in receipt of benefit	Thousands	0.9	2.5	56.1	273.4	276.0	345.0	426.9	432.1	350.5	311.3	305.3	393.1	380.8	362.9	344.5	338.4	338.4
54. Wage rates, Paris region	1929=100	100	106	105	100	102	102	101	116	...	...	...	...	...	...	...	...	...
FINANCE																		
55. Wholesale index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.0	54.0	65.5	92.7	96.2	100.3	102.6	104.3	105.3	104.0	103.5	104.0
56. Cost of living, Paris (a)	"	100	104.5	102.3	94.6	93.5	92.8	86.9	91.1	111.3	113.3	110.3	124.5	124.5	124.5	124.5	124.5	...
57. Industrial securities (a)	"	100	84.6	58.1	47.0	44.8	55.4	66.9	83.4	43.8	41.6	40.1	43.1	43.2	42.8	40.9	40.2	38.6

GERMANY (Population 1934: 66,382,000; Area: 470,714 sq. kms.)

66. Govt. revenue : Impôts indirects	Mill. fra.	35,496	38,912	33,048	28,980	28,560	27,420	26,244	26,870	30,640	19,585	21,955	12,180	14,920	17,774	21,929	24,589	...
67. Impôts sur les revenus	"	10,592	10,718	10,066	7,428	6,348	5,904	5,688	5,708	6,815	2,889	3,591	840	1,311	1,739	2,535	3,706	...
68. Bank of France : Gold	"	41,688	53,578	68,863	83,017	77,098	82,124	66,296	60,356	58,933	55,718	55,805	55,807	55,808	55,808	55,808	55,808	55,808
69. " Notes in circulation	"	68,571	76,436	85,725	95,028	82,613	83,412	81,150	86,342	83,837	88,255	91,370	98,519	98,623	102,807	101,117	99,065	124,428
70. Commercial bank deposits	"	34,065	36,681	38,245	37,759	32,635	30,943	27,553	28,484	30,348	29,897	29,838	30,454	34,394	32,464	33,184	32,974	...
71. Bank clearings, Bank rate	"	42,705	46,333	38,377	27,759	31,545	27,120	28,275	24,244	28,508	23,175	30,760	34,867	45,519	34,498	28,973	33,078	...
68. Interest rates :—Bank rate	%	3.50	2.70	2.12	2.22	2.22	2.50	3.70	4.00	4.00	4.00	3.00	3.00	2.50	2.50	2.50	2.50	3.00
69. " Market discount	%	3.50	2.26	1.55	1.66	1.90	2.50	3.70	4.00	3.97	5.15	3.67	3.98	3.38	2.50	2.50	2.58	2.98
72. " 3% Rentes	"	3.96	3.42	3.46	3.82	4.35	4.12	3.78	3.87	3.90	3.59	3.75	4.13	4.08	3.90	3.90	4.00	3.99
65. Capital issues	Mill. fra.	1,569	2,233	1,899	1,214	868	806	615	826	776	468	29	...	...	...	...	...	...

GERMANY (Population 1934: 66,382,000; Area: 470,714 sq. kms.)																		
PRODUCTION																		
58. Industrial production, I.K. (a)	1929=100	100	85.9	67.6	59.3	60.7	79.8	94.0	106.8	117.2	119.4	123.2	123.9	127.0	125.1	127.4	...	...
59. Investment goods " (a)	"	100	81.6	52.6	34.4	43.8	72.8	99.4	113.2	124.4	129.8	132.5	135.1	140.8	140.8	143.6	...	...
60. Consumption goods " "	"	100	94.0	89.2	76.9	82.6	92.4	98.2	98.7	104.6	105.5	112.0	106.4	106.9	101.2	104.6	...	...
69. Coal	Thous. met. tons	13,620	11,892	9,867	8,729	9,180	10,418	11,813	13,376	15,354	15,634	14,495	15,634	14,495	15,634	14,495	15,634	...
70. Lignite	"	14,538	12,168	11,109	10,221	10,566	11,487	12,282	13,445	15,390	15,983	16,037	14,666	15,704	14,348	15,011	16,646	...
71. Electricity, I.K.	1929=100	100	96.0	84.5	76.7	84.6	99.7	113.6	131.0	155.3	152.1	156.6	169.4	166.8	155.6	161.0	164.9	...
72. Steel (d)	Thous. met. tons	1,354	962	691	481	634	993	1,344	1,601	1,654	1,663	1,690	1,818	1,964	1,890	1,981	2,018	...
73. Machinery (not allied) I.K.	1929=100	100	82.4	56.0	37.9	41.5	63.1	81.0	97.5	...	...	...	...	...	...	...	...	...
74. Automobiles, total	"	100	66.4	46.7	27.7	53.9	90.8	128.6	155.7	...	...	...	...	...	...	...	...	...
75. Textiles, index of activity " "	"	100	97.4	94.9	85.7	98.1	104.8	98.6	106.6	108.1	105.1	112.9	111.0	115.5	105.6	106.6	...	...

TRANSPORT																		
76. Rly. traffic: trucks ordered	Thous. per day	152.1	131.5	112.6	99.8	104.9	117.5	124.8	135.2	146.7	147.9	153.1	149.4	152.6	151.6	153.9	152.1	...
77. Retail trade, index of I.K.	1929=100	100	91.4	79.2	62.4	59.4	65.9	68.9	76.1	83.7	74.6	79.2	92.4	85.5	81.8	84.5	...	...
78. Retained Imports (c)	Mill. Rm.	1,120	866	561	389	350	371	347	352	456	482	464	430	455	430	417	457	490
79. Domestic exports (c)	"	1,124	1,008	801	479	406	347	356	397	493	541	484	423	427	408	439	419	416

EMPLOYMENT—WAGES																		
60. Employment	Thous.	17,866	16,515	14,336	12,518	13,016	15,041	15,949	17,106	18,402	19,519	19,105	19,401	19,857	19,998	20,170	20,245	20,855
81. Unemployment	"	1,862	3,076	4,520	5,575	4,804	2,718	2,151	1,693	912	509	469	423	338	292	218	179	156
82. Tariff wage rates	1929=100	100	101.7	96.5	81.7	79.2	79.1	79.1	79.1	...	...	...	...	...	...	...	...	...

PRICES																		
83. Wholesale	"	100	80.2	80.8	70.8	68.0	71.7	74.2	75.9	77.2	77.8	77.4	77.0	76.8	77.0	77.0	77.2	77.0
84. Cost of living	"	100	96.2	89.4	78.8	76.6	78.6	79.9	80.8	81.2	81.8	81.2	81.6	81.8	81.3	82.3	82.1	81.8
85. Industrial securities	"	100	81.6	60.1	40.7	57.7	57.9	67.5	74.6	87.3	90.3	89.6	89.5	87.8	86.1	83.9	79.2	80.7

FINANCE																		
86. Money in circulation	Mill. Rm.	5,985	5,358	5,827	5,802	5,359	5,477	5,761	6,174	6,666	7,093	7,259	8,068	8,239	8,462	8,721	8,922	10,175
87. Deposits, 8 banks	"	12,306	13,114	10,129	6,048	7,308	5,668	6,887	7,831	8,114	6,181	6,168	6,399	6,501	6,689	6,892	6,878	...
88. Interest rates :—Bank rate	%	7.1	4.9	6.9	5.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	...
89. " Loans for one month	"	6.97	6.14	8.71	6.79	5.78	5.07	5.64	3.14	...	...	...	...	...	...	...	...	...
90. Yield on 4½% mortgage bonds	"	7.7	7.15	7.04	8.38	8.15	6.57	5.08	4.67	4.54	4.52	4.42	4.60	4.50	4.40	4.50	4.50	4.50
91. Capital issues	Mill. Rm.	224	290	166	81	129	86	234	333	386	176	182	1,641	1,454	94	197	...	...

RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MONTHLY TABLE.

Commodity		Unit of Measurement	Monthly Average										1937		1938					
			1929	1930	1931	1932	1933	1934	1935	1936	1937 (a)	Aug.	Sept.	Apr.	May	June	July	Aug.	Sept.	
COAL																				
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,189	2,207	2,328	2,473	2,345	2,532	2,501	2,463	2,405	2,405	2,233	2,233		
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	2,587	3,673	4,047	3,734	3,830	3,830	3,730	2,770		
3. " Germany: Coal	"	13,820	11,892	9,887	8,728	9,141	10,405	11,918	13,190	15,376	15,351	15,634	14,495	15,286	14,874	14,874	15,763	15,885		
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,018	3,109	3,197	2,911	2,858	2,902	2,902	3,151	3,181		
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,349	20,421	18,524	20,749	18,112	19,418	17,392	17,392	17,096	17,326		
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,398	31,578	36,761	37,042	33,182	38,612	22,955	27,467	24,865	24,865	28,172	32,103		
7. " All Principal countries	"	107,219	98,062	84,092	76,438	79,694	87,514	89,337	97,877	99,827	83,205	102,493	83,096	85,731	84,074	83,315	87,595	...		
8. Price: Av. Br. expt. price	sh. per ton	16-08	16-67	16-17	16-25	16-08	16-04	16-29	16-98	18-57	19-08	19-43	20-78	21-10	22-02	21-22	20-72	20-76		
OIL																				
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	605	628	616	613	639	614	606	597	...		
10. " Mexico	"	559	492	411	408	422	475	501	511	575	418	513	105	254	237	299	...	...		
11. " Iran (Ang.-Ir. Oil)	"	462	503	487	543	544	579	577	628	871	869	932	934	918	902	911	...	...		
12. " Rumania	"	403	483	563	612	615	706	698	723	598	588	579	560	571	550	564	...	...		
13. " U.S.A.	"	11,509	10,280	9,714	8,970	10,347	10,375	11,368	12,550	14,597	15,779	15,078	14,080	13,528	12,911	14,107	14,555	...		
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,796	2,013	1,999	2,193	2,318	2,359	2,286	2,449	2,412	2,543	2,497	...	...		
15. " All Principal countries	"	17,145	16,351	15,811	15,048	16,516	17,420	18,838	20,575	23,500	24,818	24,235	22,438	22,404	21,910	23,093	...	...		
16. Stocks: U.S.A. end year	million barrels	422	492	371	340	354	337	315	288	306	311	310	307	305	296	289	286	...		
17. Price: U.S.A. Mid-Cont. crude	cents per barrel	123-3	111-1	57-3	81-3	60-1	94-0	94-0	104-0	115-2	116-0	116-0	116-0	116-0	116-0	116-0	116-0	116-0		
CRUDE STEEL																				
18. Production: Belgium	Th. metric tons	942	280	259	292	229	246	252	265	322	355	353	160	162	180	185	182	...		
19. " France	"	808	787	652	470	544	514	523	559	655	659	672	500	502	480	436	425	...		
20. " Germany (h)	"	1,354	962	891	481	632	999	1,371	1,801	1,854	1,663	1,690	1,818	1,964	1,890	1,901	2,018	...		
21. " Japan ex. castings	"	1,911	191	157	200	267	325	375	419	...	...	...	...	...	...	...	...	...		
22. " Luxembourg	"	225	189	170	163	154	161	153	165	209	215	214	109	111	110	110	113	117		
23. " U.K.	"	816	620	438	445	595	750	833	999	1,098	1,004	1,182	953	972	789	694	669	767		
24. " U.S.A. ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,830	3,963	4,192	4,956	4,358	1,958	1,836	1,665	2,015	2,588	2,700		
25. " U.S.S.R.	"	407	483	451	490	571	800	1,034	1,362	1,485	1,458	1,458	1,596	1,575	1,545	1,552	...	...		
26. " All Principal countries	"	9,714	7,660	5,615	4,113	5,510	6,838	7,983	9,970	10,394	10,994	10,789	7,929	7,873	7,406	7,712	8,294	8,545		
27. Price: Pic Iron Cleveland, No. 3	£ per ton	3-53	3-35	2-91	2-91	3-13	3-35	3-39	3-70	4-67	5-05	5-05	5-45	5-45	5-45	5-45	5-45	5-45		
WHEAT																				
28. Production: Union of S. Africa	Thous. fine ozs	889	899	907	963	919	873	898	945	978	989	976	981	1,023	1,015	1,035	...	...		
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	500	...	...	...	...	...	...	...	...		
30. " Canada	"	161	175	225	254	246	248	274	340	341	348	348	368	381	391	421	415	...		
31. " U.S.A.	"	171	175	185	185	190	229	244	313	341	...	...	...	...	...	...	...	...		
32. " World (b)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,465	2,762	2,958	...	...	...	...	...	...	...	...		
33. Price: London, per fine ounce	sh.	84-9	85-0	92-5	118-0	124-9	137-6	142-1	140-3	140-7	139-52	140-20	139-70	139-94	140-68	141-18	142-51	144-89		
WORLD TRADE																				
34. World shipments, yr. ended July	Mins. of bushels	77	53	69	67	53	46	43	42	50	38	39	43	44	38	262-4	333-6	...		
35. Stks.: World visible supplies (d)	sh. per cwt.	370-1	411-9	462-7	409-2	459-7	477-2	339-5	275-1	229-5	273-3	312-0	245-6	194-8	179-2	262-4	333-6	...		
36. Average British import price...	sh. per cwt.	10-33	8-22	5-09	6-15	5-38	6-02	7-53	9-28	10-61	10-33	9-09	8-34	8-31	7-76	7-14	6-50	...		
COTTON																				
37. Mill consumption: U.K.	Thousands of actual bales	233	205	164	182	187	206	209	228	240	238	238	179	179	179	179	...	...		
38. " Japan	"	231	250	244	231	242	271	311	304	347	350	350	261	261	261	261	...	...		
39. " U.S.A.	"	588	505	437	404	509	472	443	527	588	514	514	445	445	445	445	...	...		
40. " World	"	2,157	2,101	1,874	1,860	2,029	2,093	2,035	2,116	2,383	2,242	2,242	2,066	2,066	2,066	2,066	...	...		
41. Stks.: World Visible Supplies (d)	Thousand bales	2,736	4,317	6,893	7,682	7,510	6,571	5,983	4,297	3,875	4,167	5,999	7,910	7,467	7,177	7,069	6,958	8,501		
42. Price: Mid. American	d. per lb.	10-33	7-46	5-08	5-25	5-54	6-67	6-70	6-6	6-37	5-89	5-36	4-87	4-65	5-01	5-01	4-80	4-79		
SUGAR																				
43. Stks.: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,168	2,983	2,816	3,165	2,816	5,521	5,955	5,255	4,711	4,226	...		
44. Av. Brit. import price, unrefined	sh. per cwt.	9-63	8-91	8-10	7-70	7-46	6-98	6-71	6-82	7-1	8-52	7-51	6-54	6-57	6-25	6-20	6-19	7-48		

GROUP II (a).—BI-MONTHLY TABLE.

RUBBER																				
1. Production: Ceylon	Thous. tons	6-69	6-30	5-19	4-10	5-32	6-59	4-52	4-14	5-88	7-31	5-80	1-95	2-83	3-69	3-86	4-36	...	...	...
2. " D. E. Indies	"	21-22	20-18	21-40	17-58	23-51	31-60	23-54	25-81	35-97	40-44	38-31	28-35	22-03	24-43	35-04	22-99	...	...	...
3. " British Malaya	"	38-05	36-90	35-20	33-80	37-10	38-90	34-71	29-48	39-16	43-28	48-52	44-74	28-01	28-05	26-74	33-62	...	...	...
4. " World	"	72-29	68-80	68-69	59-05	71-03	84-93	72-68	71-36	84-59	102-29	106-85	86-74	64-41	70-87	81-31	74-19	...	...	...
5. " Quota of restricting countries	% of est. cap'city	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
6. Consumption: U.K.	Thous. tons	6-02	6-38	6-39	6-50	6-63	9-18	8-29	6-59	9-43	12-72	11-08	8-52	10-21	8-96	9-74	8-53	...	...	...
7. " U.S.A.	"	38-95	31-33	29-58	28-08	34-33	38-75	41-04	47-79	45-3	41-51	43-53	27-98	28-95	30-63	32-21	38-17	...	...	...
8. " World	"	67-12	59-54	57-05	57-70	68-73	78-78	78-58	85-07	90-06	88-60	89-53	69-14	73-20	72-52	71-35	77-18	...	...	...
9. " Recd. in U.S.A.	"	18-08	12-79	10-25	6-76	7-08	8-40	9-42	10-84	13-25	13-56	14-03	7-48	8-01	8-27	8-27	10-73	...	...	...
10. Stocks: U.K. end year	"	73-2	118-6	127-1	92-7	86-5	134-9	164-3	78-5	52-25	45-21	49-81	82-75	87-22	92-31	95-25	99-61	...	...	...
11. " U.S.A.	"	118-6	201-0	322-0	379-0	365-0	385-0	303-0	218-8	189-7	174-2	186-2	301-4	299-7	294-6	284-9	277-5	...	...	...
12. " World	"	328-7	453-3	589-3	589-2	619-4	687-4	595-3	433-9	413-9	408-4	423-0	530-9	522-3	524-5	531-6	520-1	...	...	...
13. Price: London, st. sin. sheet	pence per lb.	10-25	5-91	3-13	2-34	3-25	6-22	6-09	7-75	9-90	8-11	9-03	5-81	5-66	5-22	7-50	7-12	...	...	...
RAYON																				
(i) Continuous Filament																				
14. Production: France (e)	Mill. lb.	3-1	3-3	3-7	4-3	4-8	4-8	4-4	3-5	4-7	5-7	5-7	6-0	6-0	6-0	...	...	...	...	...
15. " Germany (e)	"	4-9	4-9	5-2	4-6	5-2	7-5	7-7	8-3	10-0	12-0	12-0	12-0	12-0	12-0	...	...	...	...	...
16. " Italy	"	5-9	5-5	6-4	5-9	5-9	7-1	7-1	7-1	8-7	9-2	9-1	8-9	9-7	9-1	8-0	...	...	...	...
17. " Japan	"	2-1	3-0	4-0	6-3	8-2	13-0	18-3	22-9	27-9	28-9	27-0	21-1	21-6	14-7	14-7	13-4	...	...	...
18. " U.K.	"	4-4	4-2	4-5	5-7	6-9	7-5	9-3	9-7	10-0	8-7	8-3	8-0	10-2	8-5	8-5	7-1	...	...	...
19. " U.S.A.	"	10-1	10-6	12-6	11-2	17-8	17-7	21-5	23-2	28-0	27-0	27-5	17-8	17-8	17-8	...	...	...	...	...
20. " World (e)	"	36-0	37-0	41-8	44-0	55-2	64-5	78-8	83-4	97-1	101-0	101-0	76-3	76-3	7-3	...	...	...	...	...
21. Price: Viscose, std. grade, per lb.	pence	...	...	78-0	77-0	72-0	59-0	55-5	55-5	55-5	55-0	55-0	55-0	55-0	55-0	55-0	55-0	...	...	...
(ii) Spun Yarn																				
22. Production: France (e)	Mill. lb.	...	...	...	0-1	0-2	0-4	0-7	1-0	1-2	1-3	1-3	1-4	1-4	1-4	...	...	...	...	...
23. " Germany (e)	"	0-3	0-5	0-5	0-6	0-8	1-4	2-7	7-9	17-1	19-0	19-0	27-5	27-5	27-5	...	...	...	...	...
24. " Italy	"	0-1	0-1	0-1	0-1	0-1	1-8	5-2	9-2	12-8	13-6	13-5	15-7	16-2	16-0	...	...	...	...	...
25. " Japan	"	...	...	...	0-1	0-1	0-1	1-1	1-1	1-8	17-3	18-0	33-9	39-2	27-2	23-4	...	...	...	...
26. " U.K.	"	0-2	0-1	0-1	0-2	0-3	0-8	2-4	2-9	2-5	3-4	2-0	3-1	2-5	2-9	2-2	...	...	...	...
27. " U.S.A. (e)	"	0-0	0-0	0-1	0-1	0-2	0-2	0-5	1-0	1-7	1-7	1-7	2-5	2-5	2-5	...	...	...	...	...
28. " World (e)	"	0-7	0-6	0-8	1-8	2-5	4-5	11-4	25-4	50-3	58-0	58-0	...	...	...	...	...	...	...	...
29. Price: Viscose, std. grade, per lb.	pence	...	...	...	...	...	...	15-5	11-0	10-9	11-0	11-0	10-0	10-0	10-0	10-0	10-0	...	...	...
WOOL																				
30. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lbs.	35	98	101	147	74	114	47	48	...	...	...	...	...	105	...	...	...	...	...
31. Price: Weekly Wool Chart 1929-100		100	84-7	49-3	48-6	60-4	68-1	94-1	78-4	104-4	106-9	100-0	69-0	69-8	68-1	67-2	68-0	...	...	...
PIG IRON																				
32. Production: France	Th. metric tons	864	836	683	461	527	513	482	520	660	645	685	479	483	463	433	421	...	...	...
33. " Germany	"	1,103	808	505	328	439	728	1,070	1,275	1,330	1,361	1,349	1,442	1,545	1,508	1,625	1,585	1,540	...	...
34. " U.K.	"	643	524	318	303	350	508	544	651	719	725	738	672	644	550	516	450	1,437	...	...
35. " U.S.A.	"	3,590	2,759	1,547	735	1,119	1,384	1,779	2,593	3,100	3,664	3,465	1,398	1,275	1,079	1,221	1,518	1,707	...	...
36. " U.S.S.R.	"	362	417	505	513	597	1,042	1,193	1,210	1,243	1,251	1,586	1,575	1,545	1,552	1,512	1,518	...	...	...
37. " All principal countries	"	7,974	6,454	4,480	3,170	3,959	5,026	5,892	7,319	8,084	8,793	8,633	7,829	7,973	7,406	7,752	8,294	...	...	...
RUBBER																				
38. Exports: Ceylon	Million lbs.	21-0	20-2	20-3	21-1	18-0	18-2	17-7	18-2	17-9	14-7	14-3	24-0	27-6	24-1	19-7	17-1	...	...	...
39. " Dutch East Indies	"	13-3	13-2	14-4	14-5	13-0	11-8	12-1	12-8	12-2	11-3	11-3	14-8	14-7	12-8	12-5	12-4	...	...	...
40. " British India	"	32-0	30-0	28-8	30-8	27-3	28-0	27-4	26-2	27-6	42-4	51-8	5-8	11-1	23-3	37-2	...	...	...	...
41. " World	"	80-6	74-7	75-3	77-7	70-7	71-9	70-1	70-3	73-5	83-7	102-9	84-9	62-4	75-5	...	...	...	...	...
42. " Quota of Restricting countries (f)	% of std. country	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
43. Consumption: U.K.	Mill. lbs.	35-4	36-6	38-5	37-9	36-5	38-6	38-6	35-1	31-3	36-7	40-5	92-5	92-5	92-5	92-5	92-5	...	...	...
44. " World	"	76-1	75-2	75-1	74-2	72-2	71-2	72-8	71-3	73-4	66-4	78-7	73-8	61-7	68-1	...	...	...	...	...
45. Stocks: U.K. and Holland (c)	"	281-9	294-8	278-9	315-8	295-7	309-4	270-3	241-2	224-0	151-0	155-4	172-3	177-1	170-1	175-1	187-0	...	...	...
46. Price: Av. London auctions	pence per lb.	18-25	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	15-72	...	...	...

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of November. In the remainder they relate to the month of October.

COAL

The past month has witnessed an appreciable improvement in the coal-mining industry. The quantity of coal raised increased from 18.5 million tons in September to 19.7 millions in October, and, whereas output in September was 9.3 per cent. below that of the corresponding month a year ago, production last month was only 3.3 per cent. smaller than in October, 1937. The improvement, however, was confined to the home market, for exports last month, at 3,392,892 tons, were nearly 13 per cent. smaller than in the corresponding month last year. The quantity of coal shipped for the use of steamers last month, at 892,275 tons, showed a reduction of 7 per cent. compared with October, 1937. The increase in the demand for coal reflects the improvement in industrial activity, especially in heavy industry. The Board of Trade index of coal prices (1930 = 100) rose from 118.5 in September to 120.1 in October, against 130.1 in October, 1937.

IRON AND STEEL

A month ago we indicated that the surplus stocks of iron and steel accumulated last year had been practically liquidated and that current consumption could no longer be met from stocks to any great extent. Consequently, the stage had been reached where production had to be increased again in order to meet current consumption, and, in fact, the output of pig iron and steel showed an appreciable increase between September and October. The output of pig iron rose from 429,800 tons in September to 469,400 tons in October, and the output of crude steel rose from 754,100 tons to 854,000 tons during this period. Apart from the reduction in stocks, the expansion of domestic production was made possible by the maintenance of imports at a very low level. Total imports of iron and steel declined from 61,800 tons in September to 52,400 tons last month, compared with 220,500 tons in October, 1937. Exports, on the other hand, rose from 138,000 tons in September to 159,100 tons in October, compared with 260,900 tons in the corresponding month last year. The reduction in imports was thus considerably more marked than the fall in exports.

GENERAL ENGINEERING

The engineering industry has benefited from the improvement in general business activity, for the downward trend in employment was arrested during the past month. Although the total volume of new orders secured by the industry has not yet shown much expansion, there has been an increase in inquiry. As was to be expected, the slight improvement in the industry in due mainly to the placing of armament orders. Among individual branches of the industry, there has been an improvement in the lifting, printing and textile machinery sections. On the other hand, the agricultural machinery section has suffered a slight setback. Exports, though running below last year's level in volume, have so far been fairly well maintained; in October shipments were 37,096 tons (valued at £4,838,978), compared with 40,606 tons (valued at £4,649,913) in October, 1937, and 32,565 tons (valued at £3,589,557) in October, 1936. No further progress has been made with the discussions on the relaxation of trade union regulations. For the moment, the unions' demand for higher wages, to be discussed at a conference with the employers on December 6th, appears to be the main issue.

ELECTRICAL EQUIPMENT

The electrical equipment industry has experienced a slight improvement during the past month, reflected in a small reduction in the proportion of insured persons unemployed. The proportion unemployed last month was only 2.2 per cent. higher than a year ago in electrical engineering and 2.3 per cent. higher in the electric cable, apparatus and lamp section. Exports of electrical machinery continue well above last year's level; they rose from 1,388 tons (valued at £245,182) in October, 1937, to 1,625 tons (valued at £337,717) last month. The increase was most marked in the case of British India. Exports of electrical goods and apparatus, on the other hand, declined slightly, from £1,207,125 in October, 1937, to £1,155,388 in the past month. The prospects of the industry remain encouraging.

AUTOMOBILES

New registrations of private cars in September amounted to 17,067, a fall of 16 per cent. from the corresponding month of 1937; there was a fall of 21.6 per cent. in the new registrations of goods vehicles. The September production of private cars and taxis amounted to 22,859, compared with 25,846 in September, 1937, and that of commercial vehicles fell from 9,290 to 7,326. Exports

of new private cars amounted in October to 3,067, very slightly more than in September, but 1,281 fewer than in October, 1937. Exports of commercial vehicles and of second-hand cars of all types increased considerably compared with September, but were rather smaller than in October of last year.

BUILDING

Building activity showed a slight seasonal decline during the past month, but if allowance is made for seasonal variations constructional activity is still at a very high level. Although the number of insured persons aged 16 to 64 increased by 14,800 in building and by 33,900 in public works contracting between July, 1937, and July, 1938, the proportion unemployed last month was actually 0.7 per cent. smaller than a year ago in public works contracting and only 3.8 per cent. higher in building. Nor, in view of the prospects of increased defence expenditure, are there any indications of an early slump in the constructional trades. The September returns of the value of building plans passed by 146 local authorities showed a sharp drop compared with those of the corresponding month in 1937. This decline, however, was mainly due to the international crisis, for the value of plans passed in October by 141 local authorities was almost as high as a year ago.

CHEMICALS

A steady business has been transacted in most sections of the chemical industry during the past month, but most orders are for comparatively small quantities to cover immediate requirements. In the industrial chemicals market, interest has been shown in acetic and oxalic acids, acetone, ammonium chloride and formaldehyde. Salicylates have been in good demand among the pharmaceutical chemicals; demand for most other products is about average for the time of year. There has been improved business in creosote oil, but little interest has been shown in other coal-tar products. For the first time since January, overseas trade in chemicals, drugs, dyes and colours showed an advance in October as compared with the same month of 1937; exports increased in value by £249,671 and imports by £525,580.

POTTERY

There was little change in business during the last month; unemployment remained at about 17 per cent. of the insured persons, and a considerable amount of short time is being worked in all districts, particularly in North Staffordshire. Exports of both sanitary and earthenware improved between September and October, when they amounted to 35,638 cwt. and 44,575 cwt. respectively; compared with October, 1937, however, exports of sanitary ware were lower by 3,667 cwt., and those of earthenware by 12,486 cwt.

FOOTWEAR

Business continues to improve slowly; more inquiries are reported from nearly all districts and deliveries are increasing. The rise in leather prices is causing some anxiety, particularly as it has not so far proved easy to obtain increased prices for the finished articles. Exports improved from 32,926 dozen pairs in September to 33,579 dozen pairs in October, which compares with 37,956 dozen pairs in October, 1937; imports both of leather and of rubber shoes continue at higher levels than ruled during last year.

COTTON

During the latter half of October the increased activity in the Lancashire cotton industry was maintained, but since the beginning of November demand has fallen off somewhat. The pause in operations has been partly due to the more unsettled political situation, especially on the Continent. In certain quarters there has been a slight improvement in industrial activity, and in both spinning and weaving sections production is now estimated at 58 per cent. of full capacity, as compared with 55 per cent. a month ago. A welcome improvement has shown itself in the unemployment returns, the number now being 99,780 against 131,417 a month ago. Owing to the relatively high prices for American cotton, trading has been difficult and spinners have turned to an increasing extent to other qualities, especially South American and Indian varieties. Another of the yarn price agreements has been in danger of breaking down, but an effort is now being made to renew the agreement until the end of March. Cloth sales for India have been smaller than in October, but there are now indications of another revival in demand. Steady buying has taken place for South America and the Dominions, chiefly South Africa. Home trade reports have been

rather healthier and, owing to improved clearances in the retail and wholesale establishments, replacement buying has been on a freer scale. Some substantial contracts have been secured in heavy and fine cloths for the Army, Navy and Air Forces. Exports of cloth so far this year are 29 per cent. less than in the corresponding period of 1937.

JUTE

Spinners and manufacturers continue busy, and unemployment declined further between September and October. There is, however, a dearth of orders for future delivery, and unless more business materialises in the next few weeks activity may decline. Exports of both yarn and manufactures improved a little between September and October; exports of sacks amounted to 93,000 cwt., compared with 92,100 cwt. in September and 81,000 cwt. in October of last year.

LINEN

The flax position is unchanged, with prices tending still higher. Some bulk sales of Baltic fibre are recorded, with Germany taking the major portion on a barter basis. A considerable business has been done in Irish spun yarns for Continental account, but otherwise demand is confined to near requirements. There is also more inquiry for cloth, but potential buyers are slow to concede an advance in price against the higher costs with which producers are faced. Exports of piece-goods, however, increased from 3.9 million square yards in September to 4.8 million square yards in October, largely due to improved trade with the Empire.

RAYON

Demand in most sections of the rayon industry has been better, but buying is spasmodic owing to lack of confidence and contracts are not for large amounts. Production remains at a reduced level, but is being fully cleared. Overseas demand, apart from the colonial markets, is very poor; exports of rayon tissues fell from 6.1 million square yards in October, 1937, to 4.9 million square yards in October, 1938. The hose trade is fair.

WOOL

The demand for raw wool remains good and prices firm. There has been more buying on the international markets by American importers, and it is reported that comparatively little of the American home clip remains unsold. Quotations for yarns have been raised, against an increase in orders; the hosiery trade in particular is much busier than it has been during the past few months. The home demand for cloth is improving, but exports declined further between September and October. Exports of tops, however, which have been slowly improving during the autumn, rose from 3.3 million lbs. in September to 4.9 million lbs. in October, which was more than double the exports in October, 1937; the improvement was due to increased exports to Canada, the Scandinavian countries and Holland. Exports of yarns also increased, though to a smaller extent, again largely owing to improved buying from Scandinavia and Germany.

AGRICULTURE

The lifting of the potato crop is nearly finished and yields are generally high. The recent spell of warm weather has reduced the demand, but the raising of the riddle regulations has steadied the market. Good progress has been made with autumn cultivations, except in Scotland, and the corn crops are exceptionally well forward. The absence of any hard frost has prolonged the autumn grazing, with a considerable saving on feed bills. There have been only two outbreaks of foot-and-mouth disease in recent weeks, in contrast to the widespread attacks of last autumn.

SHIPPING

The trend in freight rates has again been downward during the current month, thus continuing the decline recorded in October. The Economist index of freight rates fell from 97.28 (1913=100) in September to 95.1 in October. The demand for grain cargoes continues disappointing, though there has been a slight revival of interest in chartering for the Australian crop. Freights in Eastern markets are definitely weaker, and elsewhere the outlook is not promising.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*

Daily Averages of 1935=100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of British Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve Months' Moving Average
Number of Weights	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929	98½	103	68	127	76	95	60	97	111	98½	137½	108½	91	109	98½	...
1930	94½	99½	69½	115½	80½	96½	65½	84½	82	88	108	107	89	112	93	...
1931	91	92	69	98½	83½	95½	62½	73	86	82½	89½	97½	86½	96	87½	...
1932	90	90	71½	86	86	94½	57	59½	84	82	94½	86½	86½	84	...	...
1933	93½	90	78	89½	89½	98½	73½	70	101	92½	85	96	91	88	89	...
1934	97½	97½	88½	100	95	97½	88	93½	98½	100	92½	98	95½	96	96	...
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936	105	104½	112½	106½	105½	104½	107	125	109½	110½	101½	102	104	103½	106	...
1937	111	109½	126½	113	111	106½	98½	142	116	121	112	109	105	101½	112	...
1935—October	101	105	101½	101½	101	99½	103½	102	96	102½	102½	98	99½	96½	101	101½
November	101½	104	102	103	101½	100½	105½	102½	107	106	99	101	99	95½	102	101½
December	101½	105½	108½	102½	102	104	108	113½	99	117	99½	103½	103	112½	104½	102½
1936—January	101½	107	104	104	103½	101	106½	117	106½	97½	92½	98½	98	91	102	102½
February	102½	100½	108	102	104	101½	107½	115	100	98	102	100½	99½	93	102½	103½
March	103	98	105	105½	104½	102	107	112½	101½	99½	99½	99	100½	94	102½	104½
April	103½	103	111	108½	104½	102	106½	126	110	107½	98½	98½	101	97	105	104½
May	104½	102½	107½	105½	105	102	107½	116	112½	106	99	100	103	96½	104½	105½
June	105	106½	107½	104½	105½	101½	109	121	119	117½	98	102½	104	104	106	105½
July	106½	104½	109½	106	105½	103½	109½	123	120	117	105½	107	104	107	107	106½
August	107	104	111½	109½	106	103½	109½	139	120	117½	101	107½	103½	103	108½	106½
September	107	102½	112	106½	106½	106½	108½	132	107	123½	105	100½	106	113½	108½	107½
October	107	104	113½	107	107½	104½	107	127½	102½	117	107½	103	106	114	108	108
November	107½	104	117½	106	108	107	105	125	100½	119½	100	106	109½	111	108	108½
December	107	107½	117½	113	108½	108	103½	134½	109	108½	108½	108	107	122	109½	109½
1937—January	109	97½	116	110½	109	107½	102	124	111½	103½	104½	101	106½	105	107½	109½
February	108½	108½	116	107	109½	110	102½	118	110	102½	111	107½	108	115	109½	110
March	109	110	125	106	110	107½	99½	118½	123	119	120	114	108½	107½	111	110½
April	110	112	122	115	110½	110	102½	117	116½	108½	102½	102½	103½	109½	110½	110½
May	110	115½	123½	113	111	106½	100½	130½	143	116	117½	114	107	98½	112½	111½
June	111½	115	122½	113½	111½	105	96½	140	131½	122½	113½	109	102½	100½	111½	111½
July	112	106½	123	114½	111	107	99	156	160	115½	130½	111	113	106	99	113½
August	112½	107	125½	119½	111½	108½	95½	157½	106	133	113½	106	106	99	113½	111½
September	112½	110½	124½	117	111½	108½	95	158½	107½	146½	112½	112½	104½	99½	113	111½
October	112	108½	124½	112	112	108	96	158½	107½	146½	112½	112½	104½	99½	113	111½
November	111½	107½	128½	110½	113	108½	95	167	106½	145	104	109½	104½	100	112½	110½
December	109½	105½	131½	114	113	111½	96½	173½	97	110½	108½	108	101½	99	111	109½
1938—January	110½	108	128	118	114	110	96½	169½	107	110½	104½	105½	105½	99½	111½	109
February	110	108½	128	112	114	110	93½	155	101½	117½	101	106½	103	93	110	108½
March	109½	102½	120	109½	114½	110	92½	143	102	109	99	102	99½	88	107	107½
April	109½	99	123	101½	113½	107	90	123½	82½	114	100	105	100	88½	104½	106½
May	109	104½	131	101½	113½	108	90	104½	81	103	93	103	99	85½	102	...
June	109	105	125½	89	113½	107½	90½	93	81	111	101½	108	99	93	103	...
July	110r	102p	129	88	113½	106	90	91	84½	114r	91r	106	99	94	102p	...
August	110	97rp	130½	89r	114	108½	90½	90	95	112r	90r	105	98	98	102rp	...
September	110r	106tp	132½	88½p	114½p	109	88	89½	87½	105½	103½p	104	102	102½	104rp	...
October	110	106p	134	90p	115½p	109	88p	100	81	106½p	99½p	107	101½	95p	104p	...

* For method of construction and earlier figures (1924-1936) see Supplement to The Economist of July 25, 1936. r Revised. p Provisional. † Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Drought continues in Victoria, where the wheat crop has become a total failure. Elsewhere, prospects have improved and a total crop of about 130 million bushels is expected. Employment is well maintained and there has been no change in business trends, according to the National Bank of Australasia; the seasonal increase in activity is about up to normal. The value of imports fell by £1.8 millions between August and September, while that of exports rose by £1.3 millions; consequently, there was an export surplus of £1.2 millions in September.

CANADA.—Business has shown little change in recent weeks. Employment and industrial production in September were higher than in August, and latest reports indicate that the improvement was maintained in the early weeks of October. Wholesale prices have remained stable for some weeks, in spite of fluctuations in international wheat prices. The newsprint industry has increased its output recently, but the output of steel and pig iron declined during September. The value of exports jumped from \$86.5 millions in August to \$108.5 millions in September, which was \$13 millions more than in September, 1937. The value of imports, on the other hand, declined between August and September, when they were considerably lower than in the corresponding month of 1937.

SOUTH AFRICA.—The European crisis in September led to a general lack of confidence, which impeded the usual flow of orders, but during October, business has again reverted to its normal level. Building activity has been well maintained in the principal towns, and the value of building plans passed indicates a continuation of full employment. There has been a better demand in recent weeks for hides, and prices of all varieties have improved; wool prices were affected by the European developments, but have since recovered and are firm, with a tendency to rise.

EUROPE

FRANCE.—Such meagre statistical evidence as is available for September and October suggests that there has been a slight improvement in business activity. In September, output in the mining, iron and steel, engineering and motor-car industries showed a definite increase, though the improvement must be attributed largely to seasonal factors. Although the number of unemployed in receipt of benefit increased in October, this movement may have been due to demobilisation following the Munich Agreement. Wholesale prices have shown no further increase during the past four weeks, but the prices of industrial securities have tended to rise. The business outlook, however, remains obscure, for it is intimately linked up with the fate of the Reynaud plan, whose acceptance by Parliament is not yet assured.

GERMANY.—Economic activity in Germany continues at a very high level, and there are no indications of any relaxation of war preparations. The index of industrial production calculated by the German Institute for Business Research (1928=100) rose from 129.4 in August to 132.0 in September. Indeed, the country's resources of men and machinery continue to be fully employed and unemployment is negligible. Activity appears to have shown a further expansion during the past month, for the Institute's weekly index of business activity (1936=100) rose from 108.2 during the week ended October 1st to 112.3 during the week ended November 5th. There has been little change in the indices of wholesale prices or industrial securities in recent weeks.

HOLLAND.—The signs of recovery in America have induced a feeling of greater optimism on the Amsterdam Stock Exchange, and the situation in Holland shows some improvement as well. The number of unemployed has declined during the summer to about 117,700 in September, compared with about 124,000 in September of 1937; the fall has been due largely to the improvement in the building trades. Activity in the shipbuilding yards has again declined, but the metal and textile trades have increased their output in recent weeks.

ESTONIA.—Unemployment in September and October remained at a higher level than in 1937, largely owing to the reduced activity in the export trades. The home market, however, remains brisk; crops have given good yields and prices of butter and other dairy products have remained at satisfactory levels. Exports of agricultural produce are still at a high level, though exports of timber have been much reduced.

SWEDEN.—There has been little change in business conditions since the early days of October. Timber sales, mainly to Britain, have been slightly larger than during the summer and prices have hardened; the demand for pulp is limited at unchanged prices. Sales of paper have increased in America and the United Kingdom, but these have not yet affected Swedish exports. Production of

pig iron and steel increased somewhat in September compared with August.

NORWAY.—With the more favourable political situation, and the signs of industrial recovery in America, the tone of the Stock Exchange improved during October. The number of unemployed persons on the registers of the official unemployment exchanges showed the usual seasonal increase between September and October; the total in October, at 30,085 persons, was 1,000 more than in October, 1937. Freight rates declined from their "war" level in the early days of October, but a firmer tendency has again appeared; the tonnage of Norwegian ships laid up fell from 490,000 tons at the end of September to 384,000 tons at the end of October, of which the bulk is represented by tankers. Industrial production as a whole increased between August and September, and was higher than in September of last year, but industries working for the home market have improved their position more than the export trades.

DENMARK.—Unemployment increased sharply between September and October, when it was slightly higher than a year ago. Business activity as a whole, however, has been well maintained during the summer and autumn and shows little change. The weather has favoured autumn cultivation and grazing. The more settled state of international affairs and the influence of American industrial revival stimulated the Stock Exchange during October; the index of share prices reached the highest monthly level since September, 1937.

UNITED STATES OF AMERICA

Recovery has continued to make headway. According to preliminary estimates, the Federal Reserve Board's index of production for October is expected to reach 95 (1923-25=100), against 90 in September and 88 in August. Moreover, *The New York Times* weekly index of business activity rose from 87.6 for the week ended October 15th to 90.3 for the week ended November 12th. One of the most satisfactory features of the business revival is the expansion of building activity, especially of residential construction. On a daily basis, for example, the value of building contracts awarded during the first half of October was higher than in any year since 1930. The improvement in other sections of capital equipment has so far been comparatively modest, but hopes are entertained that the railways and utilities will soon initiate large-scale re-equipment and expansion programmes. The motor industry is also gaining ground fairly rapidly. It is hardly surprising, therefore, that the proportion of America's crude steel output capacity in employment has risen to over 60 per cent., compared with just over 50 per cent. a month ago. Meanwhile, most of the evidence points to a further improvement in business activity.

LATIN AMERICA

ARGENTINA.—In mid-November the Argentine Government established a guaranteed minimum price of 7 pesos per 100 kilos for wheat and 13 pesos for linseed, and, at the same time, raised the official selling rate of exchange from 16 to 17 pesos per £. As the official buying rate of exchange remains at 15 pesos, the Government doubles its exchange profits, and presumably these are to be used towards subsidising the guaranteed grain prices. The increased rate of exchange will, however, render imports dearer and will also be a further blow to the Argentine railways unless they are conceded a special remittance rate. Meanwhile, prospects for the coming Argentine crops continue very favourable, so far as quantity is concerned, and the general outlook is regarded with restrained optimism.

BRAZIL.—Business conditions continue quiet; although exports of coffee and cotton are much larger in volume, the fall in values, coupled with a high level of imports, resulted in an adverse balance at end-July of £913,823 (gold) against an active balance of £4,378,127 at the same date in 1937.

THE FAR EAST

More stringent measures by the Japanese Government have been responsible for the stability in the past two months of the level of wholesale prices in Tokio. Difficulties have arisen over the export-import linking system for textile piece-goods; the existence of a time limit within which exports have to be made has had the effect of reducing the prices obtainable by exporters. Consequently, although the volume of cotton exports has increased in recent months, its value has tended to decline. It is now proposed to extend the time limit by one month. The Department of Agriculture is proposing to set up a company to control the internal distribution of rice. The value of Japanese imports remains at the low level of about 200 yen per month, compared with 250 to 300 million yen in 1937; exports in September amounted to 240 million yen, compared with 289 million yen in September, 1937. According to the League of Nations, Chinese imports in October amounted to 78.9 million standard dollars, a rise of 42 million dollars compared with October, 1937; the value of exports also rose, from 48.7 to 76.1 million dollars.

UNITED KINGDOM
(Population, mid 1936, 47,098,000; Area 95,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average										1937		1938				
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Sept.	Oct.	May	June	July	Aug.	Sept.	Oct.
PRODUCTION																		
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.6	100.0	91.0	90.6	95.5	106.1	113.6	124.6	133.1	130.1	130.1	121.7	121.7	121.7	118.5	118.5	118.5
2. Coal, G.B.	Mill. tons	21.4	20.3	18.3	17.4	17.2	18.4	18.6	19.0	20.1	20.4	20.4	19.1	17.1	16.8	17.0	18.5	19.7
3. Electry., public supply, G.B.	Mill. kw. hrs.	858	910	951	1,020	1,130	1,288	1,464	1,685	1,908	1,752	2,029	1,854	1,612	1,656	1,679	1,872	2,195
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	708	727	770	684	542	508	443	430	469
5. Steel ingots and castings	Thous. tons	803	610	434	439	585	738	822	975	1,082	1,163	1,134	957	776	683	659	755	855
6. Buildg. plans passed f. Dwelgls.	Thous. £'s	3,888	3,897	3,374	3,907	5,192	5,799	6,536	6,255	5,837	5,842	5,538	6,182	5,779	5,556	4,071	4,509	4,993
7. 146 towms, G.B. (c) (Other New Orders, heavy gen. plant	"	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,579	3,516	3,160	3,023	3,081	4,080	2,375	2,533	3,646
8. Home	"	100	125	77	112	67	160	148	250	232 (i)	218	197	...	...	...	...	...	...
9. Foreign	"	100	67	50	31	44	60	62	96	109 (i)	97	83	...	...	...	...	...	...
10. Total	"	100	93	58	59	56	107	104	167	168 (i)	151	144	...	...	...	...	...	...
11. Shipbuilding: commenced (f)	Thous. gross tons	137	79	17	6	20	43	57	91	88	73	72.5	52	52	29	23	29	...
12. " launched (f)	"	127	123	42	16	11	38	42	71	76	89	74.5	96	96	103	103	103	...
13. " on hand, end yr.	"	1,560	909	401	225	832	597	743	964	1,125	1,185	1,185	1,037	1,037	1,037	885	885	...
14. Automobiles: priv. cars (b)	Number	15,196	14,139	13,250	14,270	19,322	21,406	25,962	29,487	32,469	25,846	26,977	31,446	28,567	25,426	18,748	22,859	...
15. " Comm. vehicles (b)	"	4,705	5,572	5,809	5,123	5,459	7,136	7,681	8,967	9,843	9,290	9,627	8,621	8,313	8,906	7,071	7,362	...
16. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5.27	3.92	4.04	4.47	4.72	4.31	4.72	5.17	5.43	4.27	5.24	3.829	3.73	3.57	3.70	3.50	3.92
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	6,043	7,007	7,758	10,314	12,110	12,901	14,400	13,570	13,390	11,110	11,640	9,310	11.78	...
18. " Quantity excised	"	4,710	3,992	4,591	5,955	7,086	7,715	9,937	11,785	13,082	14,698	13,916	11,856	9,961	10,821	9,068	...	...
19. Beer production	Thous. st. barrels	1,620	1,568	1,365	1,102	1,193	1,293	1,355	1,395	1,488	1,539	1,436	1,587	1,598	1,701	1,721	741	...
20. Distilling: Drink (f)	Thou. proof galls.	914	840	786	721	733	719	720	789	783	849	849	4,264	4,264	4,351	4,351	4,351	...
21. " Industrial alcohol (f)	"	1,205	1,393	1,498	1,834	2,484	2,816	3,172	3,595	4,369	4,410	4,663	4,264	4,264	4,351	4,351	4,351	...
22. " Stocks, end year	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	142.7	143.2	151.6	152.4	152.4	152.2	151.7	...
TRADE AND TRANSPORT																		
<i>Domestic Trade</i>																		
23. Rly. traf.: Merch. & Ivstg. G.B.	Thous. tons	9,780	8,890	7,802	6,805	6,875	7,660	7,661	8,188	8,690	9,149	9,296	7,015	6,992	6,173	...	...	...
24. " Coal and coke, G.B.	"	15,933	14,868	13,360	12,861	12,727	13,384	13,447	13,539	14,384	14,400	14,327	11,838	12,086	10,694	...	...	...
25. Automobile: priv. cars, in use, G.B.	Thousands	893.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.5	1,498.5	1,648.2	1,709.6	1,680.6	1,836.8	1,849.6	1,921.5	1,916.2	1,924.9	1,832.5
26. " Comm. vehicles in use, G.B.	"	314.7	333.6	346.0	359.2	370.0	393.5	413.2	437.0	459.8	462.5	467.1	470.5	471.9	473.3	471.2	473.5	478.7
27. Postal traffic receipts, daily	Thous. £'s	133	135	134	133	135	137	140	147	154	152	156	147.1	144.9	146.0	141.5	154.7	157.2
28. Retail trade, G. Brit.: Food	Avg. daily sales in 1933 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
29. " Other merchandise	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
30. " Total	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
31. Advtg. expndre. on brand. gds.	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
<i>Foreign Trade</i>																		
32. Retained imports, value: Food	Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,829	28,616	30,921	34,099	35,020	42,111	33,948	37,567	35,440	34,150	36,735	38,044
33. " Raw materials	"	23,774	17,674	12,277	11,740	12,897	15,153	15,237	17,934	23,203	24,883	25,521	17,026	17,004	17,284	17,234	16,096	16,650
34. " Manufactures	"	25,467	23,622	20,367	12,168	11,654	13,395	14,302	16,452	20,878	22,178	22,275	16,837	16,663	16,106	17,054	17,543	18,415
35. " Total	"	92,589	79,762	66,449	54,221	52,161	56,681	58,473	65,710	79,492	82,603	90,387	66,217	71,515	69,384	69,087	76,969	73,589
36. " Volume: Food (a) (d)	Avg. of 1935	98.9	99.6	106.5	102.5	100.7	101.1	100	102.8	103.4	97.6	97.6	100.0	100.0	100.0	100.0	100.0	100.0
37. " Raw materials (a) (d)	"	101.5	90.9	82.9	81.8	92.7	99.6	100	111.1	120.9	117.4	117.4	104.9	113.3	104.9	104.9	104.9	104.9
38. " Manufactures (a) (d)	"	133.6	133.9	123.9	79.5	81.8	95.0	100	111.6	127.1	117.4	117.4	104.9	113.3	104.9	104.9	104.9	104.9
39. " Total (a) (d)	"	108.9	106.3	103.0	92.2	93.7	99.0	100	107.2	113.9	110.6	110.6	104.9	113.3	104.9	104.9	104.9	104.9
40. Domestic exports, value: Food	Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,636	2,968	3,232	3,415	3,443	2,827	2,659	2,904	2,952	3,075	3,734
41. " Raw materials	"	8,575	5,313	3,929	3,634	3,832	4,021	4,400	4,278	5,388	5,436	5,810	4,931	4,456	4,699	4,539	4,638	5,311
42. " Manufactures	"	47,899	36,745	24,398	23,093	23,475	25,403	27,411	28,410	33,737	34,474	36,747	29,534	28,772	28,963	28,005	31,135	32,347
43. " Total	"	60,779	47,563	32,552	30,419	30,659	33,000	35,493	36,727	43,466	44,263	47,216	38,165	36,894	37,470	36,391	39,809	42,560
44. " Volume: Food (a) (d)	Avg. of 1935	126.7	118.7	94.5	90.9	81.8	93.3	100	110.6	118.3	117.2	117.2	99.6	99.6	99.6	99.6	99.6	99.6
45. " Raw materials (a) (d)	"	130.4	110.2	86.9	82.0	88.5	90.3	100	92.4	127.1	107.4	107.4	95.0	95.0	95.0	95.0	95.0	95.0
46. " Manufactures (a) (d)	"	142.1	113.8	80.7	83.0	85.9	92.4	100	102.1	115.2	113.7	113.7	94.3	94.3	94.3	94.3	94.3	94.3
47. " Total (a) (d)	"	140.3	115.0	83.8	84.0	85.9	92.4	100	101.5	119.5	111.6	111.6	6,035	6,127	6,068	6,417	5,951	5,887
48. Shipping: Tonnage entered	Thous. net tons	5,225	5,310	5,023	4,947	5,036	5,232	5,302	5,616	5,868	5,633	5,503	4,795	5,189	5,238	6,722	5,475	5,355
49. " Tonnage cleared	"	5,723	5,488	4,862	4,620	4,638	4,674	4,777	4,735	4,856	4,812	4,812	4,795	5,189	5,238	6,722	5,475	5,355
50. " Tonnage laid-up (h)	"	365	1,593	1,969	1,971	1,240	878	76.8	87.3	132.5	149.8	149.8	101.1	99.3	98.4	98.8	100.4	98.8
51. Freight rates, Economist Index	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	132.5	149.8	149.8	101.1	99.3	98.4	98.8	100.4	98.8
52. Cable and wireless traffic receipts	Corresponding month 1929 = 100	100	87.3	73.9	72.3	70.5	72.5	73.5	74.4	78.9	72.6	72.6	65.3	66.4	63.1	60.2	71.3	68.1
EMPLOYMENT AND WAGES																		
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,109	10,377	10,912	11,496	11,708	11,659	11,775	11,333	11,371	11,402	11,380	12,299
54. Insured pers. unemployed	"	1,212	1,915	2,630	2,756	2,496	2,107	1,958	1,684	1,413	1,271	1,323	1,379	1,803	1,773	1,759	1,799	1,788
55. Per cent. unemployed	"	10.9	15.8	21.1	21.9	19.8	16.6	15.3	13.0	10.6	9.7	9.9	12.7	13.0	12.9	12.7	12.9	12.9
56. Regist'd at Exchanges, all ages	"	1,276	2,014	2,718	2,813	2,588	2,221	2,106	1,822	1,586	1,460	1,460	1,869	1,894	1,875	1,843	1,891	1,863
57. " London	"	118	177	273	306	272	216	203	179	171	145	149	213	233	209	203	211	233
58. " S.E. England	"	50	75	114	142	120	93	91	79	70	60	60	88	79	75	77	84	91
59. " S.W.	"	69	91	129	157	147	127	114	94	83	64	74	79	77	72	70	76	80
60. " Midlands	"	165	267	381	371	325	245	217	178	144	138	140	210	226	237	238	224	208
61. " N.E. England	"	280	419	569	602	557	478	452	304	165	139	145	206	206	217	215	217	191
62. " N.W.	"	285	522	627	562	517	461	439	374	304	300	289	406	436	384	395	416	388
63. " Northern (c)	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
64. " Scotland	"	118	153	196	228	219	208	206	198	151	132	142	177	191	194	163	161	161
65. " Wales	"	36	60	71	68	68	62	70	67	71	64	70	90	92	102	84	82	82
66. " N. Ireland	"	676	361	527	541	87	78	160	154	285	228	285	185	175	80	86	90	90
67. Industr. dism. No. days lost	1929 = 100	100	100	97.1	96	95.1	95.1	96.1	99.1	103	103	103	107.1	107.1	107.1	107.1	107.1	107.1
68. Wage rates, Min. of Labour (d)	"	100	100	97.1	96	95.1	95.1	96.1	99.1	103	103	103	107.1	107.1	107.1	107.1	107.1	107.1
PRICES																		
<i>Wholesale: 'Economist' Indices</i>																		
69. Cereals and meat	1929 = 100																	

UNITED STATES, FRANCE AND GERMANY

		Monthly Average										1937		1938					
Unit of Measurement		1929	1930	1931	1932	1933	1934	1935	1936	1937	Sept.	Oct.	May	June	July	Aug.	Sept.	Oct.	
UNITED STATES (Population 1934: 123,450,000; Area: 7,829,432 sq. kms.)																			
PRODUCTION																			
1. Industrial production, F.R.B. (a)	1929 = 100	100	89.7	68.1	53.8	63.9	66.4	75.6	88.1	92.2	93.3	86.6	63.9	61.7	69.7	73.9	75.6	79.8	
2. Investment goods, F.R.B. (a)	"	100	72.4	48.2	27.6	41.2	47.5	63.2	82.4	88.6	94.4	86.0	41.8	41.5	48.2	52.9	56.8	...	
3. Consumption goods, F.R.B. (a)	"	100	89.8	85.2	75.9	84.2	83.4	87.6	94.5	94.5	91.8	86.0	79.7	81.8	87.3	92.3	91.8	...	
4. Coal	Thous. met. tons	49.6	49.6	39.4	27.2	29.9	31.4	31.6	36.5	37.0	38.6	41.1	23.8	24.7	23.6	28.2	32.1	35.4	
5. Electricity generated	Million kw. hrs.	8,113	7,995	7,644	6,842	7,111	7,590	8,283	9,161	10,083	10,222	10,410	9,068	9,197	9,517	10,156	10,156	...	
6. Steel	Thous. met. tons	4,599	3,326	2,136	1,128	1,913	2,339	3,973	4,192	4,338	2,939	1,836	1,665	1,665	2,015	2,388	2,700	3,168	
7. Index of machine tool orders	1929 = 100	100	46.0	26.0	12.6	17.4	29.7	55.8	87.7	120.0	135.1	97.5	42.6	45.1	57.5	76.5	...	...	
Building contracts awarded:																			
8. Residential	Million \$	159.6	91.8	67.6	23.3	20.8	20.7	39.9	66.8	75.5	65.6	65.5	83.2	85.7	88.0	99.7	...	...	
9. Other	"	314.6	285.1	190.1	89.3	83.8	107.9	114.1	156.1	184.4	141.5	136.6	200.0	163.2	151.8	213.4	...	...	
10. Private cars	Thousands	382	232	161	88	131	181	271	306	326	119	299	155	137	107	59	...	...	
11. Commercial vehicles	"	64	48	38	20	29	48	58	68	72	53	31	37	38	35	32	...	...	
12. Activity in textile industry	1929 = 100	100	79.1	81.7	72.2	81.3	73.9	90.4	97.4	96.5	93.9	79.1	67.0	75.7	81.3	95.7	89.6	...	
13. Stocks of raw materials	"	100	106.0	116.7	120.7	122.1	120.7	94.0	86.2	88.6	98.0	117.5	102.6	...	...	...	...	...	
14. Stocks of manufactures	"	100	102.5	65.0	86.7	85.9	90.9	86.7	85.0	91.5	91.7	94.2	102.5	...	...	...	...	...	
TRADE AND TRANSPORT																			
15. Index of rly. car loadings (a)	"	100	86.8	79.7	52.8	54.7	58.5	59.4	67.9	74.7	73.6	71.8	54.7	54.7	57.6	58.5	...	...	
16. Index of Dept. Store sales (a)	"	100	91.9	82.9	62.2	69.3	67.6	71.2	79.2	83.6	84.7	83.8	70.2	73.9	74.8	74.8	...	...	
17. Retained imports	Million \$	26.2	260	174	110	119	136	170	202	251	234.0	226.5	147.2	147.9	147.8	171.1	172.9	...	
18. Domestic exports	"	4.9	3.5	1.9	1.1	1.3	1.7	1.7	2.0	2.7	293.4	329.4	253.6	229.5	225.1	228.1	243.6	...	
EMPLOYMENT AND WAGES																			
19. Factory employment, F.R.B. (a)	1929 = 100	100	87.2	73.8	62.6	68.8	78.8	82.1	87.8	95.0	96.2	94.0	73.9	72.6	74.1	75.3	...	...	
20. Pay rolls, F.R.B. (a)	"	100	81.1	61.8	42.6	45.3	57.7	65.4	75.5	89.8	91.8	83.4	61.4	61.6	66.7	...	...	...	
21. Hourly earnings, N.L.C.B. (a)	"	100	100	96	84	83	99	102	106	129	124.0	124.0	123.2	121.4	122.9	122.5	123.0	...	
22. Av. hours of work, N.L.C.B. (a)	Number	48.3	43.9	40.4	34.8	36.4	34.7	37.2	39.7	39.3	38.3	37.8	32.7	33.1	33.8	35.2	36.3	...	
23. Number unemployed, A.F.L. (a)	Thousands	1,894	4,770	8,738	13,182	13,723	12,364	12,208	...	...	...	...	...	...	...	...	...	...	
PRICES																			
24. Cost of living, N.L.C.B. (a)	1929 = 100	100	96.2	87.2	77.9	74.9	79.4	82.6	84.8	88.4	89.3	89.4	86.4	86.6	86.4	85.8	85.8	...	
25. Wholesale prices, D. of Lab. (a)	"	100	90.7	76.4	68.0	69.3	78.7	83.9	84.8	89.6	91.7	89.6	82.0	82.2	82.7	82.0	82.2	...	
26. " raw materials (a)	"	100	86.5	67.3	56.5	57.9	70.4	79.1	82.0	86.9	88.8	82.8	72.5	73.2	74.3	72.0	...	...	
27. " semi-manufactures (a)	"	100	87.2	73.5	63.2	61.4	77.6	78.4	80.8	87.9	89.8	87.9	73.2	73.2	71.3	73.2	...	...	
28. " Finished goods (a)	"	100	93.1	81.8	74.4	74.6	82.8	87.0	86.8	92.2	94.3	93.2	86.9	87.0	87.3	86.6	...	...	
29. " Farm products (a)	"	100	84.1	61.8	45.9	49.0	62.3	75.1	77.2	82.5	81.9	76.6	64.3	65.4	66.2	64.2	...	...	
30. 351 Indus. secutis, Stand. Stat. (a)	"	100	74.2	45.9	24.4	35.0	42.9	48.0	67.3	69.0	65.7	55.4	46.1	47.3	56.0	56.7	54.2	59.2	
FINANCE																			
31. Total Res. Bank credit	Million \$	1,739	1,398	1,853	2,171	2,674	2,470	2,486	2,506	2,612	2,579	2,580	2,582	2,596	2,589	2,585	2,690	...	
32. Gold stock	"	3,900	4,225	4,051	4,045	4,012	8,238	10,125	11,258	12,790	12,741	12,893	12,919	12,963	13,017	13,136	13,759	14,064	
33. Money in circulation	"	4,578	4,603	5,069	5,388	5,012	5,536	5,882	6,543	6,551	6,542	6,553	6,467	6,467	6,467	6,467	6,467	6,700	
34. Member Bank Res. Balances	"	2,555	2,471	1,961	2,509	2,729	4,000	5,387	6,006	7,027	7,014	6,928	7,068	8,024	8,164	8,179	8,198	...	
35. " Excess Reserves	"	73	96	36	576	89	1,814	2,841	1,981	1,212	1,038	1,055	2,568	2,875	3,922	2,941	2,899	...	
Member Banks in 101 towns:																			
36. Loans and investments	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
37. Deposits: Demand	"	19,112	18,669	15,985	14,965	11,383	11,419	13,888	15,571	14,341	14,861	14,610	14,589	15,036	14,951	15,388	15,508	15,995	
38. " Time	"	13,070	13,634	11,453	10,527	4,790	4,781	4,911	5,067	5,205	5,293	5,278	5,216	5,239	5,193	5,210	5,180	5,156	
39. Bank debits outside N.Y. City	"	26,901	23,113	17,119	18,129	13,288	15,701	18,676	23,238	19,590	18,160	19,923	16,013	17,160	16,677	16,023	19,107	...	
40. Call money	"	7.61	2.91	1.74	2.05	1.16	1.0	0.56	0.91	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
41. Yield on Govt. bonds	"	3.60	3.28	3.31	3.66	3.31	3.10	2.69	2.47	2.57	2.67	2.65	2.30	2.31	2.34	2.32	2.40	...	
42. Capital issues, C.F. Chronicle (a)	Million \$	595	848	269	99	39	115	123	166	193	223	196	157	345	389	415	196	...	
FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)																			
PRODUCTION																			
43. Industrial prod., S.G.F. (b) (f)	1928 = 100	100	109.5	110.2	97.6	75.6	84.2	77.9	74.0	77.2	79.5	76.4	78.8	82	82	80	73	3,944	
44. Coal	Thous. met. tons	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,683	3,673	4,044	3,734	3,830	3,730	2,776	3,944	...	
45. Electricity	Thous. met. tons	100	99.2	93.3	88.2	96.7	98.9	101.7	104.2	114.3	114.6	116.9	120.2	125.2	109.2	110.0	...	...	
46. Steel	Thous. met. tons	808	787	652	470	544	512	522	539	655	672	703	802	480	436	419	467	...	
47. Building activity	1929 = 100	100	111.4	101.6	81.3	74.0	66.7	55.3	48.1	43.2	45.6	44.4	44.0	46.6	46.6	46.6	...	...	
TRADE AND TRANSPORT																			
48. Rly. car loadings, daily	Thous. cars	65.1	65.4	53.9	47.3	45.2	42.5	40.1	40.9	41.6	41.4	45.6	41.2	40.6	38.5	35.5	39.8	43.1	
49. Imports	Mill. frs.	4,852	4,476	3,517	2,481	2,669	1,925	1,745	2,118	3,676	3,473	3,729	3,876	3,811	3,501	3,709	3,534	2,653	
50. Exports	"	4,178	3,570	2,536	1,612	1,389	1,164	1,289	1,268	1,995	2,074	2,363	2,324	2,291	2,286	2,486	3,878	2,830	
EMPLOYMENT AND WAGES																			
51. Unemployed in receipt of benefit	Thousands	0.9	2.6	56.1	273.4	276.0	345.0	426.9	432.1	350.5	305.3	319.2	380.8	362.9	344.5	338.4	338.4	361.7	
52. Wage rates, Paris region (a)	1929 = 100	100	105	105	100	102	102	101	116	...	...	...	...	...	...	...	...	...	
PRICES																			
53. Wholesale index of S.G.F. (a)	"	100	88.4	80.0	68.2	63.6	60.9	54.0	65.5	92.7	100.5	109.2	104.3	105.3	104.0	103.5	104.0	105.7	
54. Cost of living, Paris, (a)	"	100	104.5	102.3	94.6	93.5	92.8	86.9	91.1	111.3	113.3	118.3	124.5	124.5	...	...	...	...	
55. Industrial securities (a)	"	100	84.6	58.1	47.0	44.8	35.4	36.3	33.4	43.8	40.1	41.2	43.2	40.9	40.2	38.6	40.5	...	
FINANCE																			
56. Govt. revenue: impôts indirects	Mill. frs.	35,496	33,912	33,048	28,980	28,560	27,420	26,244	26,670	30,640	21,955	25,247	14,920	17,774	21,929	24,589	...	...	
57. Impôts sur les revenus	"	10,592	10,716	10,068	7,428	6,318	5,901	5,088	5,705	6,815	3,591	4,448	1,811	1,739	2,525	3,706	...	...	
58. Bank of France: Gold	"	41,968	53,578	68,863	83,017	77,098	82,124	66,290	60,359	58,933	55,805	55,805	55,808	55,808	55,808	55,808	55,808	55,808	
59. " Notes in circulation	"	68,571	76,436	85,725	85,028	82,613	83,412	81,150	89,342	93,837	91,370	91,336	90,923	102,807	101,117	99,065	124,428	109,446	
60. Commercial bank deposits	"	34,065	36,381	38,245	37,759	32,635	30,943	27,553	28,484	30,348	29,838	31,277	34,391	32,364	33,184	32,292	...	...	
61. Bank clearings, Paris	"	42,705	46,363	48,377	27,700	31,515	27,028	28,275	24,244	28,508	30,780	33,590	45,319	41,498	28,973	33,078	24,294	24,813	
62. Interest rates: Bank rate	"	3.50	2.71	2.12	2.26	2.50	2.20	3.70	4.00	4.00	3.50	3.50	2.50	2.50	2.50	2.50	2.50	3.00	
63. " Market discount	"	3.50	2.26	1.55	1.26	1.90	2.09	3.48	4.00	3.97	3.67	4.00	3.38	2.50	2.50	2.50	2.79	2.81	
64. " 3% Renten	"	3.06	3.42	3.46	3.82	4.35	4.12	3.73	3.82	3.90	3.75	3.70	4.08	4.03	3.95	4.00	3.98	3.78	
65. Capital issues	Mill. frs.																		

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY TABLE.

Commodity	Unit of Measurement	Monthly Average										1937		1938					
		1929	1930	1931	1932	1933	1934	1935	1936	1937 (a)	Sept.	Oct.	May	June	July	Aug.	Sept.	Oct.	
COAL																			
1. Production: Belgium	Th. metric tons	2,245	2,285	2,254	1,785	2,108	2,199	2,207	2,323	2,473	2,532	2,593	2,463	2,405	2,233	2,274	2,387	...	
2. " France	"	4,482	4,490	4,167	3,856	3,907	3,969	3,851	3,769	3,693	3,673	4,044	3,734	3,830	3,710	2,776	3,944	...	
3. " Germany: Coal	"	13,629	11,892	9,887	8,728	9,141	10,405	11,918	13,190	15,376	15,634	16,113	15,286	14,874	15,763	15,885	15,061	...	
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,018	3,197	3,354	2,858	2,902	3,151	3,139	3,347	...	
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,349	20,421	20,749	20,689	19,428	17,392	17,096	17,323	18,814	...	
6. " U.S.A.	"	46,026	40,580	33,395	27,183	28,967	31,398	31,576	36,761	37,042	38,612	41,149	23,827	24,665	23,615	28,172	32,106	35,443	
7. " All Principal countries	"	107,219	98,062	85,002	76,438	79,094	87,514	89,337	97,877	99,827	102,493	106,480	85,211	83,942	83,315	87,595	94,133	...	
8. Price: Av. Br. expt. price	sh. per ton	16.08	16.67	16.17	15.25	16.08	16.04	16.29	16.98	18.57	19.43	19.35	21.10	22.02	21.22	20.72	20.76	20.80	
OIL																			
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	605	616	640	639	614	606	597	607	...	
10. " Mexico	"	556	492	411	408	422	475	501	511	575	513	653	254	237	299	311	...	...	
11. " Iran (Ang.-Ir. Oil)	"	462	503	487	543	544	579	577	628	871	932	935	918	902	917	923	...	...	
12. " Rumania	"	403	483	563	612	615	706	698	723	596	579	580	571	550	564	590	506	...	
13. " U.S.A.	"	11,509	10,260	9,714	8,970	10,317	10,375	11,386	12,550	14,597	15,078	15,206	13,528	12,911	14,107	14,558	13,526	...	
14. " U.S.S.R.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,989	2,193	2,318	2,286	2,414	2,412	2,543	2,497	2,470	...	...	
15. " All Principal countries	"	17,145	16,151	15,811	15,048	16,516	17,420	18,838	20,575	23,500	24,358	24,827	22,404	21,910	22,953	23,139	...	...	
16. Stocks: U.S. & rest of world	million barrels	422	402	371	340	354	337	315	288	306	310	308	305	296	289	286	289	...	
17. Price: U.S.A. Mid. Cont. crude	cents per barrel	123.3	111.1	57.3	81.3	69.1	94.0	94.0	104.0	115.2	116.0	116.0	116.0	116.0	116.0	116.0	116.0	96.0	
CRUDE STEEL																			
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	322	353	350	162	180	185	182	187	...	
19. " France	"	898	787	652	470	544	514	523	559	655	672	701	502	480	436	419	467	...	
20. " Germany (h)	"	1,354	962	691	481	632	990	1,371	1,601	1,654	1,690	1,418	1,964	1,890	1,901	2,018	1,987	...	
21. " Japan, ex. castings	"	191	191	157	200	267	325	375	419	...	...	...	...	...	...	...	...	...	
22. " Luxembourg	"	225	189	170	163	154	161	153	165	209	214	204	111	110	110	113	117	132	
23. " U.S.A. ex. castings	"	816	620	438	445	595	750	833	990	1,098	1,182	782	972	789	694	668	767	869	
24. " U.S.S.R.	"	4,589	3,326	2,133	1,128	1,913	2,139	2,830	3,963	4,192	4,558	4,939	1,836	1,665	2,015	2,588	2,700	3,168	
25. " U.S.A.	"	497	483	451	490	571	806	1,034	1,302	1,485	1,458	1,273	1,575	1,545	1,532	1,462	1,464	...	
26. " All Principal countries	"	9,714	7,889	5,615	4,113	5,510	6,388	7,983	9,970	10,394	10,789	8,300	7,873	7,406	7,712	8,187	8,427	...	
27. Price: Pig-iron Cleveland No. 3	£ per ton	3.53	3.35	2.91	2.91	3.13	3.13	3.39	3.70	4.67	5.05	5.05	5.45	5.45	5.45	5.45	5.45	5.45	
GOLD																			
28. Production: Union of S. Africa	Thous. fine ozs.	868	893	907	963	918	873	898	945	978	976	987	1,023	1,015	1,035	1,047	1,035	1,036	
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	500	...	...	...	...	...	...	...	...	
30. " Canada	"	161	175	225	254	246	248	274	310	341	348	359	381	391	421	412	400	...	
31. " U.S.A.	"	171	175	185	185	199	229	264	313	341	...	...	...	...	...	...	...	...	
32. " World (h)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,465	2,762	2,958	...	...	...	...	...	...	...	...	
33. Price: London, per fine ounce	sh.	84.9	85.0	92.5	118.0	124.9	137.6	142.1	140.3	140.7	140.20	140.52	139.94	140.68	141.18	142.51	144.95	145.68	
WHEAT																			
34. World shipments, ex. ended July	Mins. of bushels	77	53	69	67	53	46	43	42	50	39	29	44	45	42	...	...	...	
35. Stocks: U.S. & rest of world visible supplies (d)	"	370.1	411.9	462.7	408.2	459.7	477.2	339.5	275.1	229.5	312.0	294.4	194.8	179.2	202.4	333.6	423.5	...	
36. Average British import price	sh. per cwt.	10.33	8.22	5.09	6.15	5.52	5.38	6.02	7.53	9.28	10.33	10.23	8.34	8.31	7.76	7.14	6.50	5.88	
COTTON																			
37. Mill consumption: U.K.	Thousands of actual bales	233	205	164	182	187	206	209	228	240	238	238	179	179	...	...	...	...	
38. " Japan	"	231	250	214	231	242	271	311	304	347	350	350	261	261	261	...	...	...	
39. " U.S.A.	"	586	505	437	404	509	472	443	527	598	514	514	445	445	445	...	...	...	
40. " World	"	2,157	2,101	1,874	1,880	2,029	2,093	2,035	2,116	2,383	2,242	2,242	2,066	2,066	2,066	...	...	...	
41. Stks.: World visible supplies (d)	Thousand bales	2,736	4,317	6,593	7,682	7,510	6,571	3,983	4,297	3,875	5,980	7,966	7,467	7,177	7,069	6,958	8,501	9,316	
42. Price: Mid. American	d. per lb.	10.33	7.46	5.08	5.25	5.54	6.67	6.70	6.69	6.37	5.36	4.84	4.65	5.01	5.01	4.80	4.79	5.16	
SUGAR																			
43. Stks.: World visible supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,166	2,983	2,816	2,816	4,002	5,855	5,255	4,711	4,226	3,601	...	
44. Av. Brit. import price, unrefined	sh. per cwt.	9.68	8.91	8.10	7.70	7.46	6.98	6.38	6.71	8.62	8.52	9.2	6.57	6.87	6.20	6.19	7.48	8.79	

GROUP II (b).—BI-MONTHLY TABLE

COPPER																			
1. Production: Belgian Congo	Th. metric tons	11.3	11.4	10.0	4.5	5.6	10.8	12.1	8.1	12.0	...	...	10.0	9.0	9.0	...	...	...	...
2. (Smelter) Canada	"	6.1	8.5	9.2	8.0	9.9	12.7	14.7	15.7	17.2	...	...	20.3	20.6	22.0	22.5	22.4	...	...
3. " Chile	"	25.3	17.3	18.0	8.1	13.1	20.6	21.6	20.4	33.1	28.5	29.1	27.7	27.5	25.3	24.8	24.7	...	...
4. " N. Rhodesia	"	0.5	0.5	0.8	5.8	8.8	11.7	12.2	12.1	17.6	19.0	20.0	17.5	18.5	16.2	16.2	16.5	...	...
5. " U.S.A.	"	83.2	60.8	44.8	23.2	18.9	27.3	38.3	55.4	74.2	76.0	73.3	44.5	34.7	28.4	40.4	45.1	63.1	...
6. " World	"	157.9	131.5	114.9	77.6	86.6	98.4	115.6	128.5	176.2	178.5	178.7	141.7	130.5	115.9	134.5	132.4	167.9	...
7. Consumption: World	"	146.8	129.0	103.5	75.5	89.1	100.8	121.2	135.5	162.3	166.8	144.0	123.9	131.9	152.2	161.1	173.2	181.4	...
8. Stocks: U.K.	"	6.6	7.8	21.7	37.3	32.8	56.9	88.7	47.0	32.0	25.1	25.6	33.7	36.1	37.3	37.6	35.5	30.5	...
9. (Refined) Stocks: World	"	424.0	547.1	692.7	724.5	634.2	532.6	440.3	320.4	428.0	312.7	346.8	502.9	500.3	474.6	448.6	415.0	385.3	...
10. Price: Std. cash, London	£ per ton	75.48	54.54	38.31	31.71	32.57	30.32	31.91	38.48	54.53	63.03	45.44	39.71	35.28	39.79	40.63	41.90	45.69	...
LEAD																			
11. Production: Australia	Th. metric tons	15.0	14.3	12.7	15.6	17.4	16.9	18.2	16.6	19.5	19.3	19.1	17.9	18.9	18.8	19.7	18.4	...	...
12. (Smelter) Canada	"	11.5	11.5	10.5	9.6	9.6	11.9	12.4	13.7	15.7	15.4	16.1	16.1	15.2	15.1	15.3	15.4	...	...
13. " Germany	"	8.2	9.2	8.4	7.9	9.7	10.0	10.2	11.6	13.5	14.5	13.6	16.1	15.9	15.5	16.3	15.6	...	...
14. " Mexico	"	19.2	19.3	17.3	10.9	10.0	14.0	15.1	17.5	18.7	17.9	19.9	22.3	21.8	22.2	21.2	19.6	...	...
15. " Spain	"	11.1	10.1	9.1	8.8	9.3	6.1	5.9	3.9	2.5	3.5	4.9	2.9	2.3	2.1	2.5	2.2	...	...
16. " U.S.A.	"	54.1	46.4	31.4	21.1	20.8	24.2	36.8	30.8	30.8	34.5	40.9	29.0	30.8	25.4	21.5	22.7	...	...
17. " World	"	145.0	137.2	113.3	95.9	96.6	110.3	114.2	122.3	140.9	136.3	140.7	138.5	135.9	135.2	129.4	129.2	...	...
18. Stocks: U.K.	"	2.0	8.5	13.3	20.6	29.7	7.7	7.1	6.2	7.0	7.0	8.9	11.2	9.4	9.9	9.7	9.4	9.8	...
19. " U.S.A.	"	49.7	93.6	137.5	159.4	184.3	210.2	201.6	155.9	117.0	82.3	91.2	148.5	148.1	139.9	127.7	...	...	
20. Price: "Soft London," London	£ per ton	23.25	19.35	13.02	11.00	11.68	10.93	14.25	17.60	23.33	20.99	18.27	14.38	13.86	14.91	14.37	15.25	16.18	...
SPELTER																			
21. Production: Holland	Th. metric tons	2.1	1.9	1.6	1.3	1.5	1.7	1.1	1.3	2.5	21.1	22.6	20.7	19.1	18.4	18.1	...	...	
22. (Smelter) Belgium	"	16.5	14.7	11.2	8.0	11.4	14.6	15.3	16.8	18.8	15.8	16.7	16.2	27.9	16.3	17.0	...	...	
23. " Canada	"	6.5	9.2	9.0	6.5	7.0	10.3	11.3	11.4	12.0	...	...	...	...	...	...	...	...	
24. " Mexico	"	1.3	2.5	2.9	2.5	2.2	4.4	2.7	2.7	4.1	15.8	16.7	16.2	27.9	16.3	17.0	...	...	
25. " Germany	"	8.5	8.1	3.8	3.5	4.2	6.1	10.4	11.5	13.6	13.7	14.2	16.3	16.1	16.5	16.5	...	...	
26. " Poland	"	14.1	14.6	10.9	7.0	6.9	7.7	7.1	7.9	9.2	8.0	9.5	8.8	8.4	9.0	9.0	...	...	
27. " Australia	"	4.4	4.7	4.6	4.5	4.6	4.6	5.7	6.0	5.9	11.0	11.4	11.6	10.7	11.5	9.7	...	...	
28. " U.K.	"	4.9	4.1	1.8	2.3	3.5	4.3	5.4	5.5	5.2	4.4	4.7	34.0	27.9	27.5	29.3	...	...	
29. " U.S.A.	"	47.3	37.7	32.1	15.7	23.2	27.5	31.8	37.4	42.1	45.4	47.8	34.6	34.0	32.8	32.3	...	...	
30. " World	"	121.5	116.7	83.4	65.3	82.2	97.7	111.2	123.1	136.3	134.4	145.2	132.8	122.0	123.5	123.8	...	...	
31. Stocks: U.K.	"	4.5	12.0	21.6	13.2	7.0	10.9	8.2	17.2	20.2	20.6	21.2	23.2	22.1	22.2	23.4	27.0	24.3	...
32. " U.S.A.	"	70.7	130.2	117.7	113.2	95.7	108.7	76.1	40.8	58.8	12.3	23.4	134.4	138.8	132.0	128.9	...	...	
33. Price: G.O.B., London	£ per ton	24.88	16.84	12.45	13.58	15.68	13.87	14.08	14.90	22.25	21.4	17.7	12.80	12.79	14.14	14.37	14.04	15.07	...
TIN																			
34. Production: Bolivia	Tons	3,862	3,179	2,562	1,715	1,227	1,719	2,204	2,006	2,085	2,338	2,201	2,086	1,828	1,663	1,647	1,468	...	...
35. (exports) Dutch E. Indies	"	2,993	2,909	2,290	1,307	1,201	1,557	2,060	2,640	3,315	3,086	3,777	1,629	1,903	1,420	1,984	1,542	...	...
36. " China	"	565	572	496	617	675	679	783	889	871	917	1,011	890	1,220	980	1,050	...	...	
37. " Belgian Congo	"	81	72	12	57	185	384	540	626	774	840	602	570	983	679	603	619	...	...
38. " British Malaya	"	5,781	5,331	4,576	2,479	2,075	2,838	3,830	5,567	6,462	8,445	5,248	3,781	2,781	3,539	2,852	2,375	...	...
39. " Nigeria	"	895	724	602	355	314	416	586	794	870	715	915	993	629	646	258	350	...	...
40. " Sumatra	"	828	922	1,037	772	860	882	815	1,054	1,365	1,387	1,317	1,130	1,424	1,176	1,308	1,309	...	...
41. " World	"	15,582	14,251	12,367	8,267	7,583	9,600	12,258	15,000	17,242	19,400	16,800	16,200	12,200	11,500	10,700	10,200	...	...
42. " Quota of restrg. countries	% of std. quanty.	...	...	67.7	42.8	32.6	45.0	58.8	92.5	107.5	110.0	110.0	55.0	55.0	45.0	45.0	45.0	45.0	...
43. Consumption: U.K.	tons	2,518	1,883	1,745	1,452	1,664	1,756	1,796	1,822	2,164	1,100	1,980	1,436	1,043	1,291	1,287	1,873	...	...
44. " U.S.A.	"	7,298	6,385	5,297	2,938	4,899	3,633	5,191	6,304	7,222	8,469	8,240	4,395	3,957	3,751	3,708	...	...	
45. " World	"	13,434	13,450	11,825	8,768	11,042	10,258	12,442	13,392	16,422	18,400	18,800	16,500	11,300	10,100	11,570	...	...	
46. Stocks: World Visible supply	"	48,449	46,623	59,247	55,903	29,135	17,107	12,108	13,841	22,695	25,711	22,632	21,828	26,308	27,532	29,447	30,601	30,869	...
47. " Ratio to annual cons.	%	17.7	27.7	41.8	53.2	22.2	13.9	9.3	14.1	13.0	11.8	11.1	17.0	18.0	20.0	20.0	21.0	...	...
48. Price: Std. cash, London	£ per ton	203.9	141.8	118.6	136.0	194.0	230.4	225.7	204.6	242.3	259.1	224.0	162.8	177.6	192.7	193.1	193.9	...	...

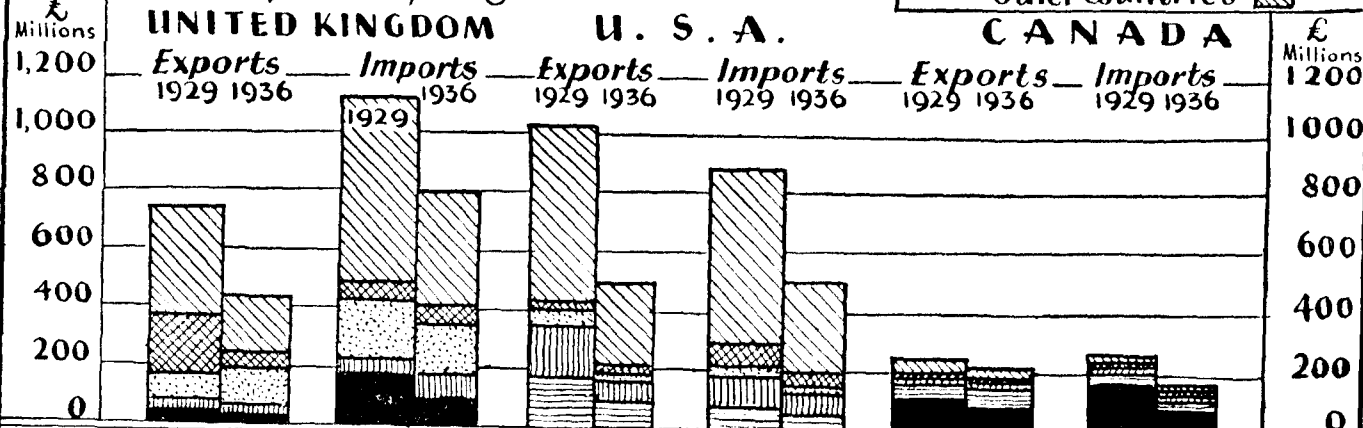
THE OVERSEAS TRADE OF THE U.S.A. and THE BRITISH EMPIRE

Exchanges 1936 (Widths of bars are proportionate to total trade)

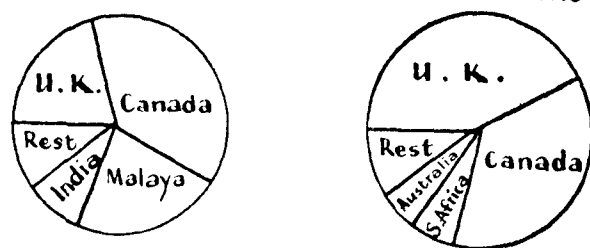


U.K., U.S.A. and CANADA

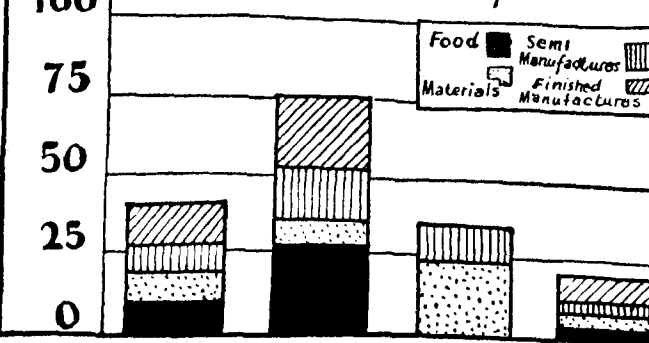
Domestic Exports by destination;
Retained Imports by origin



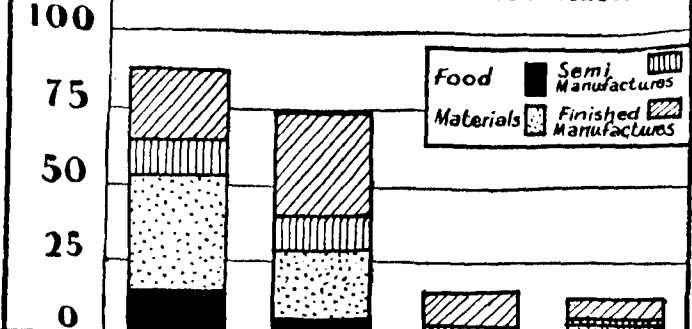
U.S. TRADE WITH BRITISH EMPIRE
Retained Imports & Domestic Exports
Imports From British Empire £193 Millions
Exports to British Empire £207 Millions



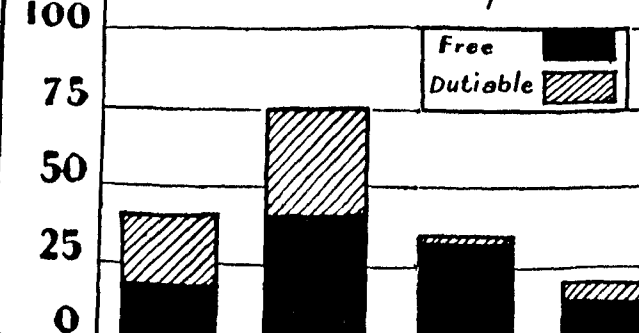
U.S.A. 1936 IMPORTS from
U.K. Canada Malaya India



U.S.A. 1936 EXPORTS TO
U.K. Canada S. Africa Australia



U.S.A. 1936 IMPORTS from
U.K. Canada Malaya India



trade both ways with the United States; United States trade both ways with Canada; United States exports to the South African Union and Australia; and United States imports from Malaya and British India.

UNITED KINGDOM—UNITED STATES TRADE

United Kingdom exports to the United States amounted in both 1929 and 1936 to only 6 per cent. of United States imports. As the following table shows, the chief item by far, since Prohibition ended, is whisky; other important exports are raw wool, linen piece-goods, tin ingots, woollen tissues and machinery. Since 1929 exports of cotton piece-goods and yarns, leather and jute goods have fallen off markedly; and the total value of United Kingdom exports (excluding re-exports) to the United States fell off between 1929 and 1936 by 33 per cent.

TABLE 3.—UNITED KINGDOM EXPORTS TO U.S.A. OF DOMESTIC PRODUCTS

Description and Unit	Quantities (000's)			Value (£'000)			Percentage of total exports 1936
	1929	1932	1936	1929	1932	1936	
Spirits pf. gals.	5	4	3,499	7	7	5,323	48.6
Total (food, drink & tobacco)	...	...	...	1,243	812	6,192	17.4
Coal tons	335	234	134	512	349	218	0.7
Oils (animal and vegetable)	...	...	...	...	...	...	...
Wool, noils & waste centals	32	7	24	1,139	155	625	19.6
Total raw materials	257	53	354	2,208	325	1,898	35.9
Cotton piece goods sq. yds.	34,006	10,551	12,955	2,194	1,552	4,549	8.9
Cotton yarns, etc.	...	...	...	1,136	546	870	41.1
Leather cwt.	153	39	71	2,356	415	771	21.5
Machinery and parts	6	2	7	1,060	352	927	2.3
Tin ingots, etc. tons	13	5	8	2,798	637	1,637	51.2
Jute goods	...	...	...	1,580	451	743	27.3
Linen piece goods sq. yds.	30,088	33,634	38,942	1,752	1,313	1,696	34.7
Others	...	...	...	1,855	1,024	715	31.8
Woollen tissues ... sq. yds.	16,126	2,678	6,935	3,361	539	1,284	7.1
Yarns, etc.	...	...	...	555	106	250	1.8
Total, wholly or mainly manufactured	...	...	...	35,036	11,747	16,022	4.7
Total (all classes)	...	...	...	45,558	15,091	27,626	6.3

United Kingdom imports from the United States fell from over 16 per cent. of total imports in 1929 to 11 per

cent. in 1936, and were more than halved in value in the same period. Raw cotton, tobacco, machinery and petroleum are the chief items, but wheat, fourth by value in 1929, practically disappeared in 1936, owing to crop restriction in the United States and the United Kingdom's tariff and preference policy. Tobacco and machinery imports were well maintained over the period 1929 to 1936, but raw cotton fell off sharply in value and petroleum steeply in volume as well as in value. Table 4 shows details of the most important items.

TABLE 4.—IMPORTS FROM U.S.A. RETAINED IN THE U.K.

Description and Unit	Quantities (000's)			Value (£'000)			Percentage of total imports 1936
	1929	1932	1936	1929	1932	1936	
Fresh fruit cwt.	4,458	4,270	2,881	6,101	4,700	3,204	12.6
Barley cwt.	4,341	1,591	2,992	2,158	559	1,097	21.9
Wheat cwt.	21,799	4,606	46	11,488	1,452	21	0.05
Meat and fish cwt.	1,853	1,083	1,035	9,649	4,056	4,661	5.3
Fresh and dried fruit cwt.	2,611	2,864	2,831	6,130	5,747	4,683	39.3
Total food and drink	197,766	117,733	204,937	14,454	6,214	13,886	78.8
Tobacco lbs.	8,222	7,446	6,475	36,899	16,559	17,041	39.6
Cotton (raw) centals	...	...	...	1,450	991	1,540	20.6
Hides and fur skins	...	...	...	7,530	3,744	4,284	9.9
Timber and wood	...	...	...	50,895	24,271	27,457	12.8
Total raw materials	...	...	...	1,942	809	1,219	15.6
Chemicals and drugs	...	...	...	1,012	498	1,003	28.1
Electrical apparatus	36	13	33	8,524	3,699	7,753	45.4
Machinery and parts	99	31	3	8,303	1,199	203	1.9
Copper tons	690,370	435,078	278,356	18,122	8,799	4,998	16.0
Refined petroleum ... galls.	...	...	...	5,972	1,258	2,957	68.1
Motor cars and parts	...	...	...	66,406	24,358	28,546	14.5
Total manufactures	...	...	...	18,997	73,653	87,114	11.1
Total (all classes)	...	...	...	...	...	...	...

† Excluding tobacco. * Comparability with later years only approximate.

THE IMPORTANCE OF CANADA

The value of trade between the United States and the United Kingdom is greater than that between any other two countries, except the United States and Canada; Canadian trade is thus of prime importance to the United States. In 1929 trade with the United States accounted for nearly 70 per cent. of Canada's imports and 44 per cent. of her exports; in 1936 the American share was 58 per cent. and 40 per cent. respectively. In this period Canadian imports from the United States were halved in value, while Canadian exports to the United States fell on balance

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much less. As the following table shows, the United States exports to Canada, coal and coke, petroleum, automobiles, iron and steel products and machinery, all of which fell off steeply between 1929 and 1936 owing mainly to depression but partly to the Ottawa Imperial preferences:

TABLE 5.—UNITED STATES DOMESTIC EXPORTS TO CANADA
(thousands of U.S. dollars)

	1929	1932	1936	Percentage of total U.S. exports 1936
Fruit and nuts.....	29,630	10,617	15,624	19.4
Raw cotton.....	23,055	6,414	17,608	4.9
Coal and coke.....	93,688	43,009	53,200	94.0
Petroleum and products.....	63,248	28,885	42,232	16.0
Iron and steel: mill products.....	73,068	7,896	18,166	16.2
Iron and steel: advanced manufactures.....	20,339	4,118	8,176	21.6
Electrical machinery, etc.....	39,692	7,369	13,291	14.6
Industrial machinery.....	65,803	10,558	24,147	15.2
Agricultural machinery, etc.....	37,714	2,357	11,247	25.6
Automobiles and parts.....	103,071	15,399	37,800	15.7
Chemicals, etc.....	25,254	13,874	18,489	15.8
All exports.....	902,144	228,438	368,889	15.3

United States imports from Canada (shown in Table 6) are dominated by newsprint purchases; and between 1929 and 1936 imports of newsprint, timber and copper fell heavily, though imports of wheat, nickel and (post-Prohibition) whisky rose considerably.

TABLE 6.—UNITED STATES IMPORTS FROM CANADA
(thousands of U.S. dollars)

	1929*	1932*	1936†	Percentage of total U.S. imports 1936
Cattle (durable).....	12,994	166	8,747	81.6
Fish.....	15,589	8,115	13,036	42.9
Furs (undressed).....	10,928	2,730	6,887	9.2
Wheat.....	16,248	5,362	48,013	99.8
Whisky.....	Not shown	separately	28,307	50.6
Boards and lumber.....	39,588	6,603	13,183	89.0
Pulp wood.....	14,412	5,101	9,482	100.0
Wood pulp.....	36,551	15,370	27,200	32.8
Standard newsprint.....	132,282	73,711	86,499	90.1
Asbestos (unmanufactured).....	8,364	2,114	6,391	85.0
Nickel.....	16,510	4,047	23,335	100.0
Fertilisers.....	7,289	2,880	5,530	16.6
All imports.....	503,496	174,101	377,553	15.6

* General imports. † Retained imports.

Canada occupies a key position in British-American trade. In 1936 the United Kingdom and the United States were virtually equal as customers for Canadian exports; and the United Kingdom's share of Canadian imports rose from 15 per cent. in 1929 to nearly 20 per cent. in 1936, mainly coal, iron and steel and textiles. Together the United Kingdom and the United States dominate Canadian trade, and they compete in the Canadian market for iron and steel, cotton manufactures and coal, just as the United States and Canada compete in the United Kingdom market for timber, wheat, barley, bacon, hams, apples, lard and salmon. Between 1929 and 1936 retained United Kingdom imports from Canada rose in value from £43,684,000 to £71,191,000; imports of wheat from £14,117,000 to £22,326,000, of all food, drink and tobacco from £28,598,000 to £42,125,000, and of wood and timber from £2,382,000 to £6,198,000. Similarly the value of United Kingdom exports of coal to Canada rose in the same period from £935,000 to £1,669,000 (745,000 tons to 1,285,000 tons).

AUSTRALIA AND SOUTH AFRICA

Australia, like Canada, though in lesser degree, is a pivotal point in the general scheme of British-American trade relations. Australian products compete with American

in British markets for fruit, wheat and barley; and while, under Imperial preference, Australian exports have somewhat ousted United States exports in the United Kingdom, the United States share of Australian imports has fallen from 25 per cent. in 1929 to 17 per cent. in 1936, Australia taking 6 per cent. of American exports to British countries.

TABLE 7.—UNITED STATES EXPORTS* TO AUSTRALIA
(thousands of dollars)

	1929	1932	1936
Tobacco, leaf.....	7,330	1,532	7,155
Petroleum and products.....	31,527	12,672	9,578
Electrical machinery, etc.....	7,210	904	2,636
Industrial machinery.....	6,248	1,005	3,012
Agricultural machinery.....	4,734	248	5,167
Automobiles and parts.....	36,716	1,482	11,558
All exports.....	150,110	26,817	58,491

* Individual items domestic exports, but total includes re-exports.

Australia's exports to the United States are wool, hides and skins, hit hard by the 1930 tariff.

In the case of United States exports to the Union of South Africa (which amount to 7 per cent. of American exports to British countries) motor cars again bulk largest as in Australia, with petroleum and machinery important:

TABLE 8.—U.S. EXPORTS* TO THE UNION OF SOUTH AFRICA
(thousands of dollars)

	1929	1932	1936
Textile, manufactured.....	6,254	2,037	3,860
Petroleum and products.....	10,376	2,092	4,921
Electrical machinery, etc.....	2,451	1,831	7,675
Industrial machinery.....	3,973	1,185	5,634
Agricultural machinery.....	5,699	690	3,650
Automobiles and parts.....	19,750	2,808	26,214
All exports.....	63,751	15,982	71,199

* Individual items domestic exports, but total includes re-exports.

In large part the gains measure the boom in gold-producing South Africa. South African exports are gold, diamonds, wool and sugar, and, since these do not compete in British markets with United States goods, South Africa does not enter so forcibly into the equation of British-American commercial arrangements as Australia.

AMERICAN IMPORTS FROM MALAYA AND INDIA

The same is true of Malaya, which exports rubber and tin, of British India, which exports tea, low-grade cotton, skins, jute, flax and wool, and indeed of the Colonies at large. These are complementary, in British markets, to the United States and not competitive. As much as 18 per cent. of United States imports from British countries comes from Malaya, mainly rubber and tin, as follows:—

TABLE 9.—UNITED STATES IMPORTS FROM BRITISH MALAYA
(thousands of dollars)

	1929*	1932*	1936†
Rubber.....	168,634	22,214	110,524
Tin.....	61,323	10,353	53,657
All imports.....	239,164	34,806	167,902

* General imports.

† Retained imports.

United States exports to British Malaya in return are practically negligible (\$9 millions in 1937 against imports amounting to \$235 millions). United States trade with British India is not quite so one-sided; of total imports valued at \$149,332,000 in 1929 jute and jute products accounted for \$80,063,000, and in 1936 for \$37,671,000 out of \$70,711,000 worth of retained imports; total exports from the United States, on the other hand, amounted to \$55,360,000 in 1929 and \$26,807,000 in 1936.

the progress of industrialisation. The growth of industry was accompanied by a decline in the relative importance of agriculture. Agricultural protection was jettisoned because imports of cheap foodstuffs meant low production costs for industry. Moreover, owing to its start over other countries, British industry did not need protection, for it

TABLE 1.—BRITISH IMPORTS IN 1930 (EXCLUDING ANIMALS AND PARCELS POST)
(Million £)

	As actually taxed in 1930		Under Import Duties Act of 1932		After Ottawa	
	Amt.	%	Amt.	%	Amt.	%
Food, drink and tobacco:—						
Free.....	400	38 $\frac{3}{4}$	235	23	211	20 $\frac{1}{2}$
Taxed.....	75	7 $\frac{1}{4}$	240	23	264	25 $\frac{1}{2}$
Total.....	475	46	475	46	475	46
Materials and partly-manufactured goods:—						
Free.....	250	24 $\frac{1}{4}$	188	18	187	18
Taxed.....	Nil	...	62	6 $\frac{1}{4}$	63	6 $\frac{1}{4}$
Total.....	250	24$\frac{1}{4}$	250	24$\frac{1}{4}$	250	24$\frac{1}{4}$
Wholly or mainly manufactured goods:—						
Free.....	232	22 $\frac{1}{2}$	42	4	32	3
Taxed.....	75	7 $\frac{1}{4}$	265	25 $\frac{3}{4}$	275	26 $\frac{3}{4}$
Total.....	307	29$\frac{3}{4}$	307	29$\frac{3}{4}$	307	29$\frac{3}{4}$
All categories:—						
Free.....	882	85 $\frac{1}{2}$	465	45	430	41 $\frac{1}{2}$
Taxed.....	150	14 $\frac{1}{2}$	567	55	602	58 $\frac{1}{2}$
Total.....	1,032	100	1,032	100	1,032	100

had become the world's workshop. But towards the end of the nineteenth century Britain's dominating position as an industrial country began to be challenged by the United States and Germany. In the Dominions the challenge was met by a system of preferential tariffs; but Britain herself clung to free trade until 1932, when the growth of economic nationalism abroad and the increase in the excess of imports over exports led the Government to give way to the

persistent demand for protection from both industry and agriculture by the imposition of a moderate tariff on (mainly) non-Empire products. Later in the same year the system of inter-Imperial preferences, known as the Ottawa Agreements, which involved a further increase in Britain's tariff, was introduced in order to foster the commercial intercourse between Empire countries. Britain is now a fully Protectionist country.

The changes wrought in the British tariff by the Import Duties Act of 1932, and by the Ottawa Agreements, is analysed in Table 1, on the basis of our imports in 1930.

TABLE 2.—IMPORTS FROM FOREIGN COUNTRIES IN 1930
(Thousand £)

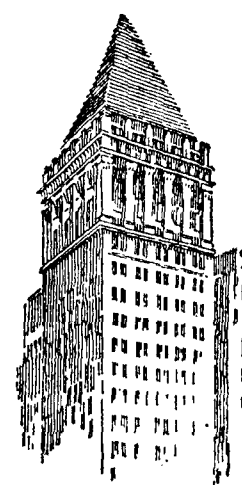
Rate of New Duty	Food, Drink and Tobacco Class I.	Raw Materials and Articles mainly unmanu- factured Class II.	Articles wholly or mainly manufactured Class III.	Animals not for Food Class IV.	Total
10 per cent.	148,841	54,880	62,267	81	266,069
15 per cent.	...	...	15,775	...	15,775
20 per cent.	4,276	...	99,230	...	103,506
25 per cent.	1,077	...	4,157	...	5,234
30 per cent.	128	...	2,827	...	2,955
33 $\frac{1}{3}$ per cent.	...	...	15,764	...	15,764
Total ...	154,322	54,880	200,020	81	409,303

As will be seen, in 1930 only 14 $\frac{1}{2}$ per cent. of our imports were subject to taxation. The Import Duties Act of 1932 increased this proportion to 55 per cent. and the Ottawa Agreements to 58 $\frac{1}{2}$ per cent. Moreover, of the items remaining on the Free List, the greater part is derived from the Empire.

But while the tariff legislation of 1932 made the bulk of our imports subject to taxation, the average rate of duty was kept at a moderate level. Table 2 shows the incidence of the duties imposed by the Import Duties Act of 1932 on imports from foreign countries on the basis of our intake in 1930.

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British and American Tariff Policy

THE Anglo-American Trade Agreement is a landmark in the commercial intercourse between the two countries; and since the mutual concessions are automatically extended to other countries (except to Germany by the United States) under the most-favoured-nation clause, it is of far-reaching significance to the world as a whole. A country's foreign trade policy is conditioned, in a large measure, by domestic considerations. The Agreement may therefore usefully be

considered against the background of the economic evolution and tariff policy of the two countries, for this will reveal its full significance and the motives which gave rise to its birth. This survey should be read in conjunction with the preceding article which analyses recent changes in the nature and size of the trade between the United States, the United Kingdom, and the rest of the Empire.

In the nineteenth century Britain led other countries in

As a result of the introduction of the Import Duties Act of 1932, the average rate of duty on imports of manufactured goods was raised to about 18½ per cent. on the basis of imports in 1930, compared with 37 per cent. in the United States (as estimated by the World Economic Conference of 1927).

The introduction of a moderately protective tariff and of the system of Empire preferences naturally caused a diversion of trade in favour of the Empire. Thus, the proportion of our imports derived from British countries rose from 29.4 per cent. in 1929 to 39.4 per cent. in 1937. Similarly, the proportion of our total exports going to the Empire increased from 44.4 per cent. to 48.4 per cent. during this period.

This diversion of our trade has naturally harmed the industries in foreign countries affected by the Ottawa preferences.

Effect of Ottawa on the United States.—The proportion of our imports derived from the United States fell from 16 per cent. in 1929 to 11 per cent. in 1937. By way of examples we show below how the Ottawa preferences have affected American exports to this country:—

SOFT LUMBER AND TIMBER:—

Douglas Fir: From 1928 to 1930 United States exports to the United Kingdom averaged 117 million board feet, valued at about \$2½ millions; in 1933-37 they were down to 36 million board feet, valued at about one million dollars. The effect of the duty was to cause a serious decrease in actual imports, and a serious diversion to Canada. Before Ottawa the United States supplied about 60-65 per cent. of total shipments to the United Kingdom. Canada now supplies 93 per cent. and the United States only 6.4 per cent.

Plywood faced with Douglas Fir: Before Ottawa, the Empire supplied a fraction of 1 per cent. of United Kingdom imports, but by 1937 Canadian exports had exceeded United States shipments.

Doors: The United States was the predominant supplier of the United Kingdom, providing more than 60 per cent. of the imports when Empire participation was virtually nil. Ottawa raised duties to 2s. 6d. or 20 per cent. United States participation in United Kingdom total door imports declined from 60 per cent. to one-fifth of 1 per cent., and Canadian imports increased from one-fifth of 1 per cent. to 80 per cent.

TYPEWRITERS.—The following table shows how Canada has gained at the expense of the United States in the trade in typewriters:—

	Tons			Value \$		
	1936	1937	1938	1936	1937	1938
Canada	25	185	117	28,802	189,979	113,662
U.S.A.	691	631	356	549,943	487,552	261,394

MACHINERY.—Ottawa affected a large number of small machinery items, e.g.:—

Files and rasps, serrated edge being longer than 6 inches: before 1932 United States supplied 75 per cent. and Canada nil of United Kingdom imports. Canada now supplies 80 per cent., valued at \$200,000.

Bolts, nuts, and screws: Canadian participation has shown a steady increase, while United States trade has fluctuated.

PATENT LEATHER.—Canadian share in Britain's imports of patent leather increased as follows: 1932, 47.4 per cent.; 1933, 49.4 per cent.; 1934, 68.5 per cent.; 1936, 76.2 per cent. There has been a concession in this trade from which the United States is expected to derive "substantial benefit."

MACHINE BELTING OF RUBBER AND CANVAS.—United States and Canada provide 95 per cent. of the United Kingdom imports. Since 1932, when a 15 per cent. duty was applied, the position of United States and Canada has been reversed. Before 1932 the United States had 65-70 per cent. and Canada 25 per cent. of the total imports into United Kingdom; in 1936 the United States had 45 per cent. and Canada 52 per cent.

OTHER COMMODITIES.—The relative decline in the proportion of our imports of certain other goods derived from the United States is shown below:—

	Quantities		Value	
	1929	1937	1929	1937
<i>Rice:—</i>	(Cwt)			
United States	396,756	63,301	413,075	55,114
British countries ...	453,130	997,457	323,843	653,061
<i>Apples:—</i>				
United States	3,089,163	1,329,124	3,899,224	1,228,922
British countries ...	2,325,597	3,923,161	2,861,858	3,669,730
<i>Grapefruit:</i>				
United States	420,270	23,839	693,275	25,907
Union of South Africa	26,381	206,413	68,072	227,263
<i>Oranges:</i>				
United States	978,902	27,043	1,354,182	25,680
Union of South Africa	644,771	2,092,845	1,144,647	2,055,136

American Tariff Policy

THE tariff history of the United States is, in one sense, a reflection of the conflict of interests between agriculture and industry. As the home market does not absorb the whole output of agriculture, farmers have always been against high duties on imports of industrial products. Industry, on the other hand, was anxious to keep out foreign manufacturers in order to be able to supply an expanding home market, but to import essential raw materials free of duty. Until the civil war the level of protection was comparatively low; but the victory of the industrial North was followed by a policy of high protection. The policy of high protection was continued after the world war by the Fordney-McCumber tariff of 1922 and by the Hawley-Smoot tariff of 1930, both enacted by the Republican Party, which is dominated by the industrial section of the country.

Just as the Ottawa Agreements gave rise to criticism in the United States, the Hawley-Smoot tariff of 1930 and the further increase of duties on a limited number of commodities in 1932, have damaged certain industries in this country and in the Empire. The proportion of total British exports going to the United States fell from 6.24 per cent. in 1929 to 4.39 per cent. in 1931, and the average *ad valorem* equivalent rate on dutiable goods imported by the United States from the United Kingdom rose from 40.1 per cent. in 1929 to 53.2 per cent. in 1931. The schedules which most closely affected British goods were the following:—

SCHEDULE 1: Chemicals, oils and paints.

SCHEDULE 3: Metals and manufactures.

SCHEDULE 7: Agricultural products (Canada suffered heavily).

SCHEDULE 9: Cotton manufactures: general increases heavily affecting the United Kingdom included: cotton yarns and warps; cotton cloth, not bleached; cotton cloth, bleached; cotton cloth, coloured, dyed, etc.; blankets; tracing cloth; oilcloth, etc.

SCHEDULE 10: Flax, hemp, jute and manufactures.

SCHEDULE 11: Wool and manufactures.

Effects of the Hawley-Smoot changes on Canada were severe, particularly under the Agricultural Schedules. No less than four-fifths of goods originating from the United Kingdom are dutiable in the United States. Moreover, the average rate of duty on United Kingdom goods is very high. Below are some examples relating to the position in 1935:—

Duty of less than 30 per cent.: Leather, boots and shoes, tinplate, iron and steel pipes.

Between 30 and 45 per cent.: The bulk of typically English goods.

85 per cent.: Heavy worsteds.

91 per cent.: Heavy woollens.

95 per cent.: Combing wool.

98 per cent.: Earthenware and crockery.

The advent of President Roosevelt in 1933, at the head of a Democratic Government, marked a turning-point in America's tariff policy. The Trade Agreements Act of 1934 authorises the President to negotiate trade agreements and to alter tariffs by not more than 50 per cent. Nineteen bilateral agreements have already been concluded, and, in order to stimulate world trade, the concessions made in these agreements have been passed on to other countries, with the exception of Germany, which is held to discriminate against American goods and is therefore excluded from most-favoured-nation benefits. The Anglo-American agreement is the culmination of the more liberal foreign trade policy pursued by the American Government since the advent of President Roosevelt. In some respects the Agreement is a reflection of the traditional policy of the Democratic Party, which relies for adherents largely on the agricultural South. Mr Wallace's efforts to reduce the dependence of American agriculture on exports have not been very successful. A reduction in the duties on industrial products, therefore, was expected to lead to bigger exports of cotton, wheat and other agricultural products. But President Roosevelt's policy was not influenced by sectional interests alone. His policy is a reflection of his desire to free the channels of international trade for the benefit of the world as a whole.

The Agreement Summarised

THE Anglo-American Trade Agreement signed in Washington on November 17, 1938 (Cmd. 5882, price 1s. 6d.), consists of 25 Articles, 4 Schedules, and Exchanges of Notes on 8 supplementary matters. Articles 23, 24 and 25 provide that the Agreement shall enter definitively into force 30 days after the exchange of the King's ratification and the President's Proclamation. The Agreement remains in force until December 31, 1941, and may be terminated then or thereafter on six months' notice from either side. Tariff concessions by the United States, the United Kingdom and Newfoundland, for which the Agreement provides, will come into operation on January 1, 1939, and concessions granted by the Colonies as soon as practicable thereafter. Canada and the United States have reached a separate trade agreement, of which full particulars are not yet available.

THE 25 ARTICLES

The text of the 25 Articles comprising the Agreement governs, in the main, matters connected with the tariff concessions set out in the four Schedules. Article 22 provides that existing rights under agreements already in force between the two countries are not affected. In other words, the Commercial Convention of 1815 remains in force. The new Agreement, however, restates in more modern form some of the provisions of this Convention. Article 18, for example, permits the termination of the Agreement if "a wide variation should occur in the rates of exchange between the currencies of the United Kingdom and the United States of America." In such an event, either party may propose negotiations for its modification, and failing agreement, the Trade Agreement may be terminated upon 30 days' notice. Similarly, Article 19 permits either party to withdraw or modify any concession if it appears that the

major benefit has accrued to a third party and has threatened serious injury to domestic producers of the article concerned. Finally, Articles 9, 10, 11, 12 and 13, which govern the four Schedules, include provisions to deal with dumping and with any action which may be necessary to counteract export subsidies in connection with goods enumerated in the schedules. The second Exchange of Notes provides for consultation between the two parties before anti-dumping duties are imposed.

Article 1 defines the territories to which the agreement applies. These include, on the one side, the United Kingdom, Newfoundland, British Colonies, Protectorates and Mandated Territories, and, on the other side, the Continental Territory of the United States of America and such possessions as are included in its customs territory on November 17, 1938. The provisions of the Agreement relating to most-favoured-nation treatment apply, however, to all territory under the sovereignty or authority of the U.S.A., other than the Panama Canal Zone. Article 2 provides, in comprehensive form, for most-favoured-nation treatment in respect of import and export duties, customs rules and formalities, while Article 4 deals with most-favoured-nation treatment in prohibitions and restrictions (subject to certain exceptions under Article 16). Under Article 6, most-favoured-nation treatment is to be accorded immediately and unconditionally. Article 3 grants national treatment in the internal taxation of goods, while Article 5 provides that any allocation of import quotas shall be based generally on each country's share of trade in past years. Articles 7 and 8 are of minor importance. The former exempts from the application of the terms of the Agreement concessions for frontier traffic or Customs Unions by either of the parties; while the latter, which is common form in United States agreements, provides that if

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monopolies are established in either country the trade of the other country shall receive fair treatment. This has no application in fact to relations between the two parties. Articles 9 to 13 govern the four Schedules and are referred to above. Provision has been made for additional import duties equivalent to an internal tax upon any item of trade under Article 14, notwithstanding the fixing of maximum import duties in the schedules.

Prohibitions, restrictions or quantitative regulations upon goods specified in the schedules are forbidden under Article 15, subject to certain exceptions under Article 16. Exception is also made in the case of restrictions imposed in conjunction with internal regulation of any given product or imposed in conjunction with internal government measures which operate to increase the labour cost of production of similar domestic articles. Provision is made for consultation in the case of both exceptions. Article 16 contains exceptions covering prohibitions or restrictions imposed on the ground of public health, the protection of animals and plants, etc., trade in gold and silver, arms, ammunition, etc., or regulations arising from neutrality, public security or circumstances of war. Article 17 provides that no change shall be made in the general principles by which dutiable values are determined for customs purposes. Article 20 contains general provisions providing for consultation if either party takes any action which, although not technically in conflict with the provisions of the Agreement, appears to nullify or impair its objects. Article 21 (in conjunction with the 3rd Exchange of Notes) excepts from the scope of the Agreement preferences accorded within the British Empire and also preferences which the United States accords to her own territories and to Cuba.

CONCESSIONS BY THE U.K.

Concessions by the United Kingdom to the United States of America are embodied in Schedule I. These cover approximately two-thirds of the United States trade with the United Kingdom. The total imports into the United Kingdom from U.S.A. amounted to £93,200,000 in 1936, of which items included in Schedule I amounted to £60,800,000, or 65 per cent. Of this proportion, 11 per cent. will enjoy reductions of duty, 15 per cent. will be covered by undertakings not to increase existing duties, 22 per cent. by undertakings to maintain free entry and 17 per cent. by other concessions. Modifications have been limited, as far as possible, to classes of goods of which the United States is the principal foreign supplier; so that the major benefit of concessions may accrue to the U.S.A., leaving other classes of goods reserved for subsequent negotiation with countries primarily concerned. Under Article 19, if the major benefit from any class accrues to any third party, the particular concession may be withdrawn or modified after consultation. Modifications may be sub-divided into three classes.

(a) *Maintenance of Duties.*—This category includes certain primary materials and manufactured goods, including motor cars of 25 h.p. and upwards which will continue to be subject to a duty of 33½ per cent., agricultural tractors other than track-laying tractors, dairy, and other kinds of machinery, certain plywood, paraffin wax, celluloid, women's dresses of cotton not exceeding 4s. in value and certain types of corsets. For unmanufactured tobacco, the United Kingdom agrees not to increase the present preference of approximately 2s. a lb. on Empire tobacco.

(b) *Continued duty-free entry.*—Free entry is maintained for certain raw materials such as raw cotton, sulphur, resin, and fur skins. The United Kingdom agrees to maintain duty-free entry for hams and the quota is to be increased. The 10 per cent. duty on lard is abolished.

(c) *Reductions of duty.*—On the 1936 figures, reductions of duty cover about £10,200,000 of imports from the United States out of a total of £93,200,000. With the consent of Canada, Australia and India the United Kingdom agrees to abolish the present duty of 2s. a quarter on wheat. No concessions have been given on wheat-flour. Concessions on soft wood, accorded with the consent of the Government of Canada, are important. A substantial reduction of duty (together with a promise of free entry in certain contingencies) has been conceded on soft sawn woods of the more expensive grades and of the larger sizes,

of which the United States is the main source of supply. Reductions have been made in the Ottawa duties on apples and pears.

The Dominion Governments, which have important interests in various canned and dried fruits, have facilitated an agreement which is designed to preserve existing rates of duty on canned peaches, pears and apricots and on raisins, but to assist the United States by certain reductions on other varieties.

Reductions of duty on manufactured goods are as a rule from the level of 20 per cent. to 15 per cent. (although in some cases other rates apply). Such reductions have been conceded on various types of machinery, including accounting and other office machinery, dry-cleaning and laundering machinery, petrol pumps and certain kinds of printing machinery. Similar reductions have been made on other kinds of metal manufactures, including metal furniture, tools and certain bolts and nuts. Concessions have also been granted on electrical goods, including cooking and heating apparatus, refrigerators, vacuum cleaners, food mixers, air-conditioning apparatus, sound amplifiers, gramophones, etc. For typewriters, the reduction in duty from £4 10s. to £3 10s. per machine does not cover portable typewriters or second-hand machines. No reduction has been made in the present duty of 15 per cent. on wheel tractors but the duty on track-laying tractors is to be reduced from 33½ per cent. to 25 per cent. In the case of silk stockings, an undertaking has been given that the duty (at 43½ per cent.) shall not exceed 10d. per pair. This will provide some reduction of duty for the more expensive type of stockings for which the United States is the chief supplier. A reduction has also been conceded on women's handbags, and on women's boots and shoes of a value exceeding 10s. per pair.

NEWFOUNDLAND'S CONCESSIONS

Schedule II sets out the tariff concessions granted by Newfoundland. These include the maintenance of existing duties, other cases in which duties are reduced, and undertakings that certain imports from the United States will not be subject to duties exceeding those applicable to similar articles imported from the United Kingdom or Empire countries by more than a specified margin of preference. Reductions of duty cover dried fruits, lard, certain textiles, clothing and boots and shoes, together with certain manufactured goods such as cameras and wireless receivers. Free entry into Newfoundland is guaranteed for flour, certain fruits, cotton yarn and twist, and special machinery. Undertakings not to alter duties to give a margin of preference where none at present exists have been given for tobacco and cigarettes, certain types of machinery and other articles. Schedule IV provides for reductions of duty for certain exports from Newfoundland into the United States covering a large part of Newfoundland's present trade. These items include fish of various kinds, berries, and fluorspar. In the case of seal skins (not fur skins) free entry into the United States will be continued.

THE POSITION OF THE COLONIES

The British Colonies obtain the same general benefits, and assume the same general obligations under the Agreement, as the United Kingdom. Specific tariff concessions are also exchanged between the United States and Colonial Empire, while a number of United States concessions (set out in Schedule IV) are in respect of items of almost exclusive concern to the Colonies. Schedule III sets out in detail the concessions which the Colonies have undertaken in return. For the most part, the Colonies have undertaken that margins of preference (i.e. the differences between the general rate and the preferential rate of duty) shall be reduced, maintained or, in a few cases, abolished. Most Colonial Dependencies derive the bulk of their revenue from customs duties, and reductions in rates might impair their budgetary positions. Thus, undertakings regarding the size of preferential margins leave the Colonial Governments free to adjust actual rates of duty to provide the budgetary revenue which they require. In nearly every case, concessions have been given only in respect of commodities of which the United States is the principal foreign supplier.

Unmanufactured tobacco is affected by one of the most

notable concessions made by the Colonial Empire; practically throughout the West Indies the preferential margin on this commodity has been abolished. Concessions on motor cars, which in several cases involve the reduction of existing preferential duties from 20 per cent. to 15 per cent., affect approximately one-sixth of the United Kingdom's total export trade to the British Empire. Other articles on which concessions have been made include lubricating oil and grease, typewriters, electrical machinery, canned fruits, fish and air-conditioning machinery.

The total United States imports to British Colonies in 1936 amounted to £11,120,000. Concessions cover trade amounting to £4,467,600, of which £756,600 represents reductions in margins, £2,158,800 undertakings not to increase existing margins, and £1,552,200 undertakings to maintain existing equality of treatment.

Colonial Advantages in United States Trade.—Concessions granted by the United States to the Colonial Empire are covered by Schedule IV, and will be available to every Dependency which can make use of them. These include reductions of duty by 50 per cent. on graphite, cut flowers, fresh celery, lime juice and certain types of sponges and rather smaller reductions on molasses, fresh lime and canned pineapples. Existing duty-free entry into the United States has been guaranteed to a number of other articles, including rubber, bar tin, cocoa, cloves, copra, sisal and various essential oils, while the duty on rum has been conventionalised at its present level. Conventionalisations are, in fact, far more numerous than duty reductions, because the majority of colonial products have always been admitted into the United States duty-free. Thus, domestic exports from the Colonies to the United States covered by duty reductions amounted to about £290,000 in 1936, but exports in respect of which existing treatment is conventionalised amounted to as much as £35 millions.

CONCESSIONS BY THE U.S.A.

Tariff concessions accorded by the United States to the United Kingdom, Newfoundland and the Colonies,

as set out in Schedule IV of the Agreement, number 600 items. United States imports of British goods totalled about £40 millions in 1936, of which £23 millions are liable to duty and £17 millions enter duty-free. Of the dutiable classes, reductions will be secured on £11 millions, existing duties will be stabilised on £6 millions, while free entry is guaranteed on £9½ millions of the £17 millions concerned. Concessions thus cover trade valued at £27 millions out of £40 millions. The extent of duty reductions is shown below:—

Value of Imports from U.K.	Covered by reductions of:
£3.4 millions	40 per cent. or more
£3.6 millions	30 per cent. to 40 per cent.
£2.6 millions	20 per cent. to 30 per cent.
£1.4 millions	Under 20 per cent.

The principal reductions of duty are analysed in the following categories.

(a) *Cotton Manufactures.*—Concessions on cotton manufactures as a whole cover some £1¼ millions of United Kingdom trade, according to the 1936 figures, of which cotton piece-goods are the main item. On the average, existing *ad valorem* duties on the types of cotton cloth of primary interest to British exporters will be reduced by fractions of one-fifth to one-third. For "plain woven" cloths of yarn counts 31 to 50, the reduction will amount to 48 per cent. For unbleached cloth the minimum specific duties will be reduced by 27 per cent., without limitation in respect of minimum value per pound weight. In 1936, United States imports of such cloths were valued at £600,000. United Kingdom cotton yarns of counts exceeding 60 (of which trade in 1936 was valued at £225,000) will obtain duty reductions of up to 20 per cent. of present rates. Concessions have also been obtained for certain other cotton goods, including tracing cloth, machinery belting, clothing, etc.

(b) *Wool Manufactures.*—The concessions secured cover United Kingdom trade in woollen piece-goods, hosiery and clothing valued at £2 millions in 1936, and in wool waste and yarns of £1¼ millions. The United States duties on

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woollen goods are composed of a specific element to compensate for duties on raw wool, and an additional *ad valorem* element to protect United States manufacturers. Apart from a small reduction in specific duty on the lowest grade of woollen cloth, no reductions are made in compensatory specific duties, since raw wool did not come within the scope of the present negotiations. Reductions in *ad valorem* duties have been secured on the whole range of woollen piece-goods, from a small reduction in the lowest grades to a reduction from the present rate of 60 per cent. to 35 per cent. for the highest grade of cloth. Considerable reductions have been secured on wool hosiery, knit outerwear clothing, wool waste and yarns.

(c) *Linen Manufactures*.—Substantial reductions will be made in duties on linen manufactures, for which the United States is our largest export market, covering United Kingdom trade valued at £2½ millions in 1936. For plain woven fabrics weighing less than 4 oz. per square yard (of which United Kingdom imports to the United States totalled nearly £1 million in 1936) the present 35 per cent. *ad valorem* duty will be reduced to 20 per cent. On woven fabrics not elsewhere specified, the duty will be reduced from 30 per cent. to 20 per cent. Duties on certain table damask will be reduced from 45 per cent. to 25 per cent., and on linen napkins from 40 per cent. to 25 per cent. Reductions of similar extent will apply to flax yarns, interlining fabrics, towels, sheets, handkerchiefs and collars.

(d) *Other Textiles*.—The existing low duty on jute burlaps (United Kingdom trade in 1936 approximately £600,000) is conventionalised and a substantial reduction from 50 per cent. to 30 per cent. *ad valorem* is made on jute fabrics for padding or interlining. A small reduction has been secured for cotton lace window curtains and other articles made on the Nottingham lace curtain machine. The maximum reduction, from 90 per cent. to 45 per cent. has been made for bobbinet machine-made nets.

(e) *Earthenware, China and Glass*.—The duty on china clay or kaolin is to be reduced from \$2.50 to \$1.75 per ton. The maximum reduction from 25 per cent. to 12½ per cent. *ad valorem* is given on Rockingham earthenware, and on certain other classes of earthenware the duty will be reduced from 50 per cent. to 30 per cent. Substantial reductions have also been secured on plain and decorated bone china. Gauge glass tubes obtained a reduction from 60 per cent. to 35 per cent., and reduced duties have been secured for several other glass manufactures.

(f) *Metal Goods*.—This varied group covers a considerable volume of British imports into the United States. Substantial duty reductions have been secured on certain silver-plated ware, pens, cutlery, bicycles, internal-combustion engines and considerable range of machinery, of which textile machinery is perhaps the most important.

(g) *Foodstuffs*.—Substantial reductions have been obtained on herrings, and reductions have also been secured on jams and marmalades, biscuits, ryegrass seed and mustard.

(h) *Spirits and Other Beverages*.—In this group, the stabilisation of the duty on whisky (which was reduced by 50 per cent. under the United States-Canada Agreement of 1935) is of first importance. Imports of whisky from the United Kingdom are the largest single item of trade, amounting to more than £5 millions in 1936.

(i) *Miscellaneous Goods*.—Duty reductions have been obtained on a wide range of miscellaneous trades, most of which are small in themselves, but which cover in the aggregate a considerable volume of British trade. Leather is the most important item. Although existing United States duties on leather are relatively low, duty reductions have been secured on most classes of interest to United Kingdom exporters. Welted leather boots and shoes will obtain more favourable treatment, and concessions have been obtained for leather cases and bags and miscellaneous leather manufactures. The wide range of concessions for goods of actual or potential importance to United Kingdom trade with the United States is illustrated by the following items included in Schedule IV: Books and numerous kinds of paper; tobacco pipes; fishing tackle; lawn tennis,

golf and other balls; certain toys; dressed furs; various brushes and buttons; bell chains and carillons; and gramophone records.

EXCHANGES OF NOTES

Accompanying the Articles and Schedules are 8 Exchanges of Notes, governing supplementary matters. All are dated November 17, 1938. The first contains an undertaking on each side to give sympathetic consideration to any representations which the other may make regarding access to raw materials. The 2nd Exchange of Notes records a mutual understanding not to impose anti-dumping or countervailing duties without affording the other Government opportunity to make representations regarding the proposed duty. The 3rd Exchange of Notes governs British preferences to mandated territories, while the 4th relates to tariff treatment of United States goods in certain British colonies, protectorates and mandated territories. Under the 5th Exchange of Notes, the United Kingdom undertakes to consult the parties to the International Rubber Regulation Agreement regarding the possibility of permitting the exportation of rubber plants to countries which are not parties to rubber regulation. The United States Government in the 6th Exchange of Notes undertakes to call the attention of the United States exporters of apples (and other fruits) to the desirability of co-operating with the Empire Fruits Council to ensure the orderly supply of apples in the United Kingdom market. It is further understood under the 7th Exchange of Notes that if the United Kingdom decides to regulate imports of any type of beef or veal the United States Government will not claim freedom from quantitative regulation, despite the provisions of Article 4, although the British Government undertakes to consult with the United States regarding any proposed action. The 8th Exchange of Notes provides for consultation regarding valuation for Customs purposes, and is the subject of a separate article in the current issue of *The Economist*.

THE POSITION OF CANADA

The Governments of the Dominions and of India have consented to important modifications of certain rights under existing trade agreements with the United Kingdom in order to facilitate the Anglo-American Trade Agreement. Substantial modifications on apples and timber have been conceded by the Government of Canada, and the British Government in turn has modified certain rights to preferences in Canada under the United Kingdom-Canada Trade Agreement of 1937. The full text relating to these changes has not yet been published in London.

British preferences in the Canadian market are of two kinds, guaranteed and not guaranteed. On the basis of imports of British goods during the year ended March 31, 1937, modifications of guaranteed preferential rights may be summarised as follows:—

Guaranteed Preferences reduced by:		U.K. trade affected
2½ per cent. <i>ad valorem</i>	£	1,840,000
5 " " "		172,000
7½ " " "		34,000
10 " " "		38,000
		£2,084,000

The main items of trade affected include chemicals and drugs, tinplate, certain iron and steel manufactures and diesel engines. Modifications in the preference from 20 per cent. to 17½ per cent. for tinplate of a class made in Canada accounts for a trade of slightly over £1½ millions. This trade, however, might have been expected to diminish in any case as Canadian production increases. No concession has been made on other classes of tinplate, or on South Wales anthracite. Reduced preferences on iron and steel goods cover only a small proportion of our total iron and steel exports to Canada, while the reduction on the guaranteed preference on diesel engines from 25 per cent. to 20 per cent. still leaves a substantial margin. It is understood that the Canada-United States Agreement also provides for duty reductions on a wide range of United States goods, which in turn involve reductions of guaranteed preferences enjoyed by the British exporter.

The Schedules

The following tables have been drawn up to show the importance of the mutual concessions contained in Schedules I and IV of the Agreement. Schedules II and III, which cover the alterations made in the tariffs of Newfoundland and the Colonies respectively, have not been analysed; their purport is indicated in the preceding article.

Many of the items in the Schedules are unidentifiable in the Trade Returns, and have had perforce to be omitted. The following tables, however, include all the important items, and 47 per cent. of all the items in Schedule I (United Kingdom concessions) and about 40 per cent. of the items in Schedule IV (United States concessions). In some cases, however, the tariff concession relates to part only of a category, for which total figures alone can be given. These cases are marked with an asterisk.

SCHEDULE I. CONCESSIONS GRANTED BY THE UNITED KINGDOM

Note.—Where two alternative duties are given, the greater applies. The figures of trade all refer to 1936.

	Rate of Duty (c.i.f.)			Total Imports	Imports from British Countries	Imports from U.S.A.	Imports from Germany	Imports from principal other sources			
	Empire	Old	New								
Wheat, grain per quarter	Free	2/-	Free	(£000) 37,950.1	(£000) 32,483.9	% 85.6	(£000) 20.6	% 0.05	...	...	(£000) Roumania, 1,624; France, 1,368.
Maize, grain per lb.	"	10% 1d.	2½d.	16,262.2	493.2	3.1	30.7	0.2	...	...	Argentina, 14,877.
Rice, husked per lb.	"	"	"	662.8	528.5	79.8	48.8	7.4	1.2	0.2	Spain, 26.3; Netherlands, 25.6.
Oatmeal per cwt.	"	7/6	5/-	600.0	598.9	99.9	0.4	...	0.2	...	Belgium, 76.5; Netherlands, 46.0.
Maize starch: (a) For use as food	"	10%	10%	247.1	...	...	61.9	25.0	3.4	1.4	France, 183.7; Netherlands, 147.4.
" " (b) Not for use as food	"	10%	10%	644.3	0.8	0.1	48.1	7.5	191.9	29.8	...
Linseed cake and meal	"	10%	10%	506.2	386.2	76.3	78.6	15.5	...	...	...
Fish meal, other than herring meal	"	10%	10%	62.6	51.2	81.9	6.4	10.2	...	...	...
Hams, not pres. in airtight containers	"	10%	Free	2,989.3	1,331.0	44.5	1,501.9	50.3	...	...	Argentina, 575.9.
Pork, chilled or frozen	"	10%	10%	2,780.5	2,141.6	77.0	43.6	1.6	...	...	Denmark, 101.4.
Pigs' tongues, pres. in airtight containers	"	10%	10%	590.8	8.1	1.4	452.2	76.6	...	...	...
Apples, fresh per cwt.	"	4/6	3/- from Aug. 16 to April 15 3/- from Aug. 1 to Jan. 31	5,481.7	3,993.3	72.8	1,474.5	26.9	...	...	...
Pears, fresh per cwt.	"	4/6	"	1,455.5	617.7	42.5	689.1	47.3	3.5	...	Argentina, 79.8.



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	Rate of Duty (c.i.f.)			Total Imports	Imports from British Countries	Imports from U.S.A.	Imports from Germany	Imports from principal other sources
	Empire	Old	New					
Fruit, preserved, in thick syrup:—				(£000)	(£000)	(£000)	(£000)	
Apples, per cwt.	Free	3 6	2 3	56.2	0.05	0.1	56.1	99.9
Apricots, per cwt.	Free	15	15	461.6	141.4	30.5	318.7	68.7
Cherries, stoned, per cwt.	Free	25	15	19.0	14.6	76.8	2.2	11.6
Fruit salad, per cwt.	Free	6 10	5 6	664.9	2.9	0.1	661.3	99.4
Grapes, per cwt.	Free	15	15	310.6	1.7	1.5	304.7	98.1
Peaches, per cwt.	Free	15	15	1,252.4	305.6	24.4	923.9	73.8
Pears, per cwt.	Free	15	15	1,398.4	412.5	29.5	983.9	70.4
Pineapples, per cwt.	Free	6 10	5	1,201.6	1,015.9	84.5	107.8	9.0
Fruit, pres. by chemicals or artif. heat or cold:—								
Apples, pears, peaches and nectarines, dried, per cwt.	Free	10 6	7 or 10	102.6	26.1	25.5	75.1	73.2
Oysters in shell, per cwt.	Free	30	15	50.2	0.08	0.2	21.3	42.4
Salmon, chilled or frozen, per lb.	Free	11 6	11 6	547.1	436.0	79.8	40.5	7.4
Canned salmon, per cwt.	Free	30	10	4,125.3	765.5	18.5	1,277.8	31.0
„ Pilchards, per cwt.	Free	10	7 or 10	90.3	124.6	77.8	12.5	10.0
Honey, per cwt.	Free	7	Free	3,939.7	986.8	25.1	1,570.8	39.9
Lard, per cwt.	Free	10	Free	3,939.7	986.8	25.1	1,570.8	39.9
Oleomargarine, oil and ref. tallow, not premier jus, per cwt.	Free	10	10	368.0	138.3	37.6	112.5	30.6
Boron minerals, per cwt.	Free	33 6	Free	121.1	101.2	83.6	10.2	8.6
Hardwood, sawn, not further than square sawn, total, per cwt.	Free	from 10 to 20	10	6,732.3	2,166.0	32.2	2,289.9	34.0
Persimmon, hickory, and cornel wood, per cwt.	Free	10	Free	95.8	0.7	0.7	95.1	99.3
*Sawn soft wood, total, per cwt.	Free	10	10	22,536.9	4,101.9	18.2	1,144.5	5.1
11 inches or more in width, per std.	Free	16	16	...	...	...	...	...
Valued at £18 or more, per std.	Free	from 10 to 20	10	...	...	...	...	...
9 inches or more in width, per std.	Free	10	10	...	...	...	...	...
Valued at £18 or more, per std.	Free	10	10	...	...	...	...	...
Valued at £18 or more, per std.	Free	10	10	...	...	...	...	...
Asphalt and bitumen, natural, per cwt.	Free	15	10	352.7	119.5	33.9	102.8	29.3
Sulphur, per cwt.	Free	15	Free	527.4	0.03	...	410.4	77.8
Cotton, raw, per cwt.	Free	Free	Free	44,283.3	9,217.4	20.8	16,850.1	38.1
Cotton, linted, unbleached, per cwt.	Free	Free	Free	447.9	0.9	0.2	316.0	70.6
Cotton, waste, per cwt.	Free	Free	Free	943.4	262.1	27.8	224.6	23.8
Rosin, per cwt.	Free	Free	Free	821.0	...	...	526.2	64.1
*Fur skins, raw, dried or salted, total, per cwt.	Free	Free	Free	10,242.3	3,178.1	31.0	2,237.9	21.8
Muskat, fox, raccoon, skunk, civet, opossum, mink, otter, sea otter, per cwt.	Free	Free	Free	135.1	31.2	23.1	81.4	60.3
Shells, other than mother-of-pearl, per cwt.	Free	10	10	200.9	53.6	27.7	43.1	21.5
*Iron and steel bolts, per cwt.	Free	Free	Free	...	...	...	...	...
Not exceeding 2 1/2 inch, maximum thread diameter and of a value exceeding £10, per cwt.	Free	20	15	...	...	...	...	...
Exceeding 2 1/2 inch, but not 1 1/2 inch, value exceeding £10, per cwt.	Free	20	15	...	...	...	...	...
Exceeding 1 1/2 inch, but not 9/16 inch, value exceeding £6 5s, per cwt.	Free	20	15	...	...	...	...	...
Exceeding 9/16 inch, value exceeding £5, per cwt.	Free	20	15	...	...	...	...	...
Furniture of metal, total, per cwt.	Free	20	15	77.3	5.4	7.0	44.5	57.6
Tables, stands, desks and counters, chairs, bookcases and shelves, etc., per cwt.	Free	20	15	...	...	...	...	...
Tools:—								
Saws, other than power-driven and surgical, per cwt.	Free	20	15 or 9d. each	70.0	0.6	0.9	40.7	58.2
Files and rasps (serrated part exceeding 6 inches), per cwt.	Free	20	15	69.8	51.9	77.2	2.8	4.0
*Medical and surgical, dental appliances, total, per cwt.	Free	20	15	180.8	1.6	0.9	132.1	73.4
Arch supports for feet, per cwt.	Free	20	20	...	...	...	...	...
Artificial limbs, per cwt.	Free	20	20	...	...	...	...	...
Crutches, per cwt.	Free	20	20	...	...	...	...	...
Fracture appliances and splints, etc., per cwt.	Free	20	20	...	...	...	...	...
Trusses, per cwt.	Free	20	20	...	...	...	...	...
*Artificial teeth, crown and facings, total, per hundred.	Free	10	10 or 20	293.2	20.5	6.8	256.0	87.3
Wholly or partly of metal, per hundred.	Free	10	10 or 20	...	...	...	...	...
All others, per hundred.	Free	2	2 or 20	...	...	...	...	...
*Medical, surgical, dental, veterinary and dissecting instruments and appliances (and parts), total, per cwt.	Free	20	20	66.5	0.7	1.1	19.3	29.0
Dental: Amalgam instruments, brushes, (val. ex. 1 1/2d.), burnishers (val. ex. 1/-), burs (val. ex. 9d. per doz.), carvers (val. ex. 1/5), elevators (val. ex. 4/3), engines, electric (val. ex. £18), excavators (val. ex. 1/-), files (val. ex. 1/2), forceps (val. ex. 9/-), gags, mouth (1/3), mirrors, mouth (1/6), plaster filling instruments (1/5), pluggers (1/2), probes and explorers (1/-), pyorrhea instruments (1/3), scalers and prophylactic instruments (1/6), spittoons (1/8), spotlights, electric (1/3), stoppers (1/9), trimmers (val. ex. 9/- each), per cwt.	Free	20	20	...	...	...	...	...
Accumulators, per cwt.	Free	20	15	21.4	0.03	...	10.4	48.6
*Electrical cooking & heating appliances total, per cwt.	Free	20	15	147.6	27.7	18.8	89.7	60.8
Cooking, per cwt.	Free	20	15	...	...	...	...	...
Heating, per cwt.	Free	20	15	...	...	...	...	...
Agricultural tractors:—								
Tracklaying tractors, per cwt.	Free	33 1/3	25	138.3	2.2	1.6	134.7	97.6
Other than tracklaying, per cwt.	Free	15	15	260.1	4.8	1.8	245.2	94.2
Air and gas compressors and exhaustors, per cwt.	Free	20	20	98.7	1.3	1.3	53.9	54.6
Cash registers and parts, per cwt.	Free	20	15	300.9	234.8	78.0	40.0	13.0
*Dairy machinery, other than cream separators, total, per cwt.	Free	20	15	265.0	16.4	6.2	64.4	24.3
Milking machines, per cwt.	Free	20	15	...	...	...	...	...
Other kinds, per cwt.	Free	20	20	...	...	...	...	...
*Glass-working machinery, total, per cwt.	Free	20	15	74.7	20.6	27.6	31.8	42.6
Automatic multi-head glass bottle-making machine, per cwt.	Free	20	15	...	...	...	...	...
Automatic, for making glass stems for electric lamps, per cwt.	Free	20	15	...	...	...	...	...
Automatic, used for exhausting electric lamps and valves, per cwt.	Free	20	15	...	...	...	...	...
*Laundering machinery (except domestic machines operated by hand), total, per cwt.	Free	20	15	222.8	162.9	73.2	51.5	23.2
Cleaners and washers, per cwt.	Free	20	15	...	...	...	...	...
Driers, per cwt.	Free	20	15	...	...	...	...	...
Wringers, per cwt.	Free	20	15	...	...	...	...	...
Ironing machines and combinations, per cwt.	Free	20	15	...	...	...	...	...

	Rate of Duty (c.i.f.)			Total Imports	Imports from British Countries	Imports from U.S.A.	Imports from Germany	Imports from principal other sources
	Empire	Old	New					
Accounting, calculating, adding, listing, bookkeeping and billing machines, total, per cwt.	Free	20	15	802.7	94.4	11.8	627.5	78.2
*Typewriters (not including electric) total, per cwt.	Free	20	15	646.9	51.0	7.9	538.8	83.2
Of a weight exceeding 22 lb. and of a value exceeding £6 per machine, total, per cwt.	Free	20	15	...	...	...	...	...
Others—No change, total, per cwt.	Free	20	15	96.2	0.2	0.2	54.9	57.1
*Other office machinery, total, per cwt.	Free	20	15	126.4	0.2	0.1	29.1	23.0
*Packing machines, total, per cwt.	Free	20	15	...	...	...	...	...
Cuppers, sealers (excluding carton sealing machines) and closers, total, per cwt.	Free	20	15	...	...	...	...	...
Carton and bread wrappers, labelling machines, can-casing and filling machines, total, per cwt.	Free	20	20	287.0	36.6	12.8	109.5	38.2
Paper-making and board-making machines, total, per cwt.	Free	20	20	...	...	...	...	...
Pneumatic tools and portable electric or pneumatic tools, total, per cwt.	Free	20	20	143.2	0.1	0.1	96.8	67.6
Marine outboard motors, total, per cwt.	Free	20	20	12.5	3.3	26.4	8.5	68.0
Typesetting machines, total, per cwt.	Free	20	15	90.0	0.4	0.4	85.5	95.0
Rotary newspaper printing machines, total, per cwt.	Free	20	15	45.3	0.05	...	38.0	83.9
Cardboard box and carton-making machines, total, per cwt.	Free	20	15	103.4	0.1	0.1	102.7	99.5
Kerbstone petrol and oil pumps, total, per cwt.	Free	20	15	77.9	0.1	0.1	18.7	24.0
Sewing machines, total, per cwt.	Free	20	15	...	...	...	...	...
Textile machinery:—								
Warp tying and drawing machines, total, per cwt.	Free	20	15	58.2	0.3	0.5	20.5	35.2
Circular knitting machines, total, per cwt.	Free	20	20	743.9	0.9	0.1	108.9	14.7
Vacuum cleaners, electrically operated, total, per cwt.	Free	20	15	84.3	4.7	5.5	46.3	55.0
Parts, total, per cwt.	Free	20	15	104.7	27.8	26.5	40.6	38.8
Machinery belting, leather, total, per cwt.	Free	15	10	189.0	32.5	17.2	86.9	46.0
Machinery belting, rubber and canvas, total, per cwt.	Free	15	10	41.4	21.6	52.2	18.9	45.7
Hardwood flooring blocks and parquet, total, per cwt.	Free	20	15	305.6	113.6	37.2	138.7	45.4
*Tool handles, total, per cwt.	Free	20	15	128.4	4.9	3.8	111.3	86.6
Fork, shovel and spade, box or "D" type, total, per cwt.	Free	20	15	...	...	...	...	...
*Others, total, per cwt.	Free	20	15	4,123.6	98.5	2.4	281.1	6.8
*Plywood, total, per cwt.	Free	15	10	...	...	...	...	...
Faced with soft wood, total, per cwt.	Free	15	10	...	...	...	...	...
*Women's and girls' outer garments: Costumes, dresses, coats and skirts (woven), total, per cwt.	Free	20	20	1,176.7	46.9	4.0	185.1	15.7
Value exceeding 4/- per garment, total, per cwt.	Free	20	20	900.5	35.2	3.9	174.0	19.2
Women's footwear, leather, total, per cwt.	Free	20	20	846.5	329.9	39.0	362.2	42.7
Paraffin wax, total, per cwt.	Free	20	20	42.4	...	...	41.5	97.9
Boric acid, total, per cwt.	Free	20	20	99.3	...	...	99.1	99.9
Borax, total, per cwt.	Free	20	20	40.6	...	...	12.0	29.5
*Sodium chromate and bichromate, total, per cwt.	Free	20	10	...	...	...	...	...
Chromate, per cwt.	Free	20	10	...	...	...	...	...
Bichromate, per cwt.	Free	20	10	211.9	...	...	86.7	41.0
Chestnut extract, total, per cwt.	Free	20	10	592.9	0.1	...	592.7	99.9
Carbon black from natural gas, total, per cwt.	Free	20	10	34.3	1.5	4.4	16.2	47.2
*Varnish and lacquer: total, per cwt.	Free	20	15	...	...	...	...	...
Oil varnishes, total, per cwt.	Free	20	15	141.3	0.02	...	132.1	93.8
Mineral jelly (petroleum only), total, per cwt.	Free	20	15	15.1	0.1	0.7	14.8	98.0
Soft soap, total, per cwt.	Free	20	15	56.9	33.2	58.4	19.2	33.7
Hard soap, total, per cwt.	Free	20	15	20.4	19.3	94.6	0.9	4.0
Shaving soap, total, per cwt.	Free	20	15	107.2	65.6	61.2	18.1	16.9
Hide leather—belles and shoulders for sales, total, per cwt.	Free	20	15	12.6	7.2	57.2	5.2	41.3
Reptile leather, total, per cwt.	Free	20	15	563.0	16.3	2.9	282.0	50.1
Glaze kid, total, per cwt.	Free	20	15	...	...	...	...	...
*Motor cars and chassis, private and commercial: total, per cwt.	Free	22 1/2	33 1/3	4,306.3	749.4	17.4	2,996.3	69.6
of 25 h.p. and upwards, total, per cwt.	Free	22 1/2	33 1/3	...	...	...	...	...
Sheets and sheeting—wholly rubber, total, per cwt.	Free	15	10	51.8	6.2	12.0	34.9	67.4
*Piping and tubing wholly rubber, value exceeding 2/- per lb., total, per lb.	Free	11d.	10	20.2	4.4	21.8	13.2	65.4
„ reinforced with wire, total, per lb.	Free	11d.	10	...	...	...	...	...
„ partly rubber, total, per lb.	Free	11d.	10	...	...	...	...	...
Felt base floor coverings, total, per lb.	Free	20	15	3.5	...	...	3.5	100.0
Oil baize and other oilcloth, total, per lb.	Free	20	15	11.6	0.7	6.0	not available.	...
Hair, raw—horses, bovine animals, total, per lb.	Free	15	10	299.6	15.8	5.3	48.7	16.3
Pipe and reed organs—not automatic, total, per cwt.	Free	22 1/2	33 1/3	4.9	0.02	0.4	4.7	96.0
Gramophones—electrical amplifications, total, per cwt.	Free	22 1/2	33 1/3	75.1	0.95	1.3	58.0	77.3
radio-gramophones, total, per cwt.	Free	22 1/2	33 1/3	6.7	0.1	1.5	4.4	65.7
Gramophone records (for music), total, per cwt.	Free	22 1/2	33 1/3	...	...	...	...	...

THE FIRST BRITISH AMERICAN CORPORATION LIMITED

EUROPEAN CORRESPONDENTS OF
THE FIRST BOSTON CORPORATION, NEW YORK

	Empire	Rate of Duty (c.i.f.)		Total	Imports from British Countries		Imports from U.S.A.	Imports from Germany		Imports from Principal other sources
		Old	New		£'000	%		£'000	%	
*Toilet preparations:—										
Containing alcohol	Free	30%	20%	121.5	2.2	24.2	1.3	14.3	4.3	France, 5.2.
Not containing alcohol	Free	30%	20%	121.5	33.9	27.9	33.2	27.4	4.3	France, 46.8.
Tooth paste	Free	30%	20%							
Toilet paste or powder	Free	30%	20%							
Toilet cream	Free	30%	20%							
Lipstick, rouge and greasepaint	Free	30%	20%							
Hair dyes	Free	30%	20%							
For use in manicure or chiropody	Free	30%	20%							
Others for use on hair, face or body	Free	30%	20%							
Printers' ink	Free	20%	17%	21.4	1.2	14.9	10.8	50.5	6.2	Japan, 3.6
Fishing tackle	Free	25%	15%	15.2	0.1	0.7	4.4	29.0	5.0	Spain, 2.1.
Golf materials: clubs, shafts, tees of wood, club bags, etc.	Free	25%	20%	15.2	1.7	11.2	9.3	61.2	5.0	Turkey, 317.3; Greece, 276.9.
Dried prunes and apricots	Free	10.6	10.6	696.4	193.9	27.8	193.8	70.9	5.0	
Raisins	Free	10.6	10.6	2,363.2	979.5	41.5	559.8	23.7	5.0	
*Corsets, belts, brassieres, etc.				123.0	26.6	21.6	82.0	66.7		
a) Value of artificial silk woven 5 to 20% ..	3.1 or 20%	4. or 25%	4. or 25%							
Where any component is silk	3.1 or 20%	4. or 25%	4. or 25%							
Where no component is silk	1.43 or 20%	1.8 or 25%	1.8 or 25%							
b) Value of artificial silk not exceeding 5% ..	7. d. or 10%	9d. or 12%	9d. or 20%							
Where any component is silk	7. d. or 10%	9d. or 12%	9d. or 20%							
Where no component is silk	3. d. or 10%	4d. or 12%	4d. or 20%							
c) Where no silk or artificial silk is present	Free	20%	20%							
Stockings of silk or chiefly silk	8% or 28%	12% or 43%	12% or 43%	274.7	69.2	25.2	91.5	33.4	90.4	32.9
Patent leather	Free	15%	7 1/2% to be operative not later than 1/8/1939	332.7	253.6	76.3	38.4	11.5	14.7	4.4
Aggregate total of items				195,300			45,700			
In per cent. of total imports				23.0%			49.0%			

NOTES: * Figures only for the total, detailed figures not available.

SCHEDULE IV. AMERICA'S CONCESSIONS TO BRITAIN

	Rate of Duty		Imports in 1936 (\$'000)							Imports from Other Important Foreign Countries	
	Old	New	Total	U.K.	Imports from British Dominions	Imports from Other British Countries	Imports from Germany				
Stearic acid (value more than 8c. per lb.)	25%	15%	164.3	87.9	53.6	...	...	2.4	1.5	...	
Blackings, pow., liq. and creams, for cleaning (non-alcoholic)	25%	12½%	45.4	40.5	89.2	...	...	0.7	1.5	...	
Extracts, dyeing and tanning:—											
Sumac	15%	15%	25.2	23.4	92.0	...	1.8	7.1	...	...	
Myrobalan	15%	10%	172.5	6.9	1.5	...	146.0	33.0	...	...	
Mangrove	15%	7½%	13.5	13.3	98.5	...	...	...	...	...	
Sperm oil, refined	11c.	7c.	...	...	...	...	...	...	...	...	
*Wool, grease, total:—											
Cont. more than 2% of fatty acid	1c.	1c.	165.4	122.1	73.8	1.3	0.8	...	...	...	
Cont. 2% or less	2c.	1c.	35.9	32.8	91.4	...	...	1.2	3.3	...	
Suitable for medicinal use	3c.	2c.	126.7	64.7	51.2	...	...	59.7	46.2	...	
Palm kernel oil	1c.	1c.	312.1	2.96	89.0	...	...	176.8	53.2	...	
Bath salts	75%	37½%	2.96	2.0	67.5	0.03	1.0	0.5	16.9	...	
Synthetic iron-oxide	20%	15%	232.6	154.6	66.4	0.2	0.1	77.0	33.2	...	
Toilet soap, more than 20c. per lb.	30%	20%	178.2	107.1	60.2	0.2	0.1	4.2	2.5	...	
Salt, in bulk	0.07c.	0.04c.	56.1	0.3	0.5	9.3	16.6	12.4	22.1	...	
Gypsum or plaster rock	\$1.40	\$1.40	16.9	14.8	87.5	...	...	1.7	10.0	...	
Fluorspar (cont. more than 97%)	\$5.60	\$4.20	137.0	...	...	19.4	14.2	9.5	6.9	...	
Rockingham earthenware, valued at not less than \$1.50 per doz.	25%	12½%	51.1	10.1	19.8	...	...	0.09	0.2	Japan, 40.9.	
Earthenware and crockery	10c. + 45%	10c. + 30%	3,647.8	1,196.9	32.8	1.5	...	4.7	0.1	Japan, 1,370.	
China: Table ware, kitchenware, and table and kitchen utensils not decorated	60% + 10c. per doz.	40% but not less than 5c. + 30%	75.6	3.5	4.6	0.09	0.1	18.2	24.1	Japan, 33.9.	
Other	60%	40%	52.0	0.5	1.0	0.5	1.0	14.0	26.9	Japan, 27.0.	
China, printed and coloured:—											
Tableware, kitchenware, etc. per doz.	70% + 10c. per doz.	45% but not less than 5c. + 35%	3,146.3	253.6	8.0	3.5	0.1	509.0	16.2	Japan, 2,053.	
Other	70%	45%	798.1	23.2	2.9	0.9	0.1	155.9	19.6	Japan, 439.	
Graphite:—											
Amorphous	10%	5%	408.3	...	...	117.7	27.3	4.2	1.0	Mexico, 107.9.	
Crystalline, lump, dry and dust	30%	15%	18.1	...	...	1.1	6.0	17.0	94.0	...	
Iron in pigs and kentledge	\$1.12½	75c.	2,336.3	71.8	3.1	885.4	37.9	7.8	75.7	Netherlands, 943.	
Wire rope	35%	2½c. but not less than 17½% and not more than 35%	382.0	82.9	21.6	2.8	0.8	211.6	55.2	Japan 57.1.	
Anti-friction balls, etc.	8c. + 35%	8c. + 25%	825.2	208.8	25.3	2.9	3.5	317.2	38.4	Sweden, 292.5.	
Card clothing	20%	15%	0.67	0.06	9.0	...	...	0.6	20.0	...	
Manufactured with round iron	45%	35%	396.4	352.1	89.0	...	...	22.5	5.7	...	
With tempered round steel wire drawn											
Buckles—total (of steel or iron) all base metal:—											
Valued at more than 20 but not more than 50c. per hundred	0.10c. + 20%	0.7c. + 10%	0.48	0.46	96.0	...	...	...	...	...	
Valued at more than 50c.—\$1.66½ per hundred	0.15c. + 20%	10c. + 10%	8.88	8.0	90.0	...	...	0.16	1.8	Czechoslovakia, 0.19	
*Int. combustion engines, total, n.s.p.f.	...	...	297.8	73.9	24.6	3.9	1.3	100.5	33.7	Sweden, 87.4.	
Carburettor type	35%	17½%	...	...	...	...	...	...	...	...	
Horizontal type weighing not over 5,000 lb.	35%	17½%	...	...	...	...	...	...	...	...	
Other than horizontal, weighing not over 2,500 lb.	35%	17½%	...	...	...	...	...	...	...	...	
Safety razors	10c. + 30%	5c. + 15%	77.2	75.1	97.0	0.01	...	1.3	13.1	...	
Safety razor blades:—											
In strips	1c. + 30%	1c. + 15%	26.7	22.97	81.0	...	...	3.5	...	...	
All others	1c. + 30%	1c. + 15%	...	...	...	...	...	...	...	...	
Sewing machines:—											
Valued at not more than \$75 each	15%	15%	116.7	53.2	45.6	7.6	6.5	50.8	43.5	...	
Valued at more than \$75 each	30%	15%	29.2	10.6	36.3	0.09	0.3	17.6	60.3	...	
Circular knitting machines	40%	20%	80.7	80.5	99.7	0.2	0.3	...	...	...	
Nickel and alloys:—											
Tubes and tubing	25%	12½%	1.9	1.8	95.0	...	...	...	...	Switzerland, 0.1.	
" " if cold-rolled, etc.	30%	17½%	3.86	0.07	1.8	...	...	3.79	98.2	...	

	Rate of Duty f.o.b.		Imports in 1936 (\$'000)								Imports from Other Important Foreign Countries	
	Old	New	Total Imports	U.K.	Imports from British Dominions	Imports from Other British Countries	Imports from Germany					
Sugar candy and all confectionery n.s.p.f. valued 6c. or more per lb.	40%	20%	457.6	159.9	34.9	2.4	0.5	8.1	1.8	39.7	8.7	Estonia, 60.7; Latvia, 53.6.
Extract of meat	15c.	15c.	136.6	58.7	43.0	...	...	...	...	...	...	Argentina, 58.1.
Birds, ex. chickens, ducks, etc. per lb.	10c.	5c.	18.6	8.0	43.0	...	...	...	...	...	...	China, 4.7.
Horses, valued at more than \$150	20%	17 1/2%	174.9	69.9	40.0	95.9	55.0	...	...	1.0	0.6	...
Fish, pickled or salted:—												
Cod, haddock	34c.	36c.	1,537.8	7.4	0.5	786.8	51.2	666.0	43.3	...	...	Iceland, 44.0.
Herring in containers	1c.	5c.	407.3	1.7	0.4	7.7	1.9	...	...	...	...	Netherlands, 393.1.
Biscuits, wafers, cakes, etc.	30%	15%	292.7	183.4	62.7	4.3	1.5	3.0	1.0	17.0	5.8	Japan, 52.0.
Berries, edible	25%	17 1/2%	73.0	0.2	0.3	27.0	37.0	35.6	48.8	...	...	Estonia, 8.9.
Pineapples, prepared or preserved	2c.	1 1/2c.	908.9	...	...	4.6	0.5	106.3	11.5	...	...	Philippines, 341.
Pineapples, not in bulk	35c.	35c.	875.1	...	...	...	...	2.6	0.3	...	...	Japan, 326.7.
All jellies, jams, marmalades, fruit butter	35%	20%	129.9	93.8	72.2	8.5	6.5	0.2	0.1	0.2	0.1	Cuba, 864.
Coconuts	1c.	2c.	670.1	...	...	...	...	421.7	63.0	...	...	France, 14.7.
Clover seed, n.s.p.f.	5c.	5c.	10.8	4.2	38.9	6.5	60.2	...	...	...	...	Panama, 160.5.
Turnips and rutabaga seed	5c.	5c.	75.0	40.5	54.0	3.1	4.1	0.1	0.8	7.8	10.4	Netherlands, 21.8.
Mustard seed	2c.	1 1/2c.	432.8	161.6	37.6	...	...	0.1	...	5.9	1.3	Netherlands, 137.4.
Mustard, ground or prepared	10c.	7 1/2c.	633.3	624.0	98.5	...	...	...	...	2.5	0.4	China, 37.5.
Whisky, aged	\$2.50	\$2.50	55,924.7	27,056.4	48.5	28,273.6	50.6	4.6	...	1.2	...	...
Rum, in containers	\$2.50	\$2.50	2,212.7	172.0	7.8	0.4	0.2	345.1	15.6	...	...	Netherlands West Indies, 1,575.9.
Gin	\$5.00	\$2.50	212.4	174.9	82.5	0.2	0.1	0.5	0.2	2.1	1.0	Netherlands, 17.0.
Bitters of all kinds	\$5.00	\$2.50	151.5	3.2	2.1	42.1	27.8	5.4	3.6	7.7	5.1	Miquelon and St. Pierre, 42.7; Philippines, 30.0.
Ginger ale, etc., non-alcoholic per gal.	15c.	10c.	11.0	10.9	99.0	0.03	0.3	...	...	...	...	...
Cotton yarn, not bleached, dyed, etc.	5% + 3 1/2% for each No.	23%—addition for each No. above 60, 0.1% 25%	1,651.7	1,447	...	...	...	...	...	147	...	...
Numbers exceeding 60 but not 80	...	...	...	...	...	...	...	...	...	...	...	...
Numbers exceeding 80	32%	25%	...	...	...	...	...	...	...	...	...	...
Cotton yarn, bleached, dyed, etc.	10% + 3 1/2% for each No.	28%—addition for each No. above 60 0.1% 25%	...	...	...	...	...	...	...	...	...	...
Numbers exceeding 60 but not 80	...	...	...	...	...	...	...	...	...	...	...	...
Numbers exceeding 80	37%	30%	...	...	...	...	...	...	...	...	...	...
Cotton cloth not bleached, etc., containing yarn which does not exceed No. 102, valued at more than 70c. per lb.	10% in addition 30%	7 1/2% in addition for each number 14% 33% 40c.	809.9	725.5	79.7	0.08	...	...	...	2.2	0.2	Czechoslovakia, 24.0.
Which exceeds No. 102	41 1/2% 40%	...	...	...	...	...	...	...	...	...	...	...
Minimum rate	40%	40c.	4,465.8	805.8	18.1	0.3	...	0.1	...	94.0	2.1	Japan, 2,769; Switzerland, 738.
Cotton cloth, bleached, cot. yarn	13% in addition for each No. 14% 36%	10% in addition for each No. 14% 36%	...	...	...	...	...	...	...	...	...	...
Which does not exceed 60	...	...	...	...	...	...	...	...	...	...	...	...
Which exceeds 90	...	...	...	...	...	...	...	...	...	...	...	...
Cotton cloth, dyed, etc.	16% in addition 10%	12% in addition for each No. 14% 36%	5,282.6	1,456.5	27.5	2.9	...	1.2	...	108.8	2.1	Japan, 681; Belgium, 1,468; Switzerland 489; Czechoslovakia 1,443.
Cot. yarn which does not exceed 60 if valued at more than 90c. per lb. or exceeds 60 but not 90 valued at more than \$1.40	...	...	...	...	...	...	...	...	...	...	...	...
Exceeds 90	47 1/2%	39%	...	...	...	...	...	...	...	...	...	...
The additional duty on cloth woven with 8 or more harnesses, etc.	10%	5%	...	...	...	...	...	...	...	0.4	0.7	...
Cloth, chief value cotton, cot. wool	60%	40%	5.8	4.9	84.5	...	...	...	...	235.9	28.7	France, 14.8.
Tracing cloth	30%	20%	822.4	571.7	69.5	...	...	...	...	70.08	26.7	...
Oilcloth	30%	15%	0.3	0.2	66.3	...	...	...	...	...	...	...
Belts and belting for machinery (cotton)	30%	20%	125.8	119.6	96.0	1.8	1.4	...	...	0.8	0.6	France, 2.4.
Handkerchiefs & mufflers, (cotton) total if hemmed or hemstitched	Subject to duty as cloth in addition 10%	...	686.0	115.6	16.8	...	...	...	...	5.6	0.8	Japan, 395.3.
Lace window curtains, etc. (Nottingham machine)	60%	50%	601.7	578.3	96.0	0.6	0.1	...	...	16.5	2.7	...
Flax, not hackled	1c.	43c.	1,125.8	15.7	1.4	0.4	...	...	...	...	...	U.S.S.R., 470.3; Belgium, 560.2.
Flax, hackled	3c.	1 1/2c.	947.4	838.4	83.5	...	...	...	...	...	...	U.S.S.R., 71.8.
Single yarns of flax:—												
Not finer than 60 lea	35%	25%	821.7	718.7	87.5	...	...	...	...	3.9	0.5	Italy, 59.6.
Finer than 60 lea	25%	15%	98.8	96.8	97.0	...	...	...	...	...	...	Italy 1.7.
Threads, twines and cords composed of two or more yarns of flax twisted together	40%	30%	350.9	263.0	75.1	8.1	2.3	...	...	2.0	0.6	Czechoslovakia, 10.8.
Woven fabrics, wholly of jute, n.s.p.f.:—												
Not bleached, printed, etc., or rendered non-inflammable	1c.	1c.	35,360.4	3,133.8	8.9	29,542.6	83.6	16.1	...	367.4	1.0	Czechoslovakia, 716.4.
Bleached, printed, etc., or rendered non-inflammable	1c. + 10%	1c. + 10%	51.3	3.2	6.2	45.5	88.7	...	...	...	...	France, 2.4.
Table damask, wholly or in chief value of flax and all articles made or cut from such damask:—												
Not exceeding 130 threads to the square inch	45%	30%	2,263.8	1,382.2	61.1	0.5	...	0.07	...	19.1	0.8	Czechoslovakia 628.0.
Exceeding 130 threads to the square inch	...	25%	...	...	...	...	...	...	...	...	...	...
Woven fabrics, used for padding and interlinings in clothing, wholly or chiefly of flax or hemp, over 30 not over 120 threads to the square inch, weighing from 4 1/2 to 12 ozs. per square yard	10% 30%	30% 30%	1,148.0	281.2	24.5	2.7	0.2	...	...	28.2	2.5	Belgium, 859.5.
Clay or kaolin	\$2.50	\$1.75	1,110.8	1,071.4	96.4	2.4	0.2	...	...	...	...	...
Towels, napkins, sheets and pillow cases (of flax):—												
Towels, not exceeding 120 threads to the square	55%	50%	370.5	199.2	53.8	...	...	0.02	...	8.3	2.2	Switzerland, 66.1; Czechoslovakia, 79.2.
Towels, exceeding 120 threads to the square	40%	20%	573.1	370.7	64.7	...	...	0.03	...	7.9	1.4	Czechoslovakia, 159.9.
Napkins, not exceeding 120 threads to the square	55%	30%	457.2	60.6	13.0	...	...	0.03	...	33.4	7.3	Czechoslovakia, 310.7.
Napkins, exceeding 120 threads to the square	40%	25%	1,547.0	1,005.5	65.0	...	...	0.04	...	23.5	1.5	Czechoslovakia, 411.8.
Sheets and pillow cases	40%	25%	173.4	123.1	71.0	...	...	1.6	0.9	0.4	...	Czechoslovakia, 37.8.
Handkerchiefs (except cotton):—												
Not hemmed	35%	20%	682.5	540.1	79.2	...	...	...	...	...	...	France, 109.5.
Hemmed, etc.	50%	35%	439.3	275.6	62.7	0.7	...	0.9	...	0.6	...	China, 70.5; France, 58.4.
Linoleum —												
Inlaid	42%	32%	90.3	90.0	99.7	...	...	...	...	...	...	Netherlands, 153.
Other	35%	25%	346.8	188.0	54.3	...	...	...	...	...	...	...
Wool and hair wastes:—												
Top waste, raving and ring waste per lb.	37c.	34c.	12.0	8.3	69.2	3.7	30.8	...	...	...	...	Belgium, 239.3.
Garnetted waste	26c.	18c.	265.7	15.9	6.0	10.1	3.8	...	...	...	...	Belgium, 318.2.
Noils, carbonised	30c.	21c.	397.9	75.0	18.9	2.1	0.5	...	...	...	...	...

THE ECONOMIST

TRADE SUPPLEMENT

New Series

SATURDAY, DECEMBER 31, 1938.

No. 24

The Trend of Business

A New Year Survey

NOVEMBER was a disappointing month. After rising from 102 (1935 = 100) in August to 104 in September and October, our Index of Business Activity (which is adjusted for seasonal variations), dropped to 101½ in November. This is the lowest figure recorded since October, 1935, when the index stood at 101. The fall in the index cannot be ascribed to an abnormal movement in any one of its component series. No less than ten of the component series given on page 23 showed a decline between October and November. Four indices—those relating to *employment*, the *number of commercial motor vehicles in use*, *cotton consumption*, and *metropolitan, country and provincial bank clearings*—remained unchanged. The index of *postal receipts* alone showed a slight increase.

In recent Trade Supplements we have hesitated to interpret the autumn revival in business as a change in the long-term trend. Only a month ago we pointed out that it was then still difficult to say whether the improvement in the previous month was merely a temporary rebound or a more lasting upward movement. Nevertheless, the fall in the majority of the individual series that go to constitute the complete index between October and November is disappointing, for if it were repeated in December the revival of the summer and early autumn would begin to look like no more than a temporary interruption of the downward movement which began in the autumn of 1937.

Closer examination of the movements of the component series of our index between October and November shows that many of the more sensitive series registered a decline. For example, the fall has been very marked in the figure of the volume of the *imports of raw materials*, an index pointing to future rather than to current activity. Another forward-looking index—that relating to *building activity* based on building plans passed—also continued its downward movement. The indices relating to the *consumption of coal* and *electricity* and the volume of *merchandise carried by the railways* are among those showing a decline. The rise in the *steel consumption* index in October, again, was not fully maintained in November, and the figure for the volume of *domestic manufactures* continued to fall. The decline in employment last month was too small to affect our index, but it must be remembered that this figure relates to one day and is not an average of the month.

As we have repeatedly pointed out, the long-term trend of general business activity must depend on the course of private and public investment. The course of private investment has been downwards for more than a year, but this fall has been

cushioned, though not fully offset, by increased Government expenditure for defence purposes. Seen in retrospect, the autumn revival seems to have been a short-lived re-stocking movement, stimulated in part by the rise in commodity prices due to recovery in the United States. But when the rise in commodity prices was arrested, the volume of new business secured by industry again declined, for it was not supported by an increase in new commercial investment in the home market.

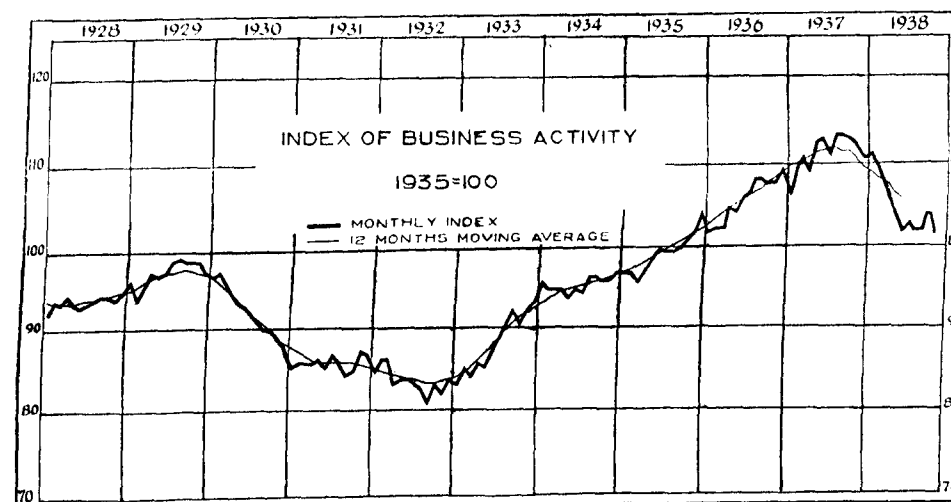
The latest reports from industrial centres, moreover, indicate that the volume of new business has been declining in many industries. New building contracts, for example, are still falling off, and it is feared that, as buildings cannot be insured against war risks, the decline in the demand for private houses may be accelerated. The shipbuilding industry,

too, has received practically no new commercial orders in recent weeks. On the other hand, the increase in armament expenditure, which involves a considerable expansion in the demand for some varieties of capital goods, may continue partially to offset the falling commercial demand.

Most of the consumption goods trades are also gradually reducing their activity. The spurt in the cotton industry has been short-lived and the decline in new orders is again forcing it to curtail its output. The volume of retail sales in this country is also now running well below the level of a year ago.

Abroad, the most satisfactory feature is the sustained expansion of business activity in the United States, reflected in the rise of the Federal Reserve Board's index of industrial production from 96 (1923-25 = 100) in October to 103 in November. Moreover, the index for December is expected to show a further increase. But despite the encouraging trend of business in America the rise in the prices of commodities on the world market has been arrested, partly as a result of the smaller purchases by this country. The purchasing power of the raw material producing countries is thus not increasing as was expected earlier this year. In France there are also tangible signs of improvement, though the success of M. Reynaud's measures to stimulate production is not yet assured. In Germany industrial activity is maintained at a high level, but as a result of the fall in exports difficulty is being experienced in securing the maintenance of the flow of raw materials. In most other industrial countries, business activity is marking time or gradually declining.

The record of the month of November is, therefore, on balance, not a very encouraging one. To base judgments on the figures of a single month, however, is to run the risk of confounding accidents with trends. Twelve months ago, in the



	Rate of Duty		Imports in 1936 (\$'000)						Imports from Other Important Foreign Countries
	Old	New	Total Imports	U.K.	Imports from British Dominions	Imports from Other British Countries	Imports from Germany		
Soils, not carbonised	23c.	16c.	3,838.6	3,358.7	87.5	310.4	8.1	Belgium, 72.1.	
Threads or yarn waste	25c.	15c.	918.0	611.8	68.8	60.3	6.6	France, 98.4.	
Card and burr waste, carbonised	24c.	18c.	41.0	41.0	100.0	...	...	...	
Card and burr waste, not carbonised	16c.	14c.	81.6	70.8	86.8	3.8	5.9	...	
Wool wastes n.s.p.	24c.	14c.	8.5	5.9	69.3	2.6	30.6	...	
Mungo	10c.	9c.	0.9	...	...	...	...	Belgium, 0.9.	
Wool rags	18c.	9c.	1,984.6	1,356.5	68.4	315.4	15.9	France, 202.7.	
Flocks	8c.	5c.	81.6	71.1	87.2	4.4	5.4	Netherlands, 5.0	
Yarn, wholly or in chief value wool, other than Angora rabbit hair:—									
Valued at not more than 60c. per lb.	40c. + 35%	30c. + 30%	125.3	63.2	50.4	0.3	0.2	Japan, 7.7.	
Valued at more than 60c. per lb.									
Valued at more than \$1.00 but not more than \$1.50	40c. + 45%	40c. + 30%	186.8	144.3	77.2	0.5	0.3	France, 22.0.	
Valued at more than \$1.50	40c. + 50%	40c. + 30%	89.3	58.4	65.4	6.1	6.8	France, 20.0.	
Woven fabrics, wholly or in chief value of wool, weighing over 4 ozs. per square yard:—									
Valued at no more than \$0.80									
Valued at no more than \$1.25	50c. + 50%	40c. + 45%	187.2	180.7	96.6	0.1	...	France, 1.7.	
Valued at no more than \$2.00		50c. + 40%							
Valued at more than \$2.00 per lb.	50c. + 55%	50c. + 40%	283.3	274.6	96.8	0.5	0.2	France, 3.6.	
Pile fabrics, wholly or in chief value of wool:—	50c. + 60%	50c. + 35%	846.3	793.8	93.8	0.04	...	France, 34.1.	
If the pile is wholly cut or uncut									
per lb.	44c. + 50%	44c. + 40%	55.5	18.4	33.2	...	...	France, 27.0.	
If the pile is partly cut	44c. + 55%	44c. + 40%	24.0	7.3	30.4	...	...	France, 16.0.	
Blankets and similar articles:—									
Valued at not more than \$1.00 per lb.	30c. + 36%	30c. + 36%	377.9	268.7	71.1	0.9	0.2	Netherlands, 82.3.	
Valued at more than \$1.50 per lb.	40c. + 40%	40c. + 36%	10.3	7.2	70.0	0.4	3.9	Czechoslovakia, 1.4.	
Hose and half-hose of wool:—									
Valued at more than \$1.75 but not more than \$3.00 per doz. pairs	50c. + 50%	50c. + 35%	507.3	478.7	94.4	7.4	1.5	Belgium, 5.5.	
Valued at more than \$3.00 per doz. pairs	50%	50c. + 25%	222.6	55.5	23.0	0.8	0.4	Japan, 63.2.	
Gloves and mittens, valued at more than \$3.50 per doz. pairs	50c. + 50%	50c. + 25%	222.6	55.5	23.0	0.8	0.4	Japan, 63.2.	
Outerwear, knit or crocheted of wool, n.s.p.f.:—									
Infants' outerwear valued at more than \$2.00 per lb.:—									
Made or cut from Jersey fabric	50c. + 25%	50c. + 25%	0.56	0.49	87.5	...	...	...	
Others	50c. + 75%	50c. + 50%	29.9	18.0	60.2	0.01	...	France, 3.7.	
Other than infants' outerwear:—									
Valued at more than \$2.00 but not more than \$5.00 per lb.	50c. + 50%	50c. + 40%	1087.9	879.1	80.8	2.8	0.3	France, 37.3.	
Valued at more than \$5.00 per lb.	50%	50c. + 30%	1087.9	879.1	80.8	2.8	0.3	France, 37.3.	
Wearing apparel of wool, not knit:—									
Valued at not more than \$4.00 per lb.	33c. + 45%	33c. + 30%	1,513.2	1,200.0	79.3	3.9	0.3	Czechoslovakia, 127.1.	
Valued at more than \$4.00 per lb.	50c. + 50%	50c. + 30%	633.1	524.4	82.8	3.4	0.5	Czechoslovakia, 29.5.	
Bodies, etc., for hats (wool), valued at more than \$12 per dozen	40c. + 55%	40c. + 40%	2,460.9	4.7	0.2	...	...	France, 47.4.	
Carpets, rugs of oriental weave, made on power-driven looms.								Italy, 1,311; Japan, 613.	
Others	60%	40%	4.8	1.0	83.4	0.09	1.9	...	
Tapestry and upholstery goods (wool)	50c. + 60%	40c. + 37%	18.8	10.1	51.8	...	...	France, 4.5.	
Handkerchiefs and mufflers (silk), valued at more than \$5.00 per dozen:—									
Not hemmed, if block printed by hand	55%	30%	29.8	8.1	27.2	0.8	2.7	Switzerland, 5.0.	
Not hemmed, others		40%							
Hemmed or stitched, if block printed by hand	60%	35%	429.5	57.5	13.4	0.07	...	France, 27.9.	
Hemmed or stitched, others		45%					0.1		
All boxes of paper	5c. + 20%	5c. + 10%	380.0	92.2	24.3	0.2	...	France, 122.7.	
Hanging paper, printed, etc.	12c. + 20%	1c. + 10%	210.8	54.7	26.0	7.1	3.4	Switzerland, 54.7.	
Lawn tennis, and table tennis and golf balls	30%	20%	76.7	45.5	59.3	4.7	6.1	Japan, 19.1.	
Hats, etc. (straw), if sewn and trimmed, and valued at \$15 and more per doz.	\$3.5 + 50%	\$2 + 30%	9.5	3.9	41.1	...	...	France, 4.5.	
Toilet brushes:—									
Ornamented and plated, with silver, etc.	60%	30%	0.58	0.3	51.7	0.01	1.7	France, 0.17.	
Tooth brushes, valued at more than 12c. each	1c. + 50%	1c. + 25%	361.5	21.8	6.0	0.1	...	Japan, 337.4.	
Sole and belting leather	12½%	10%	1,157.5	746.5	64.5	71.7	6.2	France, 191.0; Hungary, 26.0.	
Leather for harness and saddlery	10%	10%	38.3	31.3	81.7	4.1	10.7	Czechoslovakia, 1.3.	
Collar, bag, case, glove, garment, etc., leather	20%	15%	24.3	13.5	55.6	5.4	22.2	...	
Sheep or lamb leather for shoes	10%	10%	9.3	4.5	48.4	0.4	4.3	...	
Goat and kid leather	25%	20%	275.4	29.3	10.7	0.7	0.3	France, 73.6.	
Reptile skins, leather	25%	10%	5.6	1.8	32.2	...	...	France, 2.9.	
Glove and garment leather	25%	15%	480.3	297.5	62.0	...	...	France, 103.7.	
Vegetable rough tanned leather	25%	10%	261.0	132.9	50.9	108.8	41.7	...	
Fishing tackle:—									
Artificial flies, etc.	55%	45%	17.9	17.3	96.7	0.3	1.7	Japan, 7.7.	
Leaders or casts	55%	35%	16.4	6.0	36.6	0.1	0.6	Japan, 12.7.	
Fishing rods valued at \$10 or more and reels valued at \$3.50 or more	55%	35%	16.4	6.0	36.6	0.1	0.6	Japan, 18.8.	
Phonographs, gramophones, etc.	30%	30%	31.1	5.7	18.3	0.1	0.3	France, 106.2.	
Cigar and cigarette holders	5c. + 60%	5c. + 30%	26.5	4.8	18.1	0.05	...	France, 30.1.	
Asbestos, crude	Free	Free	2.9	1.7	58.6	0.07	2.4	Belgium, 3,085.	
Waste baling, etc.	Free	Free	1,157.6	39.3	3.4	678.2	58.6	Netherlands, 1,377.	
Chalk, crude, not ground, precipitated, or otherwise manufactured	Free	Free	928.7	381.1	41.0	93.9	10.1	Chile, 10,406.	
Diamonds, rough	Free	Free	105.4	71.1	67.5	...	...	Cuba, 119.0.	
Prepared fertilisers	Free	Free	6,231.0	1,395	22.4	338.6	5.4	Czechoslovakia, 26.5.	
Total rubber and manufactures	Free	Free	33,394	616.7	1.8	5,592	16.7	Japan, 49.5.	
Asphaltum	Free	Free	163,025	1,258	0.8	744.1	0.5	...	
Needles, hand sewing and darning	Free	Free	316.1	1.5	0.5	...	...	...	
Platinum, ore	Free	Free	622.7	449.5	72.2	...	...	...	
Platinum, metals	Free	Free	4,884.0	3,530	72.3	42.5	0.8	...	
Tea	Free	Free	375.4	337.3	89.9	...	...	...	
Tin, blocks, slabs, etc.	Free	Free	17,985	5,362	30.0	1,869.6	10.5	...	
Tobacco, unmanufactured	Free	Free	75,451	8,709	11.6	84.7	0.1	...	
	Free	Free	29,879.8	153.1	0.5	6.6	...	...	

* Austria.

NOTE.—In the case of cotton yarn and cloth the classification by numbers in the 1930 Tariff Act does not quite correspond to that adopted in the new Agreement.

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issue of January 1, 1938, *The Economist* surveyed the economic outlook at length and ventured a few indications of the prospect for the coming year. The attempt can suitably be repeated here. This year, as last, it is not merely the calendar but also the state of the trade cycle that make a New Year survey appropriate. In December, 1937, the country was just beginning to realise that there had been a change in the steady upward trend of almost all trade indicators, which had then lasted for five years. Indeed, in *The Economist's* survey it was still necessary to enter a defence against the charge of alarmism, which was then being uttered, with misplaced self-confidence, by high and low. In December, 1938, we again stand at an interesting point. We have had six months of very rapid decline in trade, then six months during which the indices have, on the whole, made no consistent move upwards or downwards (the figure for May was only half a point above that for November). This stagnation can hardly last; but the question is still unresolved whether the next move will be for the better or for the worse.

The Rewards of Prophecy

Last year's survey reached five tentative conclusions. It will be a salutary check upon cocksureness to set them against the events of 1938:—

1. It was anticipated twelve months ago that there would be a fall, or at least no rise, in the consuming power of the people. This is not a matter which can be checked by any single index. It is discussed in some detail below. But for the moment it may be said that the trend of the figures of retail sales seems to indicate that there has been a perceptible fall in consuming power.

2. A decline in building was expected, with little expansion in other constructional industries. The best brief check on this prediction is to be found in the unemployment figures. Between November, 1937, and November, 1938, the volume of unemployment in the building trades rose from 145,621 to 181,651 and that in public works contracting from 110,323 to 120,525. Among the other constructional industries, unemployment has risen in metal manufacture and in engineering.

3. The outlook for the export trades was found to be encouraging, chiefly on account of the accumulations of funds in the hands of the raw material producing countries during 1937. It was thought that there might even be some increase in export trade. This prophecy went sadly awry, and all that can be said for it is that the volume of exports of British manufactures has not fallen as rapidly as the volume of our imports of raw materials. The former index was, on the average of October and November, 8.8 per cent. below the previous year, while the latter had fallen by as much as 32.4 per cent. This contrast, it may be noted, was different from that experienced between 1929 and 1930, when exports of manufactures fell by 21 per cent. and imports of raw materials by less than 11 per cent.

4. It was suggested a year ago that the movement of American recovery would be resumed at some time during 1938, and that "there will be an immediate favourable reaction on the commodity markets and on the general psychology of international business." The resumption of recovery duly manifested itself in the summer, and exercised a beneficial influence on the psychology of markets. But the expected favourable effect on commodity markets has hitherto been much smaller than was expected.

5. In summary, we predicted a year ago that 1938 would see a continued increase in British unemployment, but that an increase of 500,000 in the unemployment total was the outside limit of what could be expected. On the average of the last two months (October and November), the unemployment total has been 360,000 higher than in the same months of last year.

Of five predictions, then, four have been broadly fulfilled. The result serves as a modest encouragement to repeat the experiment.

Had the general level of business activity continued to decline at the rate of the first few months of 1938, last year's prophecies would have been proved to be far too optimistic. *The Economist* Index of Business Activity, which reached its

peak at 113½ (1935 = 100) in August and September, 1937, and was still at 112½ in November, plummeted to 102 in May, 1938. How unprecedented was this drop of 10 per cent. in six months can be gauged from the fact that the biggest six months' decline during the 1929-32 depression was only some 7 per cent. Indeed, the extreme range of that Great Depression, from the highest month to the lowest, was only 18 per cent., and these two extreme months were more than three years apart. Other indices confirm the severity of the drop between 1937 and 1938. The Board of Trade Index of Production, for example, was 10½ per cent. lower in the third quarter of 1938 than in the same quarter of 1937. The drop in this index between 1929 and 1930, however, was only 8½ per cent. and between 1930 and 1931 9 per cent.

The Peculiarities of 1938

There was every reason, then, last spring for serious alarm about the state of trade. To judge by the available indications, Great Britain was in the incipient stages of a depression at least as severe as the last. There have, however, been a number of peculiarities about the cycle that began a year ago.

In the first place, having proceeded so rapidly in the first six or eight months, the fall was arrested. *The Economist* Index of Business Activity, having fallen to 102 in May, averaged 103 in the succeeding five months. The November figure, it is true, is slightly lower than the May figure, but it is still a provisional result, and in any case, it is too early to tell, from one month's figure, whether a new decline is in prospect. The result is that, if we take November, 1929, and November, 1937, as the starting points of the trade declines, the speed of the decline in the first six months was almost twice as great this time as last. But if the comparison is taken over a whole year, the proportionate fall is almost exactly the same each time. And, of course, the longer the present pause continues, the more favourable will the comparison be to the present cycle.

A second peculiarity, already noted, is the fact that the volume of imports of raw materials has fallen off much more severely than the volume of exports of manufactures. This is against the precedent.

Thirdly, there has been a remarkable divergence between the whole Index of Business Activity and its most important constituent, the index of employment. The complete index normally has a variation of rather greater amplitude, as is only to be expected on theoretical grounds. Thus, between 1929 and 1930, the Index of Business Activity fell by 5.6 per cent. and the index of employment by 4.1 per cent. But this time there has been a considerable divergence. Thus, if November, 1938, be compared with November, 1937, the complete index has fallen by 9.8 per cent. and the employment index by only 1.3 per cent. Some part of the divergence may be due to shorter hours of work; but in general, whatever it is that has gone wrong with the economic mechanism in the last twelve months, it has clearly not affected proportionately the industries which provide the bulk of employment.

This divergence between employment and business activity as a whole is not to be explained by the statistical composition of the index. This can be shown by tabulating what has happened to the different component series during the past year. The following table shows the change that has taken place in each series from November, 1937, to November, 1938:—

	Points		Points
Consumption of Electricity	+4	Consumption of Coal	-7½
No. of Commercial Vehicles in Use	+2½	Shipping Movements	-8
Postal Receipts	+1½	Building Activity	-8
Employment	-1½	COMPLETE INDEX	-11
Metropolitan, Country and Provincial Clearings*	-3	Cotton Consumption	-25½
Exports of British Manufactures*	-6	Volume of Merchandise on Railways	-26
Town Clearings*	-7	Volume of Imports of Raw Materials	-54½
		Consumption of Iron and Steel	-68

* Corrected for price movements.

Most of the series, it will be noticed, have fallen less than the complete index. But those which have fallen more rapidly than the average are all important series which cannot be ignored. A hint of the nature of the decline can, however, be

rawn from the observation that three of the four (Merchandise on Railways is the exception) are of such a nature as to be heavily affected if stocks of materials were being built up or drawn upon. For example, it is certain that the ultimate consumption of iron and steel has not declined by 40 per cent. in twelve months, even though steel production plus imports minus exports (which is the basis of our index) has fallen by that startling proportion.

For a final distinction that can be drawn between this recession and the last, attention may be drawn to the diagram printed at the foot of this page. This brings up to date a calculation which has appeared several times previously in *The Economist*. It attempts to divide the total of unemployment into its three economic components: Normal Unemployment, which can be expected to exist at any stage of the trade cycle, and which is taken, for the purposes of the calculation at 6 per cent. of the insured workpeople; Cyclical Unemployment, or that portion, spread fairly equally over the whole country, which is the product of the ebb and flow of the trade cycle; and Special Unemployment, or that long-term idleness of specific industries and districts which, though intensified by depression and relieved by boom, is fundamentally due to more deep-seated causes, such as the decline of particular industries as the result of technical change, or the loss of export trade. As on previous occasions, it must be emphasised that the calculation is necessarily rough, but that it is believed to show a broadly true picture.

It will be noticed that there is a sharp contrast between the experience of 1929-30 and that of 1937-38. In the earlier case, much the larger part of the initial increase in unemployment was in the special category, with only a small increase in cyclical unemployment until well on into 1930. In 1937-38, on the other hand, though there was an increase in special unemployment in the very first months, over the twelve-month period since the change in methods of counting interrupted the continuity of the curves, the greater part of the increase has been in cyclical unemployment.

Too much emphasis must not be laid on an approximation of this sort. But it only confirms the impression to be gained from many of the other indications that have been mentioned above. The depression of 1929-30 seems to have been a case of an external crisis impinging on the British economy from without. In 1937-38, on the other hand, although there were obvious external influences, there were also seeds of decay at home. Any explanation of the recession of the last twelve months must, therefore, draw its reasons both from foreign and from domestic events.

Four Causes of Recession

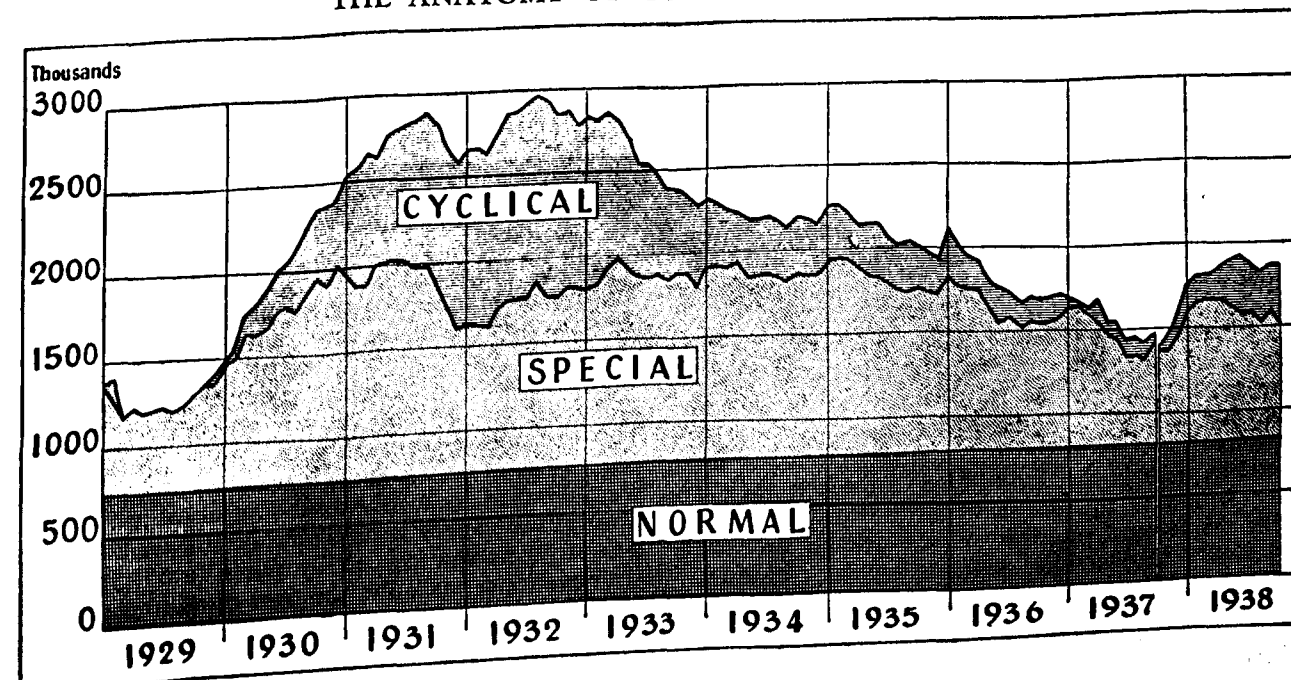
It seems probable that four factors have been mainly responsible for the decline in British business activity during the past twelve months. Two of these may be described as domestic factors (though nothing in this island is entirely divorced from the influence of the outside world), and the other two as external factors.

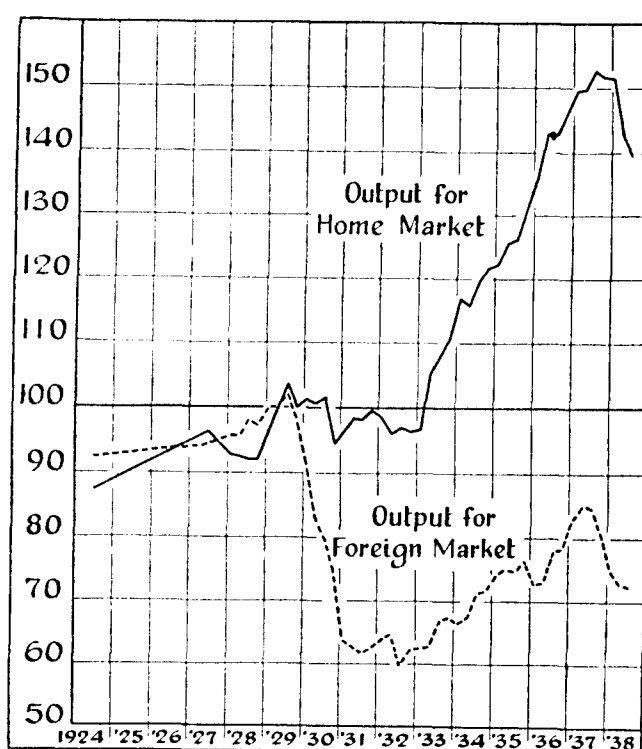
Factor A is the ordinary force of the trade cycle. When a country has enjoyed a period, lasting five years, of uninterrupted recovery, in the course of which new records of production and consumption have been set, all past experience justifies the expectation of a decline. A very large part of the literature on the trade cycle is taken up with explanations of the reason for this pendulum phenomenon, and with identifying the various seeds of decay that every period of advance carries in itself. It need only be said here that both the duration and the extent of the British recovery of 1932-37 were exceptionally large and that a recession was due, on the evidence, at just about the exact moment that it arrived. It is only reasonable, therefore, to suppose that the cumulative causes of recession have been in operation for the past twelve months. It may also be added that this factor applies, if not exclusively at least most powerfully, to Great Britain among the great industrial nations. The American recovery had not reached maturity by the summer of 1937, while France had not, and has not now, experienced any significant degree of recovery at all.

Factor B is the other domestic circumstance that has contributed to the causation of the decline. Great Britain was very strongly assisted in the great depression of 1929-31 by the fact that the consuming power of the wage-earning classes suffered no diminution even in the worst years of the slump. The loss of consuming power by those thrown out of work was more than offset by the gain in real purchasing power to those who remained in work. The real income of the British wage-earners was, indeed, steadily increasing for at least a decade and a half prior to 1937. This phenomenon was due, in part, to the steady increase of the numbers of the insured population, but mainly to the large falls in the prices of imported foods and raw materials during the crisis. In 1937, however, this increase in consuming power appears to have come to an end. To judge by the indices of wage-rates, employment and the cost of living and by available data on unemployment expenditure, the real income of the working class would appear, it is true, to have been some 1½ per cent. higher in 1938 than in 1937. But it is almost certain that a fall in the amount of overtime worked and an increase in the amount of short-time will have cancelled out this improvement. In any case, this figure applies only to that proportion of the population that is insured against unemployment. When the total of salaries, professional incomes and profits is added in, it is certain that the real consuming power of the population has fallen in 1938.

This decline in consumption is clearly reflected in the figures of retail trade, which are consistently showing declines in comparison with last year. Its significance, moreover, is very great. A diagram which was printed in *The Economist* last week, and is reproduced overleaf, indicates that the volume of production for the home market has recently been falling for the first time in a decade and a half. It is true that the figures on which this diagram is based, like so many other

THE ANATOMY OF UNEMPLOYMENT, 1929-1938



OUTPUT FOR HOME AND FOREIGN
MARKETS, 1924-1938

For method of calculation, see *The Economist*, December 24, 1938, page 648.

economic indices, may be unduly influenced by changes in stocks. But the change is too great to be explained entirely in this way, and it is probable that we have been witnessing something to which the British economy has grown almost entirely unaccustomed—namely, a fall in the consuming power of the population.

If this is so, several other unusual phenomena of the past year fit into their place. Hitherto London has always been the most prosperous region of the country, the last and the least affected when recovery turns to recession. The London Passenger Transport Board have recently calculated an Index of Business Activity for London alone. When compared with *The Economist* index for the whole United Kingdom, the London index is shown as reaching its peak and beginning its decline as early as the autumn of 1936, a full year before the country as a whole. It is possible that this divergence is exaggerated. But at least it is true that London has been losing its lead on the rest of the country. In employment, it still shows a more favourable performance than most other regions. But when measures of mercantile and financial activity are added in, it might well be found that London is no longer the favoured city. This is what would be expected if the consumers' industries and commercial activity were more seriously affected by the current recession than by the depression of 1929-32.

External Influences

The two external influences that have been at work in the past year on the side of declining activity are in reality but two facets of the depression that has once more overtaken world trade. But for the purposes of analysis it is as well to draw a distinction. In the first place, then, (Factor C) there has been the ordinary effect of slackness in international trade on Britain's export industries. The falling-off in production for export has not been quite so severe in 1938 as it was in 1930. But it has been quite severe enough to plunge the cotton textile industry once again into deep depression, to administer a severe setback to the other textile industries, to spoil the prospects for the coal-mining industry (which a year ago was enjoying its closest approach to prosperity for many a long year) and to assist in the discomfiture of the iron and steel industry. As always, the root cause of this decline in exports has been the lessened prosperity of the primary producing countries and their diminished ability to buy. In point of fact, the primary producers have bought more from Great Britain

and other industrial nations than they could really afford. There has been a strong tendency, during 1938, for the balances of payments of the primary producers to move in the direction of disequilibrium. This is true, for example, of Australia, Argentina and New Zealand, all of whom have maintained their imports in better proportion than their exports.

The decline in the activity of the export trades is the normal, one might almost say the mechanical and automatic, effect on Great Britain of a change for the worse in the state of world trade, due, in this particular case, mainly to the surprisingly sudden and severe slump in the United States which made its appearance about sixteen months ago. But the American slump has also exerted a powerful psychological effect on British affairs, which, in the particular context of 1938, has been even more important. Business psychology in Great Britain very frequently takes its cue from America, and it is hard for London markets to feel boisterous when those of New York are depressed. This is not, of course, pure psychology, since in many of the commodity markets American buying is the dominant marginal factor. A sudden collapse of prices in America would, therefore, at any time, exert a strong influence on London. In the middle of 1937, however, the markets were in a particularly vulnerable position. The level of commodity prices had begun, late in 1936, to move upwards with startling rapidity. To the usual forces of boom-time buying in England, and of accelerating recovery in the United States, the announcement, in February, 1937, of the heavy scale of prospective borrowing for British re-armament appeared to add a new inflationary factor. Under these influences, unusually heavy stocks of all sorts of raw materials were piled up, in the expectation (among the moderate) that prices would go higher and the fear (among the more credulous) that there would be outright inflation in America. Buying for stock enhanced demand, for a time, and helped to create the very rise in prices that was feared. But in the spring of 1937 the economic climate changed. In Great Britain the rise in prices induced a reduction in the volume of retail sales. The figures of the value of sales did not, at first, record this, but the interesting indices of the volume of sales in department stores compiled by the Retail Distributors' Association (and illustrated in *The Economist* of April 30, 1938) have subsequently shown that the volume of sales began to decline quite early in 1937. The natural result was a decline in retailers' orders to their suppliers. A similar effect was produced, in America, by the exhaustion of the effect on retail markets of the spending of the gigantic sums issued, in the summer of 1936, as veterans' bonus. Thus the completion of buying for stocks coincided roughly with a reduction in consumers' purchases. Prices sagged and the markets being in an extremely weak position owing to the stocks accumulated, the sag became a decline and the decline a collapse. Within a very few months, what had been sellers' markets became once more buyers' markets, and the gradual exhaustion of the stocks accumulated at higher prices has, ever since, affected the profits of traders and manufacturers and reduced demand, so far as the markets are concerned, even below what is required for consumption. The volume of trading and, in some cases, of production, in other words, has been reduced below that of consumption—a circumstance (Factor D) that largely explains the divergent behaviour of the indices of general business activity and of employment.

Diagnosis and Prognosis

In broad general terms, what appears to have been happening in Great Britain during the past twelve months is that the slow inception of the downward phase of the trade cycle (due, in the main, to purely domestic British causes) has had superimposed on it something resembling the classical panic of the markets, the chief cause of which came from outside. This diagnosis is consistent with the very remarkable shape of the curve of activity in the last twelve months. The original sharp drop was due to the market disorganisation. But it ceased when the temporary technical disorganisation of the markets was overcome and commodity prices found the bottom of their precipitous fall. But the signs of renewed decline now, after six months' pause, are due, if they are confirmed, to the

slow downward march of the fundamental conjuncture, which has now, as it were, caught up with the excessive speed of the fall last winter.

This analysis and the reasoning that has led up to it may now be used to serve as signposts to the future. Diagnosis can proceed to prognosis.

The domestic causes of recession, previously labelled Factors A and B, are still in operation. If the downward leg of a normal trade cycle began in the third quarter of 1937, it can hardly be expected to have run its course after only fifteen months. Indeed, there is every sign, as pointed out on the first page of this survey, for believing that the trend of demand from ordinary peace-time British industry for capital equipment is still downward. Building activity is still moving slowly downwards, and as the construction stage of the defence programme reaches its end, together with many of the larger civil projects that were begun at the very end of the recovery period, the speed of the decline can be expected to increase rather than to slacken, unless there is a gigantic programme of A.R.P. construction. The ordinary commercial demand for the products of the metal-using industries is more difficult to disentangle from defence orders, but there is every sign that that also is slowly declining. The pace of the movement down the falling leg of the cycle has not, this time, been accelerated by the pressure of dear money. But the most reasonable assumption seems to be that this fundamental tendency towards lower activity will continue.

The other domestic factor is the trend of consumption. An increase in unemployment tends by itself to diminish consuming power; it can only be offset, as in 1929-32, by a lower cost of living or an increase in the total size of the working population. On this occasion we are unlikely to get either. A further significant fall in the cost of living could be produced only by a very considerable worsening of the world's agricultural crisis, which does not appear to be in prospect. In any case, even if world supply and demand get into much worse disequilibrium than at present, the abundance of "controls," domestic and foreign, will largely nullify the effect on prices. As for the size of the working population, the period of rapid increase is now nearing its end.

Except for the possible influence of re-armament, to be discussed shortly, the purely British factors in the situation seem, then, to call for further slow decline of activity and employment. The external factors, on the other hand, are more encouraging. The market panic seems to be over. In commodity after commodity, stocks appear to be returning to normal (though a firm judgment is rendered impossible by the lack of statistical data), and buying is returning to the market. This can clearly be seen in the case of the domestic steel industry, which, having suffered badly from the stocking-up of 1937 and the stocking-down of 1938, stands a chance of returning to normal in 1939.

The influence of the United States on international trade and world business psychology is, for the moment, favourable. To analyse the American situation at length would involve doubling the scope of this survey. A recent analysis in *The Economist*, however ("American Horoscope," October 29, 1938), came to a guardedly hopeful conclusion, and nothing has happened in the intervening two months to modify that conclusion. The current movement of recovery is gathering momentum, and seems likely to last at least for some months.

American recovery, however, is not having as strong an effect on international commodity prices as American collapse had in 1937. Commodity prices, in fact, have pursued a disappointing course in recent months. This suggests that the disequilibrium in the world markets goes rather deeper than its purely American aspect. If so, it would be rash to look for any sustained increase in British exports, especially as we shall soon be feeling the effect of the measures taken by a number of countries to restore the equilibrium of their balances of payments.

On balance, therefore, the effect of external factors does not seem likely to be very strongly favourable, unless the further progress of American recovery pushes commodity prices

upwards. For the next few months at least, any upward influence exerted by external factors will probably be too weak to offset the downward trend of the domestic factors.

The Influence of Re-armament

Re-armament, however, has hitherto been left out of account. How, finally, can that be expected to affect the picture?

The amounts spent on re-armament seem enormous when they are added to an already over-burdened Budget. But compared with the dimensions of the national economy they are still comparatively moderate. It is not easy to select a basis with which the cost of re-armament can be compared. If it is compared with the total of the national savings or expenditure on capital goods, its importance will be exaggerated, since by no means all of it is spent on capital goods. In spite of the obvious defects of the comparison, it is safer to set the figures alongside those for the national income as a whole and make mental allowance for the effect of the "multiplier." Furthermore, it is difficult to know how to assess the inflationary part of defence expenditure. We were spending on the defence forces at the rate of approximately £120 millions before the issue of the first re-armament programme. The national economy is presumably adjusted to this scale of expenditure, which can therefore be disregarded in any assessment of the disturbing effects of re-armament. If £120 millions be deducted from each year's figures, the expenditure on the three defence forces for re-armament was £142 millions in 1937-38 and was estimated at £240 millions in the current year. Any figure for 1939-40 is, at this stage, a guess. We have been told, however, that expenditure on the Air Force alone will increase by £80 millions. The total may be as much as £400 millions.

Substantial portions of this expenditure are raised, however, by taxation. That is to say that these sums are, in the main, merely diverted from other uses. It is only the borrowing that can be truly regarded as potentially inflationary—and not even all of that, if either the fact or the announcement of armament borrowing leads to a decline in the amount of capital raised for other purposes. As a rough basis of comparison, however, the amount of borrowing year by year can be compared with the national income to indicate the dimensions of the expansionary impetus it can be expected to give. The borrowing of 1937-38 was £65 millions. That of 1938-39 is estimated at £115 millions, and may actually be slightly lower. The borrowing of 1939-40 can be guessed at about £220-£230 millions. Compared with a national income of between £4,000 and £5,000 millions, only the last of these sums is large enough to exert more than a comparatively slight influence.

We conclude, then, that the stimulating effect of re-armament has hitherto been very small. This conclusion is fortified by the fact that in two of the industries most directly affected, steel and engineering, armament orders were not sufficient in the past year to prevent an increase in unemployment. The mounting total of borrowing in the course of 1939-40 may, however, somewhat change the picture. Anything over £200 millions is a very large sum of money for the Government to spend in one year out of borrowings. But even that is not necessarily dominant; it is quite conceivable that private spending out of savings might fall off by an equivalent amount, although that would indicate a very severe depression. But at some point in the course of 1939 re-armament spending will begin to play a significant rôle in British economics.

That point, however, promises to be well on in the year. For the early months of the year, the indications seem to point to a decline in activity and an increase in unemployment, the influence neither of revival in America nor of mounting defence borrowing being strong enough to offset the cumulative forces of the trade cycle. From the summer onwards, however, either factor may begin to exert a stronger influence, and it is fully possible that the two in combination may succeed in pushing the indices upwards. But any such result depends on the emergence of factors which can now be foreseen only as possibilities.

British Industrial Developments

The following reports on British industry cover, in most cases, the period to the middle of December. In the remainder they relate to the month of November.

COAL

Activity in the coal-mining industry showed a seasonal expansion in the past month. The quantity of coal raised increased from 19,696,000 tons in October to 19,969,000 tons in November, but whereas output in October was only 3.3 per cent. smaller than in October, 1937, production in November showed a reduction of 5.8 per cent. from that of the corresponding month last year. Exports in November, however, were only 6.3 per cent. smaller than in November, 1937, compared with a fall of 13 per cent. between October, 1937, and October, 1938. In view of the improvement in demand, the Central Council of Coal Owners decided at the end of November to increase the inland quotas for all coal fields for the last quarter of 1938 by 10 per cent. The inland quota for this period was originally fixed at 88 per cent. of the allocation for October-December, 1937. The improvement in demand, however, does not appear to have been fully maintained in December, when the volume of new business showed a decline in a number of districts.

IRON AND STEEL

The event of the past month was the publication, on December 9th, of the price list of iron and steel materials for the first six months of 1939. The reduction in prices was not uniform; for example, it amounts to about 6.2 per cent. in the case of rails and 7.6 per cent. in ship-plates. The iron and steel production returns for November showed that the improvement noticeable in September and October has been maintained. The output of steel ingots and castings rose from 854,000 tons in October to 860,000 tons in November, compared with 1,178,300 tons in November, 1937. The production of pig iron declined slightly, from 469,400 tons in October to 461,500 tons in November, against 762,300 in the corresponding month last year. The decline was due to the fact that November contains one day less than October. The number of blast-furnaces in operation actually rose from 66 at the end of October to 79 at the end of November. A satisfactory feature is the sustained improvement in exports of iron and steel materials, from 135,100 tons in August to 181,200 tons in November. Exports last month were only 8.5 per cent. smaller than in November, 1937. Imports of iron and steel materials increased from 52,400 tons in October to 65,900 tons in November; compared with November, 1937, when imports amounted to 272,500 tons, the current intake, however, is still small.

GENERAL ENGINEERING

The Trade Union's demand for higher wages was refused by the employers at a conference held on December 6th; in the circumstances they are less disposed than ever to agree to the relaxation of regulations necessary for the purpose of speeding-up armament production. On the whole, the engineering industry has welcomed the reduction in iron and steel prices, though the cuts were not commensurate to hopes. The improvement in the activity of the industry noticeable between September and October has not been fully maintained, and during the past month it has been marking time. The proportion of insured persons unemployed actually showed a slight increase between October and November. More recently there has been some improvement in the volume of inquiry, and Government contracts are still increasing. Consequently most branches of the engineering industry are expected to remain fairly busy during the next few months. The volume of exports declined from 40,275 tons in November, 1937, to 37,688 tons in the past month. Despite the decline, however, exports were well above the level of two years ago. Imports also registered a decline during the same period, from 11,714 tons to 10,057 tons. The decline has been most marked in imports from Germany. Incidentally, machinery has now risen to the first place among export trades. As far as individual branches are concerned, the machine tool, textile, lifting and mining machinery sections remain very busy. Manufacturers of agricultural machinery report some decline in activity, which, however, is due to seasonal influences.

ELECTRICAL EQUIPMENT

Activity in the electrical equipment industry remains at a very high level. The proportion of insured persons unemployed in November in electrical engineering was 5.3 per cent., an increase of 0.1 per cent. on October and of 2.2 per cent. on the corresponding month last year. The proportion of unemployed persons in the electric cable, apparatus and lamp section remained unchanged at 6.7 per cent. last month, an increase of 0.9 per cent. on the figure for November, 1937. Exports remain above last year's level; the value of shipments of electric goods and apparatus was £1,258,668 in November, against £1,163,253 in the corresponding month last year. During the same period exports of electric machinery rose from 1,485 tons (valued at £271,213) to 1,681 tons (valued at £349,202).

AUTOMOBILES

Sales of new private cars increased from 17,067 in September to 20,033 in October; compared with the corresponding months of 1937, the fall of 16 per cent. in September was reduced to one of 4.8 per cent. in October. Sales of goods vehicles also showed an improvement in October over those for September, though they were still 14 per cent. lower than in October, 1937. Production in October of private cars and taxis totalled 24,867, and of commercial vehicles 8,328, compared with 26,977 and 9,627 respectively in October, 1937. Exports showed little change between October and November, while imports of motor vehicles increased from 677 to 857.

BUILDING

Despite the slight increase in unemployment last month activity in the constructional trades remains at a high level. The proportion of insured persons unemployed last month was only 3.2 per cent. higher than a year ago in buildings, and was actually 0.8 per cent. smaller in public works contracting. Thus, although constructional activity has passed its peak, the decline has hitherto been comparatively slight. The latest figures of the value of building plans passed, however, indicate that the downward trend in private building is likely to continue. In September the value of building plans passed by a representative sample of local authorities was 25.1 per cent. smaller than in the corresponding month of 1937. As the decline from the figures of a year ago was only 2.8 per cent. in October, the conclusion was widely drawn that the sharp fall in the previous month was due to the postponement of plans during the crisis. The improvement, however, has not been maintained, for in November the value of plans passed was 20.8 per cent. below last year's corresponding figure. Last month the decline in plans passed was most marked in the case of dwelling-houses, plans for factories and workshops actually showing an increase. Government expenditure will probably remain at a substantial level, but it is unlikely fully to compensate for the decline in private building in the coming year. The decline in private building is expected to be accentuated by the absence of facilities for insuring against war risks.

CHEMICALS

During the past month a moderate business has been transacted in most sections of the home chemical market. There has been a fair amount of contract business in industrial chemicals, but, in general, demand has been below the normal for the time of year. Trade in wood distillation products has shown some improvement, and there has been some interest in pharmaceutical and other fine chemicals. In the market for coal tar products more enquiries have been received for tar acids and cresote oil is in fair demand, but trade in most products is still very limited. The Board of Trade returns for November show that exports of chemicals, drugs, dyes and colours decreased in value by £62,690 compared with November, 1937, coal tar products being mainly responsible for this decrease. Imports were also lower in value in November than in the same month of last year, the difference being £120,247.

POTTERY

Business remains slack, particularly in North Staffordshire, where unemployment increased during November. In other districts also there was a decline in employment towards the end of that month, with an increase in short time. Exports showed little change between October and November and remain considerably below the level ruling in 1937. Comparing the first eleven months of 1938 with the corresponding period of 1937, exports of sanitaryware declined from 395,634 cwt. to 355,810 cwt. and exports of earthenware declined from 441,970 cwt. to 420,886 cwt.

FOOTWEAR

End-of-year stocktaking in the boot and shoe trade has somewhat slowed down business, except for sections working on Government contracts or for the Christmas slipper trade. Employment in Bristol and in the North remained good, but the Midlands report a scarcity of orders for the New Year, which is now affecting employment. Leather prices remain firm, and in most districts the outlook is regarded with confidence. Exports in November were fairly well maintained, while imports both of leather and rubber shoes continue at considerably higher levels than in 1937.

COTTON

The past month has been a very unsatisfactory period for spinners and manufacturers. Demand has been limited and production has tended to decline. Wider fluctuations have occurred in raw cotton prices, and while values of the American staples show very little change, there has been a rather sharp fall in rates for Egyptian descriptions. Many rumours have been circulated as to the future policy of the American Government relating to the control of cotton supplies. About 10,250,000 bales have now gone into the loan, and exports compared with last season have fallen by over 1,000,000 bales. The position is causing anxiety to the Government at Wash-

ington. In the meantime farmers, by ballot, have supported the control plan for next season, but there may be modifications. Demand in yarns has been flat. There is still a danger of the 42's American weft price agreement breaking down, but negotiations are taking place for a comprehensive price agreement covering all American counts. A further reduction has occurred in unemployment, the latest figure being 93,560, against 99,780 a month ago, but the total a year ago was only 57,473. Exports of yarn so far this year are 23 per cent. smaller than in the same period of 1937. Spinning production is now 53 per cent. of capacity, against 58 per cent. a month ago and 90 per cent. at the same time of last year. The business done in piece-goods for export markets has been quite unimportant and order lists of manufacturers have run down. Steady buying has taken place for the home trade, and the improved clearances in the retail and wholesale establishments have been maintained. Further contracts have been given out by the Government in heavy and fine cloths.

JUTE

The market for raw jute has had a steady undertone, and prices tended to rise early in December, due partly to large purchases by Indian mills. New business in Dundee has been quiet, but spinners and manufacturers continue very busy on current orders. Unemployment showed a further slight decline in November compared with the previous month. Exports of piece-goods again improved in November, when they amounted to nearly 10 million square yards, an increase of 1½ million square yards compared with November of 1937. Exports of jute yarn, however, continue to decline slowly, while exports of bags registered another small increase in November over the October figures.

LINEN

Raw material prices have not improved, and United Kingdom consumers are further handicapped by adverse exchange movements. Irish spinners are buying increasing quantities of Belgian flax as the quality of the home crop is rather disappointing. There is no Russian flax on the market. There is an improved demand for both yarns and cloth, but prices so far obtainable do not cover replacement costs, though an advance in price has been secured in some cases. Exports of linen piece-goods again declined in November, by 220,000 square yards to 4,551,000 square yards.

RAYON

There has again been a little improvement in demand from consumers of rayon yarn, but there is a general lack of confidence. Production continues at a lower level, but stocks have been somewhat reduced. The hose trade has shown some improvement, but overseas business in all sections is unsatisfactory; exports of rayon tissues increased from 4.9 million square yards in October to 5.2 million square yards in November, but compared with November, 1937, there was a decline of 2.2 million square yards.

WOOL

Prices of raw wool continue firm and shipments from exporting countries are maintained at a high level. The Bradford market for tops remains lifeless, and after the spurt in October exports of tops fell back in November to their level of September. There is a certain amount of new business in the yarn market, but there is no advance in prices. Business in piece-goods for the home trade is not unsatisfactory, and there has been a limited enquiry from Scandinavia and America in certain lines. In manufacturing centres, machinery is running at about 75 per cent. of capacity.

AGRICULTURE

The exceptionally mild weather in November and the first fortnight of December has prolonged the autumn grazing season and postponed the use of the limited supplies of winter keep. Autumn cultivations in the West of England and in Scotland have been held up by too much rain, but in the East early-sown crops look well. There has been a brisk demand for porkers at most markets and prices rose during the past few weeks. Prices for other fat stock have tended to improve with the approach of Christmas.

SHIPPING

The trend in shipping freights was again downwards in November. The Economist index, after showing a slight improvement between August and September has since declined steadily. Since the end of November, however, prospects have improved a little, largely owing to the grain trade. Shipments from Roumania have brought some life into the Black Sea market, and there has been rather more chartering business from the North Pacific. On the other hand, the imposition by the Indian Government of an import duty on wheat has brought a lull in the Australian chartering.

UNITED KINGDOM—THE ECONOMIST INDICES OF BUSINESS ACTIVITY*
Daily Averages of 1935=100

Period	Employment	Consumption of Power		Transport		Postal Receipts	Building Activity	Consumption of		Foreign Trade			Bank Clearings		Complete Index	
		Coal	Electricity	Merchandise on Railways	Commercial Motors in Use			Iron and Steel	Cotton	Imports of Raw Materials	Exports of Manufactures	Shipping Movements	Metropolitan, Country, Provincial	Town	Monthly	Twelve Months' Moving Average
Number of Weights	10	4	2	4	2	3	2	2	1	2	3	2	4	1	42	
1929	98½	103	68	127	76	85	89	87	111	98½	137½	108½	91	109	98½	...
1930	94½	98½	68½	115½	80½	96½	85½	84½	82	88	108	107	89	112	93	...
1931	91	92	69	98½	89½	95½	82	86	82½	86	97½	86½	86½	96	87½	...
1932	90	90	71½	86	86	94½	57	59½	94	84	82	94½	86½	88½	84	...
1933	93½	90	78	89½	89½	96½	73½	70	101	92½	85	96	91	88	89	...
1934	97½	97½	88½	100	95	97½	88	93½	98½	100	92½	98	95½	96	96	...
1935	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	...
1936	105	104½	112½	106½	105½	104½	107	125	109½	110½	101½	102	104	103½	106	...
1937	111	109½	126½	113	111	106½	98½	142	116	121	112	109	105	101½	112	...
1935-November	101½	104	102	103	101½	100½	105½	102½	107	106	99	101	99	96½	102	101½
December	101½	105½	108½	102½	102	104	108	113½	99	117	99½	103½	103	112½	104½	102½
1936-January	101½	107	104	104	103½	101	106½	117	106½	97½	92½	98½	98	91	102	102½
February	102½	108½	108	102	104	101½	107½	115	100	98	102	100½	99½	93	102½	103½
March	103	109	98	105	105½	104½	102	107	112½	101½	99½	99	100½	94	102½	104½
April	103½	103	111	106½	104½	102	106½	126	110	107½	98½	98½	101	97	105	104½
May	104½	102½	107½	105½	105	102	107½	116	112½	106	99	102½	104	96½	104	106
June	105	106½	107½	104½	105½	101½	108	121	119	117½	98	102½	104	97	107	106½
July	106½	104½	109½	106	105½	103½	109½	123	120	117	105½	101½	104	103	108½	106½
August	107	104	111½	109½	106	103½	109½	132	107	123½	105	100½	106	113½	108½	107½
September	107	102½	112	106½	106½	106½	108½	117	107½	102½	117	107	103	106	114	108
October	107	104	113½	107	107½	104½	107	105	125	100½	119½	100	106	109½	111	108
November	107½	104	117½	108	108	104½	107	108½	134½	109	108½	103½	107	122	109½	109½
December	107	107½	117½	113	108½	108	103	124	111½	103½	104½	101	106½	105	107½	109½
1937-January	109	97½	116	110½	109	107½	102	118	110	102½	111	108	115	109½	110	110½
February	109½	108½	116	107	109½	110	102½	118	123	119	120	114	108½	107½	111	110½
March	109	110	125	106	110	107½	99½	118½	123	119	120	114	108½	107½	111	110½
April	110	112	122	115	110½	110	102½	117	118½	103½	108½	102½	103½	109½	110½	110½
May	110	115½	123½	113	111	106½	100½	143	116	117½	114	107	98½	112½	111½	111½
June	111½	115	122½	113½	111½	107	99	130½	111	125	122½	106½	106	106	113	111½
July	112	106½	123	114½	111½	105	96½	140	131½	122½	113½	109	102½	100½	111½	111½
August	112½	107	125½	117	111½	108½	95½	157½	106	133	113½	106	108	99	113½	111½
September	112½	110½	124½	112	112½	108	96	158½	107½	146½	112½	110½	104½	99½	113½	111½
October	112	108½	124½	112	112½	108	96	158½	107½	146½	112½	110½	104½	99½	113½	111½
November	111½	107½	128½	110½	113	108½	95	167	106½	145	104	109½	104½	100	112½	110½
December	109½	105½	131½	114	113	111½	96½	173½	97	110½	108½	108	101½	99	111	109½
1938-January	110½	108	128	116	114	110	96½	169½	107	110½	104½	105½	105½	99½	111½	109
February	110	108½	128	112	114	110	93½	155	101½	117½	101	106½	103	93	110	108½
March	109½	102½	120	109½	114½	110	92½	143	102	109	99	102	99½	88	107	107½
April	109½	99	123	101½	113½	108	90	104½	81	103	93	103	99	95½	102	106
May	109½	104½	131	89	113½	107½	90½	93	81	111	101½	108	99	93	102	...
June	109	105	125½	86	113½	106	90	91	84½	114	91½	106	99	94	102½	...
July	110	101½	129	89	114	108½	90½	90	95	112	90½	105	98½	98	102½	...
August	110	105½	132½	88½	114½	109	88	89½	87½	105½	103½	104	102	98	104½	...
September	110	106½	134	90½	115½	109	88½	100	81	106½	99½	107	101½	95½	104½	...
October	110	106½	132½	84½	115½	110	87	99	81	90½	98½	101½	101½	83½	101½	...
November	110	100½	132½	84½	115½	110	87	99	81	90½	98½	101½	101½	83½	101½	...

* For method of construction and earlier figures (1924-1936) see Supplement to *The Economist* of July 25, 1936. This Supplement is now out of print, but a record of the complete index was given in *The Economist* of November 5, 1938. † Revised. ‡ Provisional. § Annual indices represent averages of monthly figures.

Business Developments Overseas

BRITISH EMPIRE

AUSTRALIA.—Sentiment has been depressed by the prospect of a small wheat crop and wool clip, coupled by the low prices for all grains. The latest estimate of the wheat crop is 137 million bushels. Local industry and trade continue active, according to a cable from the National Bank of Australasia, and employment is satisfactory. The value of imports during the past three months was £5,000,000 lower than in the corresponding period of 1937.

CANADA.—Railway revenues have been improved by the marketing of the large wheat crop and it is hoped that their new powers to make special contracts with shippers at rates below the regular schedules will enable them to recapture some of their lost traffic. In spite of a good export demand, lumber prices tended to fall during November, with the exception of pine and cedar. Activity in the automobile industry continues to expand and has had a heartening effect on the steel trade. General business conditions show little change, though the approach of colder weather has improved the prospects for the retail trade, which has suffered from the exceptionally mild autumn.

INDIA.—Imports in October, valued at 12,97 lakhs, increased by 20 per cent. compared with those in September, while exports showed a small decline to 14,15 lakhs. For the seven months of the current year (April to October) the value of imports and exports was respectively 16.2 and 17.7 per cent. lower than in the corresponding period of 1936-37, and the visible balance of merchandise and treasure declined by 3.75 lakhs, or 14.6 per cent., to 21,91 lakhs. The cotton piece-goods market remains overstocked, and up country demand is disappointing. Consequently, production is being checked and prices both of piece-goods and yarns are weak.

SOUTH AFRICA.—Wool prices continue firm, in the face of good competition among European buyers; combing wools, however, were less in demand and prices tended to weaken. There has been a slackening in the hide market, but prices are not changed. Considerable damage was done to the stone fruit crop in Cape areas by strong winds in November and the yield is expected to be below the average. There was the usual seasonal increase in retail trade in November, and business conditions generally are unchanged.

EUROPE

FRANCE.—Signs of an improvement in France have become more numerous in recent weeks. The growth of confidence is reflected in the continued repatriation of capital and in the sharp rise in the prices of Government bonds and industrial securities. In view of the paucity of up-to-date production statistics, it is still difficult to measure the extent of the expansion in activity. The latest official index of industrial production refers to September (1928 = 100), when it stood at 78, against 72 in August and 80 in July. Of the component series of the index available for October, those relating to mining, iron and steel and engineering show an increase on the month. The number of persons in receipt of unemployment benefit rose from 361,724 at the end of October to 367,106 at the end of last month; at the end of November, 1937, the number was 332,850. Although the position still remains precarious, the prospects of recovery are now better than they have been for some considerable time.

GERMANY.—Industrial activity has been well maintained. The weekly index of business activity calculated by the German Institute for Business Research (1936 = 100) rose from 112.2 in the last week of October to 113.9 in the last week of November. A year ago the index stood at 116.3. The daily number of car-loadings was 156,000 in the last week of October, and 157,300 in the last week of November. During the same period the output of coal in the Ruhr rose from 414,200 tons per day to 427,100 tons per day. Prices for industrial securities have tended to decline, and the general index of the Institute for Business Research fell from 108.2 (1924-26 = 100) in the last week of October to 104.3 in the last week of November. The value of industrial debentures has also shown a slight decline. Wholesale prices, on the other hand, have shown little change in the past few weeks. Despite the inclusion of Austria in the returns for 1938, the value of exports fell from Rm. 543.7 millions in October, 1937, to Rm. 466.5 millions in the corresponding month this year. The fall in exports has made it difficult to maintain the flow of raw materials to German industry, and this development is at present causing some anxiety.

FINLAND.—The export trades continue depressed. The saw-mill and woodworking industries hold considerable stocks, and a sharp reduction is expected in the timber felling during the coming season. Industries working for the home market are beginning to feel the effects of the recession in the export trades; unemployment in October increased sharply and there were more unemployed than in October, 1937. The index of industrial production was also much lower in the third quarter of 1938 than a year ago.

SWEDEN.—The export trades continue depressed, but the recovery in the United States is a hopeful factor, though it has not yet led to an increase in Swedish exports to America. Industries working for the home market are active, largely owing to the building boom; the engineering and electrical industries are fully employed and the shipbuilding yards are also busy.

SWITZERLAND.—Foreign trade has been well maintained in recent months, in spite of the recession in other countries, nor do the latest figures for unemployment show any increase. The activity in the building industry shows the usual seasonal recession, but the value of building plans passed in the three months August to October of this year was considerably higher than in the corresponding months of 1937. The index of share prices has been rising steadily since the summer, with a brief set-back in September, and reached 144.1 (1929 = 100) in November.

UNITED STATES OF AMERICA

Business activity in the United States continued to expand rapidly in the past month. The sustained improvement is reflected in the Federal Reserve Board's index of industrial production (1923-25 = 100), which rose from 96 in October to 103 in November; in November, 1937, the index stood at 88. The current volume of activity is thus substantially higher than a year ago. The improvement, moreover, appears to have continued in the first half of December; *The New York Times* weekly index of business activity advanced from 90.3 for the week ended November 12th to 94.3 for the week ended December 10th. Recovery has been very marked in the motor, apparel, household equipment and other consumption goods industries. Among capital industries, building has made rapid headway in the past few months. According to the Dodge reports, building contracts awarded in October were 77 per cent. above those in the corresponding month last year. Moreover, the improvement has continued, and in the first three weeks of November contracts awarded showed an increase of 35 per cent. over those of the corresponding period in 1937. The expansion in building activity is expected to continue. The prospect of an early and substantial increase in railway expenditure on new equipment, however, is considered to be less promising, and there may possibly be some delay in the recovery in this branch of capital equipment. The sagging tendency of commodity prices in recent weeks indicates that industrialists are pursuing a cautious buying policy. On the whole, however, the outlook for business remains fairly promising, though industrial activity cannot be expected to expand indefinitely at the rate of recent months.

LATIN AMERICA

ARGENTINA.—The trade returns for October show a better tendency, a favourable balance having been registered for the first time for several months. The outlook is viewed with moderate optimism, as a bumper wheat harvest is expected, although the linseed crop is a good deal inferior to that of last year. Maize prospects are at present excellent, but ample rainfall in December and January is essential for a good harvest.

BRAZIL.—The adverse balance of trade which occurred in the early months of 1938 has now been almost eliminated, but the continued shortage of exchange still leads to delay in liquidating importers' obligations. Exports of coffee in November totalled 1.2 million bags, the lowest monthly total for a year; prices, both in local and foreign markets, have tended to fall. The 1938-39 crop is expected to fall considerably below the official forecast of 14,759,000 bags.

URUGUAY.—Both the quality and quantity of the 1938-39 wool clip are up to standard, and shipments so far this season are better than last year. There has been renewed weakness in the value of the peso in the free market, the telegraphic rate on London rising to 13.15 pesos per £.

THE FAR EAST

The prospect of the enforcement by the Japanese Government of Article 11 of the General Mobilisation Act, which enables the Government to restrict company dividends, had unfavourable effects on the markets. The Stock Exchange recovered later, when it was known that the present rates would be maintained. The textile trades continue to be hampered by shortage of raw materials, and production in the wool spinning industry has been cut down to ten per cent. of normal output. For the first eleven months of 1938, the excess of exports amounted to 47 million yen, compared with an import surplus in the corresponding months of 1937 of 646 million yen; this enormous shift in trade has been entirely due to the severe restriction of imports, since exports are running at a slightly lower level than in 1937. There was a further increase in wholesale prices in Tokyo in November.

UNITED KINGDOM

(Population, mid 1936, 47,098,000; Area 95,030 sq. miles; 244,000 sq. kms.)

United Kingdom figures; otherwise Great Britain (G.B.)	Unit of Measurement	Monthly Average										1937		1938					
		1929	1930	1931	1932	1933	1934	1935	1936	1937	Oct.	Nov.	June	July	Aug.	Sept.	Oct.	Nov.	
PRODUCTION																			
1. Industr. Prod. B. of Trade (a) (d)	1930 = 100	108.6	100.0	97.0	90.6	95.5	106.1	113.6	124.6	133.1			121.7	116.8		118.5	119.7	119.9	
2. Coal, G.B.	Mill. tons	21.4	20.3	18.3	17.2	17.2	18.4	18.6	19.0	20.1	20.4	21.2	17.1	16.8	17.0	18.5	19.7	19.9	
3. Electricity, public supply, G.B.	Mill. kw.-hrs.	858	910	951	1,020	1,130	1,288	1,464	1,685	1,908	2,029	2,285	1,612	1,658	1,679	2,182	2,448	2,448	
4. Pig iron	Thous. tons	632	516	314	298	345	497	535	641	708	770	762	542	508	443	480	469	489	
5. Steel ingots and castings	Thous. tons	803	610	434	439	585	738	822	975	1,082	1,134	1,178	776	683	659	755	855	860	
6. Buildg. plans passed (f) Dwelling.	Thous. £'s	3,688	3,897	3,374	3,907	5,192	5,799	6,536	6,255	5,837	5,538	5,325	5,779	5,556	4,071	4,509	4,685	4,004	
7. 146 towns, G.B. Other ...	Thous. £'s	2,403	2,320	1,877	1,614	1,781	2,164	2,990	3,497	3,579	3,160	3,024	3,081	4,060	2,375	2,533	3,683	3,082	
8. New Orders, heavy gen. plant																			
9. Home	1929 = 100	100	125	77	112	67	160	148	250	232(f)	197	200							
10. Foreign	"	100	67	50	31	44	60	62	96	109(f)	93	92							
11. Total	"	100	93	58	59	56	107	104	167	168(f)	144	144							
12. Shipbuilding: commenced (f) ...	Thous. gross tons	137	79	17	6	20	43	57	91	88	73	73	52	29	29	29			
13. " launched (f) ...	"	127	123	42	16	11	38	42	71	76	75	75	96	103	103	103			
14. " on hand, end yr.	"	1,560	909	401	225	332	597	743	964	1,125			1,037			885			
14. Automobiles: priv. cars (b) ...	Number	15,196	14,139	13,250	14,270	19,232	21,406	25,962	29,487	32,469	26,977	27,034	28,267	25,426	18,748	22,859	24,867		
15. " Com. vehicles (b) ...	"	4,705	5,572	5,609	5,123	5,459	7,136	7,681	8,967	9,843	9,627	7,773	8,313	8,906	7,071	7,362	8,328		
16. Cotton delivered to mills, G.B.	Mill. lbs. daily av.	5.27	3.92	4.04	4.47	4.72	4.31	4.72	5.17	5.43	5.24	5.63	3.73	3.57	3.70	3.90	3.92	4.21	
17. Rayon: Output	Thous. lbs.	4,742	4,064	4,548	4,043	7,007	7,758	10,314	12,110	12,901	13,570	13,720	11,110	11,640	9,310	11,780	11,750		
18. " Quantity excised	Thous. st. barrels	4,710	3,992	4,591	5,955	7,086	7,715	9,887	11,783	13,082	13,916	13,522	9,361	10,821	9,068				
19. Beer production	Thous. proof galls.	1,620	1,568	1,365	1,102	1,193	1,293	1,355	1,395	1,488	1,436	1,455	1,598	1,701	1,721	1,550	1,445		
20. Distilling: Drink (f) ...	"	914	840	786	721	733	719	720	780	785	1,100	1,100	679	741	741	741			
21. " Industrial alcohol (f) ...	"	1,205	1,393	1,438	1,834	2,484	2,816	3,172	3,595	4,369	4,663	4,663	4,264	4,351	4,351	4,351			
22. " Stocks, end year ...	Mill. proof galls.	151.6	153.4	148.5	141.5	134.9	135.4	136.1	137.4	144.5	143.2	143.2	152.4	152.4	152.2	151.7	152.1		
TRADE AND TRANSPORT																			
<i>Domestic Trade</i>																			
23. Rly. traf.: Merch. & lgtk. G.B.	Thous. tons	9,780	8,890	7,602	6,605	6,875	7,660	7,661	8,188	8,690	9,296	9,223	6,992	6,173					
24. " Coal and lgtk. G.B.	"	15,933	14,868	13,380	12,861	12,727	13,384	13,447	13,539	14,384	14,327	15,248	12,086	10,694					
25. Automobile: priv. cars, in use, G.B.	Thousands	883.8	967.7	979.7	1,018.4	1,084.9	1,184.5	1,347.5	1,498.8	1,648.2	1,680.6	1,676.9	1,849.6	1,921.5	1,916.2	1,924.9	1,832.5	1,828.8	
26. " Com. vehicles in use, G.B.	"	314.7	333.6	346.0	356.2	370.0	393.5	413.2	437.0	459.8	467.1	465.7	471.9	473.3	471.2	473.5	478.7	477.9	
27. Postal traffic receipts, daily ...	Thous. £'s	133	135	134	133	135	137	140	147	154	156	157	144.9	146.0	141.5	154.7	157.2	159.3	
28. Retail trade, Gt. Brit.: Food ...	Avg. daily sales in 1933 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
29. " Other merchandise ...	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
30. " Total ...	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
31. Advtg. expndt. on brand. gds.	1935 = 100	...	...	76.1	79.2	84.6	90.4	100	100.6	108.6	142.0	133.7	105.9	96.3	68.4	94.6	93.3	127.3	
<i>Foreign Trade</i>																			
32. Retained imports, value: Food ...	Thous. £'s	42,444	37,603	33,041	29,810	27,311	27,829	28,616	30,921	34,099	42,111	41,695	37,567	35,440	34,150	36,735	38,004	37,960	
33. " Raw materials ...	"	23,774	17,674	12,277	11,740	12,897	15,153	15,237	17,934	23,203	25,521	26,473	17,004	17,284	17,234	16,096	16,650	16,278	
34. " Manufactures ...	"	25,467	23,622	20,367	12,168	11,654	13,395	14,302	16,452	20,878	22,275	23,335	16,663	16,108	17,544	17,043	18,185	18,205	
35. " Total ...	"	92,589	79,762	66,449	54,221	52,161	56,681	58,473	65,710	79,492	90,387	91,946	71,515	69,384	69,087	70,963	73,589	72,914	
36. Volume: Food (a) (d) ...	Avg. of 1935 = 100	98.9	99.6	106.5	102.5	100.7	101.1	100.9	101.1	102.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9	104.9	
37. " Raw materials (a) (d) ...	"	101.5	90.9	82.9	84.6	85.0	85.0	85.0	100	111.1	120.9	113.3	113.3	113.3	113.3	113.3	113.3	113.3	
38. " Manufactures (a) (d) ...	"	133.6	133.9	132.9	79.5	81.3	95.0	100	107.2	113.9	104.4	104.4	104.4	104.4	104.4	104.4	104.4	104.4	
39. " Total (a) (d) ...	"	108.9	106.3	105.0	92.2	93.7	99.0	100	107.2	113.9	104.4	104.4	104.4	104.4	104.4	104.4	104.4	104.4	
40. Domestic exports, value: Food ...	Thous. £'s	4,555	3,944	2,898	2,625	2,314	2,538	2,636	2,966	3,232	3,443	3,983	2,659	2,904	2,952	3,075	3,734	3,811	
41. " Raw materials ...	"	6,575	5,313	3,920	3,634	3,832	4,021	4,400	4,278	5,388	5,810	5,347	4,456	4,699	4,639	4,638	5,341	5,434	
42. " Manufactures ...	"	47,899	36,745	24,398	23,031	23,475	25,403	27,411	28,410	33,737	36,747	34,682	28,772	28,963	28,005	31,153	32,347	32,471	
43. " Total ...	"	60,779	47,563	32,552	30,419	30,659	33,006	35,493	36,727	43,466	47,216	45,183	36,884	37,470	36,331	39,809	42,590	42,923	
44. Volume: Food (a) (d) ...	Avg. of 1935 = 100	126.7	118.7	94.5	90.9	87.8	93.3	100	102.4	125.7	109.6	109.6	109.6	109.6	109.6	109.6	109.6	109.6	
45. " Raw materials (a) (d) ...	"	130.4	110.2	86.9	82.0	88.5	92.4	100	102.1	125.7	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	
46. " Manufactures (a) (d) ...	"	142.1	113.8	86.7	83.0	85.0	92.4	100	102.1	115.2	94.3	94.3	94.3	94.3	94.3	94.3	94.3	94.3	
47. " Total (a) (d) ...	"	140.3	115.0	86.2	83.0	85.0	92.4	100	101.5	119.5	94.3	94.3	94.3	94.3	94.3	94.3	94.3	94.3	
48. Shipping: Tonnage entered ...	Thous. net tons	5,225	5,310	5,023	4,947	5,036	5,223	5,302	5,616	5,868	6,100	6,139	6,127	6,068	6,417	5,911	5,887	5,366	
49. " Tonnage cleared ...	"	5,723	5,488	4,862	4,620	4,638	4,477	4,735	5,116	5,503	4,911	5,189	5,238	6,722	5,475	5,352	4,891		
50. Freight rates, Economist Index ...	1929 = 100	365	1,593	1,966	1,971	1,240	878	436	212	95	145.4	129.8	93.9	98.3	98.8	100.4	96.8	97.2	
51. Cable and wireless traffic receipts.	1929 = 100	100	81.7	82.2	77.9	75.1	76.4	76.8	87.3	132.5	76.5	76.5	72.5	66.4	63.1	60.2	71.3	68.7	
52. Corresponding month 1929 = 100		100	87.3	73.9	72.3	70.5	72.5	73.5	74.4	78.9	145.4	145.4	76.5	72.5	66.4	63.1	60.2	71.3	
EMPLOYMENT AND WAGES																			
53. Insured pers. employed G.B.	Thousands	10,220	9,797	9,421	9,348	9,681	10,139	10,877	10,912	11,496	11,664	11,580	11,369	11,413	11,447	11,429	12,294	12,258	
54. Insured pers. unemployed "	"	1,212	1,915	2,630	2,756	2,966	2,107	1,957	1,884	1,413	1,323	1,432	1,803	1,773	1,759	1,799	1,781	1,828	
55. Per cent. unemployed "	"	10.3	15.8	21.1	21.9	19.8	16.6	15.3	13.0	10.6	9.9	10.7	13.0	12.9	12.6	12.8	12.7	13.0	
56. Reg'd at Exchanges, all ages, ...		1,276	2,014	2,718	2,813	2,588	2,221	2,106	1,822	1,586	1,460	1,580	1,894	1,875	1,843	1,881	1,863	1,911	
57. " London ...	"	118	177	273	306	272	216	203	179	171	167	189	213	209	203	211	238	247	
58. " S. E. England ...	"	50	75	114	142	120	93	91	79	70	72	85	79	75	77	84	99	107	
59. " S. W. England ...	"	69	91	129	157	147	127	114	94	83	74	80	72	72	70	78	98	107	
60. " Midlands ...	"	165	267	381	371	322	245	217	178	144	140	152	226	227	238	224	208	205	
61. " N. E. England ...	"	290	419	509	602	557	478	452	304	165	145	162	208	217	215	217	195	199	
62. " N. W. "	"	285	522	627	662	517	461	439	374	304	289	314	436	384	395	416	381	386	
63. " Northern (c)	"										138	143	156	164	163	161	167	168	
64. " Scotland ...	"	156	244	358	378	364	331	314	277	246	222	234	240	254	239	248	245	254	
65. " Wales ...	"	116	158	196	228	219	208	206	188	151	142	141	170	161	158	168	159	167	
66. " Ireland ...	"	36	60	71	68	68	62	70	67	71	70	81	92	102	84	87	81	83	
67. Indus. disputes, No. days lost		676	361	527	541	87	78	160	154	285	285	152	175	80	86	90	90	90	
68. Wage rates, Min. of Labour (d)	1929 = 100	100	100	97.1	96	95.1	95.1	96.1	99.1	103	107.1	107.1	107						

THE ECONOMIST TRADE SUPPLEMENT

RAW MATERIALS AND CRUDE FOODSTUFFS

GROUP I.—MONTHLY TABLE

Dec. 31,
1938

Commodity	Unit of Measurement	Monthly Average										1937		1938					
		1929	1930	1931	1932	1933	1934	1935	1936	1937 (a)	Oct.	Nov.	June	July	Aug.	Sept.	Oct.	Nov.	
COAL																			
1. Production: Belgium	Th. metric tons	2,245	2,235	2,254	1,785	2,108	2,199	2,207	2,323	2,473	2,593	2,481	2,405	2,233	2,234	2,387	2,526	...	
2. " France	"	4,482	4,499	4,167	3,856	3,907	3,969	3,851	3,769	3,693	4,044	4,073	3,830	3,730	2,776	3,944	4,234	...	
3. " Germany (h)	"	13,529	11,892	9,887	8,728	9,141	10,405	11,918	13,190	15,376	16,113	15,988	14,874	15,763	15,885	15,061	15,638	...	
4. " Poland	"	3,853	3,126	3,189	2,403	2,283	2,436	2,395	2,479	3,018	3,551	3,222	2,902	3,151	3,139	3,547	3,505	...	
5. " U.K.	"	21,837	20,650	18,582	17,717	17,525	18,708	18,877	19,349	20,421	20,699	21,527	17,392	17,096	17,323	18,814	20,012	...	
6. " U.S.A.	"	46,026	40,590	33,395	27,183	28,967	31,399	31,576	36,761	47,470	41,149	36,793	24,665	23,615	28,172	32,106	35,443	...	
7. " All Principal countries	"	107,219	98,062	86,002	76,438	79,694	87,514	89,337	97,877	109,827	106,489	101,836	83,548	83,228	88,048	94,312	100,545	...	
8. Price: Av. Br. expt. price	sh. per ton	16.08	16.67	16.17	16.25	16.08	16.04	16.29	16.98	18.57	19.35	19.46	22.02	21.22	20.72	20.76	20.80	20.81	
OIL																			
9. Production: Dutch East Indies	Th. metric tons	437	461	392	424	461	503	507	536	605	640	621	614	606	597	607	...	...	
10. " Mexico	"	556	492	411	408	422	475	501	511	578	653	629	573	598	541	597	...	...	
11. " Iran (Ang.-Ir. Oil)	"	462	503	487	543	544	579	577	629	871	935	922	902	917	920	917	...	...	
12. " Rumania	"	403	483	563	612	615	708	698	729	836	892	917	892	917	920	917	...	...	
13. " U.S.S.R.	"	11,509	10,260	9,714	8,970	10,317	10,375	11,086	12,550	13,397	15,266	14,287	12,911	14,107	14,555	13,526	...	...	
14. " U.S.A.	"	1,206	1,552	1,912	1,791	1,786	2,013	1,989	2,193	2,267	2,414	2,321	2,543	2,497	2,470	2,497	...	...	
15. " All Principal countries	"	17,145	16,351	15,811	15,048	16,516	17,420	18,838	20,573	23,486	24,827	23,539	21,941	22,755	23,683	22,595	...	...	
16. Stocks: U.S.A. end year	million barrels	422	402	371	340	354	337	315	288	308	308	306	296	289	289	279.9	...	...	
17. Price: U.S.A. Mid-Cont. crude	cents per barrel	123.3	111.1	57.3	81.3	60.1	94.0	104.0	115.2	116.0	116.0	116.0	116.0	116.0	116.0	116.0	96.0	96.0	
CRUDE STEEL																			
18. Production: Belgium	Th. metric tons	342	280	259	232	229	246	252	265	322	350	345	180	185	182	187	207	...	
19. " France	"	908	787	652	470	544	514	523	559	655	701	673	480	436	419	467	512	...	
20. " Germany (h)	"	1,354	962	691	481	632	590	577	629	751	1,011	1,001	1,011	1,011	1,011	1,011	1,011	...	
21. " Japan, ex. castings	"	191	191	157	200	267	325	375	419	419	419	419	419	419	419	419	419	...	
22. " Luxembourg	"	225	189	170	163	154	161	165	209	209	209	209	209	209	209	209	209	...	
23. " U.K.	"	816	620	438	445	595	750	833	990	1,098	782	1,197	789	694	699	787	869	142	
24. " U.S.A., ex. castings	"	4,599	3,326	2,133	1,128	1,913	2,139	2,839	3,963	4,192	2,939	2,189	1,665	2,015	2,388	2,700	3,168	878	
25. " U.S.S.R.	"	407	483	451	490	571	800	1,031	1,362	1,483	1,273	1,528	1,515	1,552	1,462	1,462	1,462	174	
26. " All Principal countries	"	9,714	7,660	5,615	4,113	5,510	6,638	7,993	10,005	10,448	8,300	8,703	7,066	7,712	8,187	8,407	9,169	...	
27. Price: Pig Iron, No. 3	£ per ton	3.53	3.35	2.91	2.91	3.13	3.35	3.39	3.70	4.67	5.05	5.28	5.45	5.45	5.45	5.45	5.45	5.45	
GOLD																			
28. Production: Union of S. Africa	Thous. fine ozs.	868	893	907	963	918	873	898	945	978	987	979	1,015	1,035	1,047	1,035	1,036	...	
29. " U.S.S.R.	"	90	120	146	163	221	317	375	450	500	500	500	500	500	500	500	500	...	
30. " Canada	"	161	175	225	254	246	248	271	310	341	359	353	391	412	410	410	410	...	
31. " U.S.A.	"	171	175	185	185	190	229	264	313	341	...	...	...	...	...	...	...	...	
32. " World (h)	"	1,632	1,736	1,867	2,025	2,112	2,275	2,465	2,762	2,958	...	...	...	...	...	...	...	...	
33. Price: London per fine ounce	sh.	84.9	85.6	92.5	118.0	124.9	137.6	142.1	140.3	140.7	140.52	140.60	140.68	141.18	142.51	144.95	145.66	147.73	
WHEAT																			
34. World shipments, yr. ended July	Mins. of bushels	77	53	69	67	53	46	43	42	50	29	...	...	...	...	...	...	...	
35. Stks.: World visible supplies (d)	"	370.1	411.9	462.7	408.2	459.7	477.2	339.5	275.1	229.5	294.4	305.4	179.2	282.4	333.6	423.5	441.8	...	
36. Average British import price	sh. per cwt.	10.33	8.22	5.09	6.15	5.52	5.38	6.02	7.53	9.28	10.23	10.09	8.31	7.74	6.50	...	...	...	
COTTON																			
37. Mill consumption: U.K.	Thousands of actual	233	205	164	182	187	206	209	228	240	213	243	179	179	...	...	...	...	
38. " Japan	"	231	250	214	231	242	271	311	304	347	311	344	261	261	...	...	...	...	
39. " U.S.A.	"	586	505	437	404	509	472	443	527	548	682	682	445	445	...	...	...	...	
40. " World	"	2,157	2,101	1,874	1,860	2,029	2,093	2,035	2,116	2,383	2,168	2,468	2,066	2,066	...	...	...	...	
41. Stks.: World Visible Supplies (d)	Thousand bales	2,736	4,317	6,593	7,682	7,510	6,571	3,983	4,297	3,873	7,906	8,306	7,177	7,069	6,958	8,501	9,316	9,543	
42. Price: Mid. American	d. per lb.	10.33	7.46	5.08	5.25	5.16	6.71	6.69	6.37	4.84	4.84	4.84	5.01	5.01	4.80	4.79	5.18	5.13	
SUGAR																			
43. Stks.: World Visible Supplies (d)	Thous. tons	4,047	5,522	6,765	7,018	6,441	5,692	4,166	2,983	2,816	4,002	5,981	5,253	4,711	4,226	3,601	4,129	...	
44. Av. Brit. import price, unrefined	sh. per cwt.	9.68	8.01	8.10	7.70	7.46	6.08	6.48	6.71	5.67	9.2	9.95	6.87	6.20	6.19	7.48	8.79	8.79	

GROUP II (a)—BI-MONTHLY TABLE

RUBBER																			
1. Production: Ceylon	Thous. tons	6.69	6.30	5.19	4.10	5.32	6.59	4.52	4.14	5.86	6.70	4.39	3.69	3.86	4.36	3.99	4.84	...	...
2. " D. E. Indies	"	21.22	20.18	21.40	17.58	23.51	31.69	21.31	25.81	35.92	41.43	29.11	24.43	35.01	22.99	20.17	29.91	...	...
3. " British Malaya	"	38.05	36.90	35.20	33.80	37.10	38.90	41.71	39.16	47.59	45.60	28.05	26.74	32.62	30.49	25.79	...	...	...
4. " World	"	72.20	68.80	66.60	59.05	71.03	84.93	74.68	71.36	91.59	100.69	94.22	70.87	81.31	74.19	70.86	75.09	...	...
5. " Quota of restricting countries	% of est. cap'ty	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
6. Consumption: U.K.	Thous. tons	6.02	6.38	6.38	6.50	6.63	6.93	6.93	6.93	6.93	6.93	6.93	6.93	6.93	6.93	6.93	6.93	...	...
7. " U.S.A.	"	38.95	31.33	29.58	28.08	31.33	38.75	41.04	47.79	45.3	38.75	34.03	30.39	32.21	38.17	37.82	40.33	...	...
8. " World	"	67.12	59.53	57.95	57.79	68.73	78.78	78.58	85.07	90.06	85.13	78.72	69.67	70.87	72.58	77.01	81.28	...	...
9. Stocks: U.K. end year	"	18.08	12.79	10.25	6.46	7.08	8.40	9.97	9.97	9.97	9.97	9.97	9.97	9.97	9.97	9.97	9.97	...	...
10. " U.S.A. end year	"	73.2	118.6	127.1	92.7	86.5	134.9	161.3	181.3	181.3	181.3	181.3	181.3	181.3	181.3	181.3	181.3	...	...
11. " World	"	118.6	201.0	322.0	379.0	365.0	355.0	355.0	355.0	355.0	355.0	355.0	355.0	355.0	355.0	355.0	355.0	...	...
12. Price: London, S. S. sheet	pence per lb.	328.7	453.3	589.3	589.2	619.4	687.4	595.3	411.9	113.9	400.7	416.2	521.5	531.6	529.1	507.1	498.5	...	...
13. Price: Visceose, std. grade, per lb.	pence	10.25	5.91	3.13	2.34	3.25	6.22	6.00	7.75	9.50	7.81	7.09	5.22	7.50	7.12	7.91	7.98	...	...
RAYON																			
(i) Continuous Filament																			
14. Production: France (e)	Mill. lb.	3.1	3.3	3.7	4.3	4.8	4.8	4.4	3.5	4.9	6.1	6.1	6.0	...	...	...	...	...	...
15. " Germany (e)	"	4.9	4.9	5.2	4.6	5.2	7.5	7.7	8.3	10.0	12.0	12.0	12.0	...	...	...	...	...	...
16. " Italy	"	5.9	5.5	6.4	5.9	5.9	7.1	7.1	7.1	8.7	9.6	9.5	9.1	8.0	6.4	4.7	...	...	...
17. " Japan	"	2.1	3.0	4.0	6.3	8.2	13.3	18.3	22.9	27.9	28.6	27.6	14.7	14.3	12.7	12.7	...	...	...
18. " U.K.	"	4.4	4.2	4.5	6.7	7.5	9.3	9.3	9.7	10.0	10.4	10.4	8.6	8.7	7.1	8.6	7.8	...	...
19. " U.S.A.	"	10.1	10.6	12.6	11.2	17.8	17.7	21.5	23.2	26.8	28.0	28.0	22.7	22.8	22.8	22.8	...	...	...
20. " World (e)	"	38.0	37.0	41.8	44.0	55.2	64.5	76.8	84.6	97.1	99.6	99.6	72.3	72.3	72.3	72.3	...	...	...
21. Price: Visceose, std. grade, per lb.	pence	...	...	78.0	77.0	72.0	59.0	55.5	55.5	55.1	55.0	55.0	55.0	55.0	55.0	55.0	55.0	...	...
(ii) Staple Fibre																			
22. Production: France (e)	Mill. lb.	...	...	...	0.1	0.2	0.4	0.7	1.0	1.2	1.3	1.0	1.4	...	...	...	...	...	...
23. " Germany (e)	"	...	0.3	0.5	0.5	0.6	0.8	1.4	2.7	7.9	17.1	19.0	20.9	27.5	...	...	...	...	...
24. " Italy	"	...	0.1	0.1	0.1	0.8	1.0	1.4	1.1	2.2	12.8	14.3	14.2	10.0	10.2	12.1	9.9	...	...
25. " Japan	"	...	...	...	0.1	0.1	0.4	0.4	1.1	3.8	14.3	17.8	16.7	7.4	23.7	25.7	28.3	...	...
26. " U.K.	"	...	0.2	0.1	0.1	0.2	0.2	0.3	0.2	2.4	2.9	3.4	3.3	2.9	2.2	3.2	3.9	...	...
27. " U.S.A. (e)	"	...	0.0	0.0	0.1	0.1	0.2	0.2	0.5	1.0	1.7	1.7	2.5	...	...	...	...	...	...
28. " World (e)	"	...	0.7	0.6	0.8	1.8	2.5	4.5	11.4	25.4	50.3	59.9	59.9	...	...	...	...	...	...
29. Price: Visceose, std. grade, per lb.	pence	...	...	...	...	...	...	...	15.5	11.0	10.9	11.0	10.0	10.0	10.0	10.0	10.0	...	...
WOOL																			
30. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lbs.	35	98	101	147	74	114	94	47	48	...	...	...	...	...	...	...	...	...
31. Price: Weekly Wool Chart	1929 = 100	...	49.3	48.6	60.4	68.1	62.1	78.4	104.4	89.7	78.4	105	108.1	67.2	68.0	67.2	69.0	69.0	...
PIG IRON																			
32. Production: France	Th. tons	864	900	968	1,061	527	513	482	520	660	701	688	468	438	421	447	494	...	...
33. " Germany	"	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	1,443	...	...
34. " U.K.	"	643	524	318	368	350	509	544	651	719	782	775	550	516	450	437	477	...	...
35. " U.S.A.	"	3,580	2,639	1,547	1,035	1,119	1,384	1,779	2,593	3,100	2,939	2,039	1,079	1,221	1,518	1,707	2,063	...	...
36. " U.S.S.R.	"	362	417	405	313	597	895	1,012	1,193	1,216	1,273	1,170	1,077	1,290	1,274	1,247	1,473	...	...
37. " All principal countries	"	7,974	6,154	4,480	3,170	3,959	5,026	5,882	7,319	8,084	8,230	7,145	5,680	5,895	6,067	6,200	6,743	...	...
TEA																			
38. Exports: Ceylon	Million lbs.	21.0	20.2	20.3	21.1	18.0	18.2	17.7	18.2	17.9	18.8	17.8	24.9	19.7	17.1	18.1	18.5	...	...
39. " Dutch East Indies	"	13.3	13.2	13.4	14.5	13.2	11.4	12.1	12.8	12.7	11.2	13.1	12.8	12.5	12.4	12.0	...	...	...
40. " British India	"	32.0	30.0	28.8	30.8	27.3	28.0	27.4	26.2	27.6	53.4	47.3	23.3	23.7	45.6	58.0	...	...	...
41. " World	"	80.6	74.7	75.3	77.7	70.7	71.9	70.1	70.3	73.5	106.0	93.3	75.5	87.9	100.2	...	...	...	...
42. Quota of Restricting countries (f)	% of est. cap'ty	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
43. Consumption: U.K.	Mill. quant'y	35.4	36.6	38.5	...	85.0	87.5	82.5	82.5	87.5	87.5	87.5	92.5	92.5	92.5	92.5	92.5	...	...
44. " World	"	78.1	75.2	75.1	74.2	72.2	71.2	72.8	71.3	73.4	46.9	45.6	68.4	65.2	72.0	...	...	...	...
45. Stocks: U.K. and Holland (c)	"	281.9	294.8	278.9	315.8	292.7	309.4	270.3	241.2	224.0	176.0	202.0	176.0	175.1	187.0	193.1	217.0	...	...
46. Price: Av. London auctions	pence per lb.	16.25	15.23	12.24	9.45	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	...	...